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AGENDA

Committee	AUDIT COMMITTEE
Date and Time of Meeting	TUESDAY, 26 JUNE 2018, 2.00 PM
Venue	COMMITTEE ROOM 4 - COUNTY HALL
Membership	Independent Members: Ian Arundale (Chair) Gavin McArthur, David Price and David Hugh Thomas Councillors Bale, Cowan, Cunnah, Howells, Lay, McGarry, Singh and Walker

Time approx.

1 **Apologies for Absence**

To receive apologies for absence.

2 **Declarations of Interest**

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

3 **Appointment of Chairperson and Deputy**

To appointment a Chairperson and Deputy Chairperson for the Audit Committee for the Municipal Year 2018/19.

4 **Membership and Terms of Reference (Pages 5 - 8)**

Membership

To note that Council on 24 May 2018 appointed the following Members to this Committee:

Independent Members: Ian Arundale, David Hugh Thomas, Gavin McArthur and David Price

Councillors Bale, Cowan, Cunnah, Howells, Lay, McGarry, Singh and Walker

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Terms of Reference - attached

5 Minutes (*Pages 9 - 18*)

To approve as a correct record the minutes of the meeting held on 27 March 2018.

6 Operational Matters

6.1 Paul Orders, Chief Executive - Council Internal Control Environment 2.05 pm
(*Pages 19 - 22*)

6.2 Christine Salter, Corporate Director Resources - Update on the Internal Control Environment 2.25 pm
(*Pages 23 - 32*)

7 Finance

7.1 Finance Update Including Resilience Issues (*Pages 33 - 34*) 2.45 pm

7.2 Draft Statement of Accounts 2017-18 (including the AGS) 2.50 pm
(*Pages 35 - 246*)

8 Governance and Risk Management

8.1 Senior Management Assurance Statement review - Feedback - Final Decision 2.55 pm
(*Pages 247 - 256*)

8.2 Corporate Risk Management (Year-End) (*Pages 257 - 282*) 3.00 pm

8.3 Audit Committee Annual Report 2017-18 (*Pages 283 - 306*) 3.05 pm

8.4 Audit Committee Self Assessment Feedback/Action Plan 3.10 pm
(*Pages 307 - 316*)

9 Wales Audit Office

9.1 Annual Improvement Plan

9.2 WAO Activity / Report Progress Update (incl. Performance) (*Pages 317 - 324*)

10 Treasury Management

10.1 Performance Report (*Pages 325 - 332*) 3.25 pm

11 Internal Audit

11.1 Internal Audit Annual Report 2017-18 (*Pages 333 - 362*) 3.30 pm

11.2 Investigation Annual Report 2017-18 and Progress Update 2018-19 (*Pages 363 - 372*)

- 11.3 Audit Team Progress Update 2018-19 (*Pages 373 - 516*)
- 12 **Outstanding Actions** (*Pages 517 - 518*)
- 13 **Work Programme Update** (*Pages 519 - 520*)
- 14 **Urgent Business**
- 15 **Date of next meeting**

The next meeting will be held on 18 September 2018.

Davina Fiore
Director Governance & Legal Services
Date: Wednesday, 20 June 2018
Contact: Graham Porter,
029 2087 3401, g.porter@cardiff.gov.uk

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Audit Committee Terms of Reference

Governance, Risk & Control

- To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
- To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account the internal audit opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control.
- To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- To consider the Council's framework of assurance and ensure that it adequately addresses the risk and priorities of the Council.
- To monitor the effective development and operation of risk management in the Council.
- To monitor progress in addressing risk-related issues reported to the committee.
- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
- To monitor the Counter-fraud strategy, actions and resources.

Internal Audit

- To approve the Internal Audit Charter.
- To approve the risk-based internal audit plan, containing internal audit's resource requirements, the approach to using other sources of assurances and any work required to place reliance upon those other sources.
- To approve significant changes to the risk-based internal audit plan, including audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- To approve significant interim changes to the risk based internal audit plan and resource requirements.
- To make appropriate enquiries of both management and the audit manager to determine if there are any inappropriate scope or resource limitations.
- To consider reports from the Audit Manager on Internal Audit's performance during the year. These will include:
 - Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work;
 - Regular reports on the results of the Quality Assurance and Improvement Programme;

- Reports on instances where the internal audit function does not conform to the PSIAS and Local Government Application Note considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement. The opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control together with a summary of the work supporting the opinion – these will assist the committee in reviewing the Annual Governance Statement.
- To consider summaries of specific internal audit reports as requested.
- To receive reports outlining the action taken where the Audit Manager has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- To contribute to the Quality Assurance and Improvement Programme and in particular the external quality assessment of internal audit that takes place at least once every five years.
- To consider a report on the effectiveness of internal audit to support the Annual governance Statement, where required to do so by the Accounts and Audit Regulations.
- To support the development of effective communication with the audit manager.

External Audit

- To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- To consider specific reports as agreed with the external auditors.
- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To commission work from internal and external audit.
- To advise and recommend on the effectiveness of relationships between external and internal audit and other inspector agencies or relevant bodies.

Financial Reporting

- To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the
- financial statements or from the audit that need to be brought to the attention of the Council.
- To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
- To seek assurances that the Council has complied with the Treasury Management Strategy and Practices by demonstrating effective control of the associated risks and pursuing optimum performance consistent with those risks.

Accountability Arrangements

- To report to Council on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of the governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
- To report to Council on an annual basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- To raise the profile of probity generally within the Council and to report on matters of concern to the individual Cabinet Member, relevant Scrutiny Committee, Cabinet or to Council as necessary and appropriate.
- To work in synergy with the Scrutiny Committees of the Council and liaise with other Council Committees as and when appropriate to avoid duplication in work programmes.

Training & Development

- To attend relevant training session in accordance with the Member Development Programme including specialist training tailored for Members of the Audit Committee e.g. treasury management.

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AUDIT COMMITTEE

27 MARCH 2018

Present: Independent Members: Ian Arundale (Chair)
Gavin McArthur, David Price and David Hugh Thomas

Councillors Bale, Cowan, Lay, McGarry, Dianne Rees and Singh

78 : APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Cunnah and Howells.

79 : DECLARATIONS OF INTEREST

D. Hugh Thomas and Councillor Bale declared an interest in Agenda Item 7.2 as members of the Cardiff and Vale Pension Scheme.

80 : MINUTES

The minutes of the meeting held on 11 January 2018 were approved by the Committee as a correct record, subject to the following amendments:

Minute 70, pages 13 and 14:

Third paragraph: delete the final sentence: 'several sampling mechanisms...tenants' and replace with 'WAO advised that they will try to supplement the telephone survey with some focus groups'

Fourth paragraph: delete and amend to: 'WAO advised that they are undertaking a high level digital risk diagnostic to help identify potential digital risks and whether any further related audit work would be needed. A Member asked if this was directly related to GDPR but WAO advised that it was not, but may cover this at a high level.'

Final paragraph: amend from third sentence as follows: 'As part of 2018-19, members were advised that WAO were seeking to follow up on previous Local Government Studies relating to leisure, environmental health and corporate safeguarding. WAO will be consulting councils on the topics for future Local Government Studies.' Please delete rest of the paragraph.

81 : EXCLUSION OF THE PUBLIC

RESOLVED – That the public be excluded during discussion of the following item of business on the grounds that if members of the 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 as defined in the Local Government Act 1972.

82 : URGENT BUSINESS

The Committee received an update in relation to an on-going fraud investigation.

Operational Matters

83 : ECONOMIC DEVELOPMENT DIRECTORATE: UPDATE ON INTERNAL CONTROL ENVIRONMENT

The Chairperson welcomed Neil Hanratty, Director; Ken Poole, Head of Economic Development and Tara King, Assistant Director; to the meeting. The officers were invited to deliver a brief presentation.

The presentation was a summary of the Director's approach to governance and internal control within the Directorate. The update also sought to provide assurance on the implementation of the recommendations made by Internal Audit.

The Committee was advised that the Directorate has developed a clear structure and process for managing and monitoring the strategic and operational risks that are related to its responsibilities and commitments. Further detail on the management and mitigation of the Directorate's risks on the Corporate Risk Register were set out in the report. The current Corporate Risks are Asset Management; Waste Management; Non-completion of Statutory Building Equipment Maintenance; and Fire Safety Arrangements in Council Owned Buildings.

The Directorate Management Team is actively engaged in a review of the Directorate Senior Management Assurance Statement. Overall, there is a strong application of governance and controls across the directorate with an improved position in terms of risk identification and management following the development of service risk registers for all teams across the directorate.

In terms of fraud prevention and detection, the Directorate was said to work proactively with Internal Audit to agree a schedule of audits throughout the year or as required. Records of investigations are retained in order to evidence the implementation of the Fraud, Bribery and Corruptions Policy and the Disciplinary Policy.

The Chairperson invited Members of the Committee to comment, seek clarification or raise questions on the information received. Those discussions are summarised as follows:

- Members asked how the directorate could demonstrate how VFM is being achieved. Officers stated that in all aspects of Economic Development and Commercial Services VFM is a priority. The Directorate is income driven and VFM is central and crucial in terms of contract development and retention of customers. Officers stated that in terms of the property portfolio, external advisors test whether VFM is being achieved; other services compete with the private sector and these services are competitively priced. The directorate is retaining existing and gaining new customers.
- Members referred to page 20 of the report and the assurance rating for the Capital Cardiff Fund of 'Insufficient with major improvement needed'. Officers were invited to comment upon this rating. The Head of Economic Development stated that all recommendations arising from the audit report were accepted and action implemented. Members were advised that the fund have been repositioned by moving towards securing equity in new businesses and away from providing loans to start-up businesses. The anticipated outcome being that

the release of equity will generate capital gains. Officers confirmed that colleagues in Internal Audit are monitoring the application of the action plan and regular meetings are held.

- Members asked whether officers were aware of any evidence of significant breaches of Health and Safety or Fire Safety regulations. Officers indicated that cladding and fire safety measures in all Council assets within the non-domestic estate were reviewed. At this stage in the information gathering, there were no major non-compliance issues reported. Officers are currently unaware of any breaches, but in the event any are detected then those resultant breaches would be reported to the Health and Safety Board.
- The Director stated that the main finding of the review was that there was a need to develop a full picture of the Directorate's statutory responsibilities and efforts have been made to address that need. The RAMIS system has been implemented. The RAMIS system records and stores statutory compliance certification across a broad range of areas including fire safety and electrical safety. A programme of safety audits is being undertaken on every building within the estate and new tenancy agreements have been introduced between the authority and its tenants, including schools, in order to improve clarity in terms of who is responsible for what. The Directorate was now in a much improved position but there was still some way to go. The RAMIS system requires every safety certificate to be deposited and there are certificates still required in approximately 30% of the buildings.
- Members asked what lessons have been learnt when the city has played host to large events in terms of directorates working together to ensure that the impact on residents is minimised. The Director advised Members that a new governance process has been introduced which includes the establishment of a board of major stakeholders. Following concerns expressed by Members of the business community in terms of the impact of large events on trade, the stakeholder group now also includes a Member from the Business Improvement District Board. Formal governance and command structures are in place and debrief meetings are held following each event.
- Officers were asked to comment on the possible failure to meeting landfill waste targets. Officers advised that there were two targets – landfill diversion and recycling performance. The directorate is exceeding its landfill diversion target, whilst recycling performance continues to be challenging. International markets for recycled materials are declining and this had presented a risk in terms of moving recycled materials on. Kerbside collections and HWRCs should present opportunities to improve performance. The new Waste Management Strategy will address key areas.

RESOLVED – That the report be noted.

84 : PUBLIC SECTOR INTERNAL AUDIT STANDARDS

The Public Sector Internal Audit Standards (PSIAS) require that an external assessment be conducted at least once every five years by a qualified independent assessor or assessment team from outside the organisation. The Chief Audit

Executive of RCT. has carried out Cardiff's assessment. The Committee received a report providing Members with an update on the assessment of the audit team.

The Chairperson welcomed Marc Crumbie from Rhondda Cynon Taf Council.

Mr Crumbie provided an overview of the assessment process and the outcomes.

Members were asked to note the Action Plan appended to the report. Several actions were already implemented, some of which were contained in subsequent reports at this meeting. The Quality Audit Improvement Plan will be reported at the June meeting of the Committee.

A Member asked why the review had not been undertaken by an officer from the Core Cities Group. The Head of Finance stated that the Welsh Auditors Group had mutually agreed this round of reviews two years ago. Review by colleagues in the Core Cities Group remains an option, however, with a view to cost and locality, the review was undertaken within Wales. Members received assurance that best practice is shared within the core cities group.

A Member asked whether the formation of the Internal Audit Plan could be more clearly related to risk and whether there was any scope to use the Corporate Risk Register (CRR) as a driver. Mark Crumbie confirmed that the CRR is used as a source of information and the Audit Plan could be more detailed in terms of advising the Committee.

The Committee requested that they continue to be consulted in advance of the next PSIAS assessment.

RESOLVED – that the contents of the report be noted.

Finance

85 : FINANCE UPDATE (INCLUDING FINANCIAL RESILIENCE ISSUES)

The Committee received an update on the Council's financial position from the Corporate Director Resources.

The report included a summary of the Month 9 monitoring position. Members were advised that the Cabinet considered the Month 9 monitoring report on 15 February 2018. The report indicated a balanced position in line with the position reported at Month 6. However, the overall position has changed due to an increase of the overspend on directorate budgets as a result of further pressures within Children's Services, an increase in the projection for capital financing costs and a reduced surplus on Council Tax collection. These were offset by a further increase in NDR refunds on Council properties and by an increase in the projected saving on insurance budgets in the current year.

Members were advised that the overall position continued to reflect a range of demographic, service and other financial pressures including shortfalls against budget savings targets and overspends in relation to capital finance costs, details of which were set out in the report.

The report also included a summary of the 2018/19 budget and the Medium Term Financial Plan (MFTP). The Corporate Director Resources stated that the 2018/19 Budget and MFTP commitments were aligned with the priorities set out in the Corporate Plan. Members were asked to note the potential for a budget gap of £91.4 million over a three-year period, and the 'worse case' analysis indicating a potential budget gap of £117.4 million. The budget report set out a range of measures and budget savings based on themes to address the potential base budget gap.

Members asked whether the controls for staff headcounts were robust. The officers stated that budgets are the responsibility of individual directors. The corporate recruitment system – Digigov – is linked to the establishment and decisions on new posts/vacant posts need to be approved by accountants prior to approval by senior manager within the directorate.

A Member asked what modelling has been undertaken to assess the effect of a recession on income streams. Officers advised that modelling on income/demand has been undertaken but it takes in a range of factors such as market conditions, competitors, changing customer preferences, income etc. The Committee will receive a report on income generation at the September meeting.

RESOLVED – That the financial information provided in respect of the 2017/18 monitoring position and the outcome of the budget for 2018/19 and the medium term be noted.

86 : DRAFT STATEMENT OF ACCOUNTS/AGS & REPORT ANY CHANGES IN ACCOUNTING POLICY

The Council is required to prepare accounts using a Code of Practice developed by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Committee received a report on the draft Accounting Policies 2017/18 and changes to the 2017/18 Code of Practice.

Officers reported no significant changes to the Code for 2017/18. The main change in 2018/19 related to the incorporation of – International Financial Reporting Standard 9 – Financial Instruments. This was developed in response to the global financial crisis and it is designed to cover the sophisticated financial instruments often used in financial markets. It was not expected to have significant implications for the Council.

RESOLVED – That:

- (1) The Committee notes the draft accounting policies and assumptions to be used in preparing the statement of accounts for 2017/18 and beyond;
- (2) The Committee notes the changes to governance requirements for the current and future year's accounts.

Governance and Risk Management

87 : DRAFT ANNUAL GOVERNANCE STATEMENT 2017/18

The Audit Committee is required to review the Annual Governance Statement (AGS) prior to its approval and to consider whether it properly reflects the risk environment

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

and supporting assurances. The Committee is also required to consider the Council's corporate governance arrangements against the good governance framework.

The AGS will form part of the Council's Statement of Accounts 2017/18. The draft AGS appended to the report at Appendix A was prepared prior to year-end and it currently contains a number of gaps as many of the review activities take place after the financial year.

The AGS summarises the Council's assessment against the governance framework through three elements:

- Statements from the Audit Manager, Audit Committee and Senior Management
- A Senior Management review of the Council's significant governance issues
- Supporting information and evidence mapped to the core and supporting good governance principals of the CIPFA framework

The Audit Committee's opinion from its Annual Report will be included in the AGS together with statements from the Audit Manager and Senior Management on the system of internal control at the year-end position. These will be approved and added to the AGS following the financial year-end.

An AGS action plan of significant governance issues is owned and maintained by the Senior Management Team (SMT). The Chief Executive and all Directors review the action plan biannually and meet to discuss and agree progress made, any changes and actions required. The Audit Committee received the mid-year Action Plan from SMT in January 2018 and the year-end action plan will be reported to the Committee in June 2018.

The draft AGS has also been populated with supporting information against each of the core and supporting good governance principles of the CIPFA Governance Framework.

Members noted that Cabinet approved the Capital Ambition Delivery Programme to replace the Council's Organisational Development Programme (ODP). The establishment of the Capital Ambition Delivery Programme followed an independent review of the ODP in May 2017, which concluded that the ODP had effectively served its purpose and should allow the Council to respond and adapt to the changing operational environment. Members asked whether there would be any benefit to inviting those responsible for the Capital Ambition delivery programme to appear before the Committee. Officers agreed to circulate the findings of the review prior to the June meeting of the Committee, when the Chief Executive would attend.

RESOLVED – That the draft Annual Governance Statement be noted.

88 : CORPORATE RISK REGISTER QTR 3 UPDATE (TO INCLUDE CORPORATE RISK MAP)

The Committee received a report providing an update on the Council's risk management position at Quarter 3 2017/18. Members were advised that at Quarter 3 there were 349 risks reported from Directorate Risk Registers. All escalated risks

and requests for de-escalation were approved by SMT on 13 March 2018. A total of 14 risks would be carried forward as SMT escalated risks at Quarter 3.

SMT reviewed each escalated risk. Following the review, the residual ratings of the following Corporate Risks were adjusted:

- Air Quality
- Climate Change and Energy Security

New risks on 'Coastal Erosion' and 'Delivering the Capital Ambition Programme' were added to the Corporate Risk Register.

The Committee discussed whether the Coastal Erosion risk was subject to any assessment and whether there were any contingency plans or emergency plans represented in the Corporate Risk Register. It was confirmed that the coastal erosion risk was based upon an environmental analysis and that the Business Continuity risk focuses on contingency and emergency planning. Members raised concerns that Coastal Erosion controls appear to be not in place and embedded within the CRR. It was anticipated that an explicit statement in terms of control of Coastal Erosion would be provided within the CRR.

Officers were asked to comment on the evolution of a number of Special Purpose Vehicles (SPVs) within the City region and in particular the governance arrangements for 'off balance sheet' transactions. The Head of Finance referred Members to the Cardiff Central Bus Station Report being considered by Cabinet on the 28 March 2018. Monmouthshire Council leads on the Semi-Conductor project and a report was submitted to the Capital Region Cabinet recently.

RESOLVED – That the report be noted.

Wales Audit Office

89 : ANNUAL AUDIT PLAN 2018

The Chairperson invited Phil Pugh of Wales Audit Office (WAO) to present the WAO audit Plan 2018. The Committee received a summary of the Audit Plan and a breakdown of the fees structure for 2018.

Members asked whether the fees were tied to the distribution of audit days. If this was the case, Members suggested that it would be useful to see how the fees are related to members of the team. Phil Pugh confirmed that fees do relate to the number of audit days and agreed to provide further information relating to the calculation of fees to the Committee.

RESOLVED – That the report be noted.

90 : CARDIFF AND VALE PENSION FUND ANNUAL PLAN

D. Hugh Thomas and Councillor Bale declared an interest in this item as members of the Cardiff and Vale Pension Scheme.

The Committee was advised that the Cardiff and Vale Pension Fund Annual Audit Plan was risk based. Details of the risk-based approach utilised were set out in the report.

RESOLVED – That the report be noted.

Treasury Management
91 : PERFORMANCE REPORT

The Committee received a report providing treasury performance information and a position statement on Treasury Management as at 28 February 2018.

Members were advised that Internal Audit had undertaken a review of the Treasury Management function in February 2018 and the level of assurance provided was 'Effective, with opportunity for improvement'. The recommendations are to consider any requirements under the updated CIPFA treasury management code in 2018/19 and consider additional approval processes for CHAPS/Faster Payments required to be made by Treasury Management staff. These will be developed in 2018/19 as part of the management response to the recommendations.

Responding to a question from the Committee, officers confirmed that borrowing is made at fixed interest rates and there are penalties for early repayment. All interest repayments are covered in the base budget.

RESOLVED – That the report be noted.

92 : TREASURY MANAGEMENT PRACTICES

RESOLVED – That the report be noted.

Internal Audit
93 : INTERNAL AUDIT TEAM

The Head of Finance presented a report providing an update on the work of the Internal Audit Team for the year, as at 28 February 2018. The Internal Audit Progress report was attached at Appendix A. The progress report provided detail of the performance of the audit team with reference to the Audit Plan, outlining the challenges facing the audit team, remedial actions taking place and the information provided to the Audit Committee in order to provide assurance that internal controls are being covered.

Members were asked to note that 69% of audits in the Audit Plan have been completed and a further 11% would be completed by the end of the financial year.

Appendix C to the report detailed the audit recommendations issued during the year and the process in implementing those recommendations to date. 58% of recommendations agreed have been implemented.

A Member referred to Page 265, Annex A and noted that the opinion of an audit of GLL was 'Insufficient with major improvement needed'. The Head of Finance reported that the GLL audit report has been issued and officers are working with

colleagues within the directorate on the recommendations. The recommendations will be reported to the June meeting of the Committee.

RESOLVED – That the Committee notes the contents of the report and the proposed change to the audit plan for 2017/18 to address the shortfall in the number of audit days.

94 : INVESTIGATION TEAM

The Head of Finance presented a report providing an update on the work of the Audit Section's Investigation Team for the year, as at 14 March 2018.

Members were advised that number of investigations completed during the year exceeded the total for the same period last year. Adhoc investigations are primarily related to employees and related to ongoing disciplinary matters and potential suspected fraud. The value of concluded investigations exceeded £190,000.

Members noted the progress report included at Appendix A. A Member commented that there is often a common theme when fraud emerges that there is an 'epidemic' or activity. Officers were asked whether there was any potential for further investigations. The Committee was advised that any future investigations would be reported in due course.

Officers indicated that no Internal Audit resources were used to supplement investigations and therefore the Audit Plan would not be compromised.

A Member asked whether any action had been taken to reinforce the Whistleblowing Policy as the actions of members of staff can make a big impact on the reputation of organisations. Officers stated that the Whistleblowing Policy has been included on the core brief in order to provide assurance and encourage staff to bring concerns forward.

RESOLVED – That the report be noted.

95 : FINAL INTERNAL AUDIT CHARTER 2018-19 AND FINAL AUDIT PLAN 2018-19

RESOLVED – That the Committee approves:

- (1) The Internal Audit Charter 2018-19 and terms of reference;
- (2) The Final Audit Plan 2018-19.

96 : FRAUD BRIBERY AND CORRUPTION POLICY 2017

The Committee received and Members were asked to consider the revised Fraud, Bribery and Corruption Policy 2017.

RESOLVED – That:

- (1) The policy update be approved;

(2) The Section 151 Officer be granted delegated authority to approve minor amendments to the Policy.

97 : SCRUTINY CORRESPONDENCE

No Scrutiny Correspondence was received.

98 : WORK PROGRAMME UPDATE

The Audit Committee Work Programme was noted.

99 : DATE OF NEXT MEETING

The next meeting of the Committee is scheduled to take place on 26 June 2018, subject to approval at the Annual Meeting of the Council on 24 May 2018.

The meeting terminated at 3.45pm

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Chairperson



AUDIT COMMITTEE: 26 JUNE 2018

COUNCIL INTERNAL CONTROL ENVIRONMENT

REPORT OF CHIEF EXECUTIVE

AGENDA ITEM: 6.1

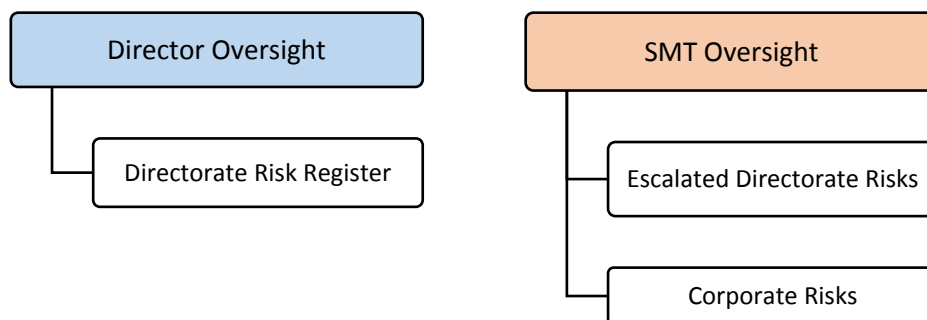
Reason for this Report

1. This report provides the view of the Chief Executive in respect to governance and control across the Council.

Issues

Risk Management

2. The Council’s Capital Ambition involves the coordination of a wide range of diverse functions and programmes of work. Delivering our objectives requires the management of a wide range of risks on a daily basis at both operational and strategic levels. We have a progressive and aspirational risk management approach, through which we focus on identifying the key risks to our delivery, from which we develop and implement actions to achieve targeted risk levels.
3. Our approach to risk management ensures that Senior Managers are supported to ensure that risks are identified and reported to the right level in a timely manner. Officer risk champions and operational managers support each director in formally identifying and reviewing their operational and strategic risks on a quarterly basis, whilst being on hand for ongoing advice, guidance and support.
4. To report new and emerging risks, we have a process of risk escalation through which our directors communicate significant risks to SMT to raise collective awareness and support. Whilst directors are accountable for deciding which risks they escalate to SMT, as a minimum requirement all ‘red’ residual risks are escalated each quarter.



5. To ensure the corporate risk register is a current reflection of the primary risks to our objectives, we formally review and update it on a quarterly basis. We prioritise managing

the Council's most critical risks, in particular red residual risks, and any increase in residual risk.

6. We have developed target risk ratings for our 'red' residual corporate risks, and have set challenging, but achievable, timescales for reducing these risks. Of our eight red residual corporate risks at the end of Q4 2017/18, we have target residual risk levels for six risks as follows.

Red Risk Targets – Corporate Risk Register.

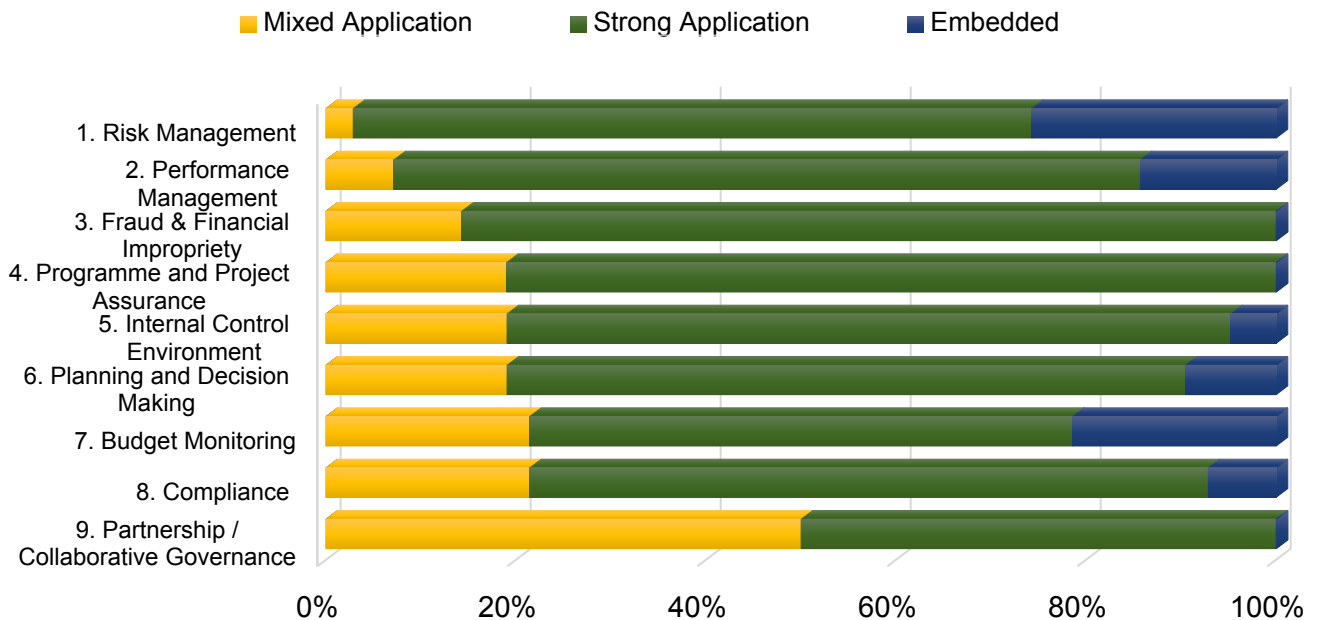
No.	Risk	Risk Rating		Target Date
		Current	Target	
1.	Health and Safety	B1	C3	B2 by Q1 2018/19 then C3 by Q1 2019/20
2.	Statutory Building Equipment Maintenance	B1	C3	B2 by Q1 2018/19 then C3 by Q1 2019/20
3.	Coastal Erosion	B1	D1	Q4 2021/22
4.	Air Quality	B1	C3	Q1 2021/22
5.	Budget Monitoring – Control	B2	C2	Q4 2018/19
6.	Financial Resilience	B2	C2	Q3 2018/19

7. There are two corporate risks for which we are not currently in a position to target overall risk reductions. This is as a result of external factors, which have presented uncertainty and limited our levels of actual control.
 - a. **City security** – Our current focus is on making targeted incremental improvements through investment in the City infrastructure. We are actively engaged in partnership working to prevent, protect and prepare for a major security-related incident, but this is against the backdrop of the UK threat level of 'severe'.
 - b. **Welfare reform** – Our attention is firmly on managing the impact on citizens. Once there has been a greater roll out of Welfare Reform, we will have more certainty on the full impact, and will be in the position to identify and progress formal risk reduction targets.

Senior Management Assurance Statement (SMAS)

8. The senior management assurance process provides a strong internal challenge for us to continue to identify and target improvements in key areas of governance. Whilst the current process of assessing the maturity of our governance has only been in place for 12 months, the level of conversation, challenge and focus on improvement from SMT has been positive.
9. Each director has worked with their management teams to assess their directorate position, before submitting their returns for discussion in SMT. The SMT review is attended by the Audit Manager and a co-ordinating Principal Officer who are available to provide independent insight when we consider the overall position.
10. The year-end SMAS returns were presented to SMT on 22 May 2018, and following detailed discussion and review, the overall assurance statement for the annual governance statement (AGS) and the Action Plan of significant governance issues were approved, subject to a small level of moderation.

SMAS Analysis - 2017/18 (year-end)



11. Across the nine governance areas, our responses were at rates of ‘mixed’, ‘strong’ and ‘embedded’. During the year, we focussed on achieving strong assurance and above in all areas. At the year-end, we can report 83% are at a strong or greater assurance level, an improvement on the mid-year assessment of 77%.

12. On review of the seven SMAS returns on 22 May 2018, SMT decided to retain the five governance issues from the prior year on the ongoing AGS Action Plan. These issues continue to represent the key areas for development and ongoing monitoring. The list of governance issues is as follows, for which the full descriptions and current progress is included as part of item 8.1 of the audit committee agenda.

- Capacity and Decision Making
- Commissioning Capability and Capacity
- Relevant Costs and Decision Making
- Partnership / Collaborative Governance
- Robust and Sustainable Savings

13. The independent governance reviews from the internal audit team provide a secondary level of challenge and assurance on good governance, which supports senior management in affirming where we are working well, and where we need to develop. I understand that this year the internal audit team has produced governance reviews across all directorates.

Monitoring / implementing recommendations made in Internal Audit reports

14. The Audit Committee approves the Audit delivery for each year and Senior Management Team is involved in the compilation of the plan in conjunction with the Chief Audit Executive. I meet with the Chief Audit Executive on a regular basis where I receive a summary of the work being undertaken by audit and act as a point of escalation where needed. It is a positive step that Directors meet with their audit relationship manager on a regular basis to both receive audit reports, ensure that recommendations promptly acted upon and to consider areas of risk that need to be brought into future audit plans. The information I receive provides me with a level of independent assurance that I use in conjunction with the SMAS returns and the Corporate Risk updates.

15. I am pleased that there continues to be a significant audit presence in schools and that the use of themed audits across schools enabled 70% of schools to be visited during the year and that the Director of Education and Audit are communicating on a periodical basis to Chairs of Governors and Head Teachers. These communication sessions communicate the findings from the audits in order to get further improvements on compliance.
16. The need for prompt action on recommendations is a high priority and the improving visible performance across the Council in implementation in this area is positive. However, I recognise that the need to continue to provide assurance on key controls is of paramount importance at a time where the financial and demand pressures facing services is increasing. I encourage Directors to have a close relationship with the Internal Audit team and in all areas, there is clear evidence of an effective two-way communication between them.

RECOMMENDATIONS

1. That the Committee notes the contents of the report.

PAUL ORDERS
CHIEF EXECUTIVE
26 June 2018

**AUDIT COMMITTEE: 26 June 2018**

UPDATE ON INTERNAL CONTROL ENVIRONMENT**REPORT OF CORPORATE DIRECTOR RESOURCES****AGENDA ITEM: 6.2**

Reason for this Report

1. This report has been produced in response to the Audit Committee's request for an update on governance and control within the Resources Directorate. This report also aims to provide assurance on the implementation of the recommendations made by Internal Audit.

Background

2. Cardiff Council's Resources Directorate has responsibility for a wide and complex range of statutory duties, functions and services. The Directorate manages the following services through a net budget of £19.9 million and with an establishment of 870 officers.
 - Commissioning and Procurement.
 - Corporate Health and Safety.
 - Digital services including ICT, Customer Services and the Capital Ambition Delivery Team.
 - Finance including Accountancy, Internal Audit and Revenues.
 - Human Resources.
 - Information Governance
 - Performance and Partnerships including corporate policy and Emergency Management.
3. In addition, the Directorate has operational responsibility for the Cardiff and Vale of Glamorgan Local Government Pension Fund currently valued at £2 billion.
4. In respect of all these services, the Directorate is concerned with managing risk at both the strategic and operational level and in respect of service delivery to citizens. The scale and scope of activities undertaken is illustrated by the following list of strategic priorities drawn from the Council's Corporate plan.

- Develop and appropriately skill the workforce to meet the changing needs and demands of the Council.
- Communicate and implement the Capital Ambition Delivery Programme.
- Promote the health and wellbeing of council employees.
- Support the implementation of local government reform and associated collaborative working, both within the directorate and wider council.
- Develop a robust planning framework that reflects the Council's priorities and enable effective decision making and achievement of outcomes.
- Further develop and embed corporate processes that are easy to use, more efficient and that foster innovation whilst clarifying accountability and responsibility.
- Ensure the Council meets its statutory obligations.
- Working with our partners and communities to tackle long standing issues in the community in cost effective and sustainable ways.
- Maximize economic, social, environmental and cultural well-being.

Issues

Risk management and monitoring arrangements.

5. The Directorate has developed a clear structure and process for managing and monitoring strategic and operational risks related to its responsibilities and commitments as set out below
 - **Directorate Delivery Plan** – This sets out key strategic and operational activities aligned to the Corporate Plan and to the Capital Ambition Delivery Programme. Consideration is given to resources required to deliver projects and initiatives together with statutory services along with associated risks.
 - **Risk registers** – risks managed by the directorate are detailed on the registers and are monitored and reviewed quarterly at management meetings. Any risks that are identified as Red or Red/Amber are considered for escalation to the Corporate Risk Register. Risks associated with the delivery of council-wide activities have been identified and are monitored and reviewed alongside the directorate quarterly performance reporting arrangement.
 - **Quarterly Performance Review** – performance is monitored and reviewed by the management team on a quarterly basis and updates are used to feed into a quarterly review of both directorate and Corporate Risk Registers. The management team considers progress made to deliver key commitments and activities and an evaluation is undertaken to determine the extent to which risks have been mitigated and whether any further action is required to manage down risks accordingly.
 - **Risk Management Steering Group** – this is managed through the Resources Directorate which allows officers to have access to expert advice and developments at the earliest opportunity. A number of Risk Champions with skills in core disciplines, support directorate risk management on an ongoing basis.

Current Corporate Risks

6. The Resources Directorate currently collates the corporate position for twelve risks as the owner of associated policies and frameworks. The relative positions are summarised below, classified by the primary nature of each risk (strategic, financial, service delivery, legal and regulatory).
 - **Strategic**
7. The Directorate reports the corporate position against three risks to Council strategy.
 - **Delivering Capital Ambition Programme** – The risk of failing to deliver an effective programme of change to support the Administration’s four year Capital Ambition Delivery Programme (CADP). The CADP replaced the Organisational Programme (ODP) as the corporate change programme in December 2017 following recommendations of an independent review in May 2017. The focus of the CADP is on a smaller number of transformational programmes, aligned to corporate priorities and budgets. Governance documentation such as the project brief and project acceptance criteria is in development.
 - **Workforce Planning** – The risk to the Council’s capability and capacity of ineffective forecasting and planning for future workforce needs. There are active mechanisms in place to develop existing staff, such as the Cardiff Academy, and apprenticeships and traineeships are promoted to support a pipeline of talent. Cabinet will consider a new workforce strategy for 2018/21 in July 2018 and an IT solution for enhanced personnel data is scheduled to be sourced in 2018/19.
 - **City Security** - The risk of a Major security-related incident in the city as a result of international or domestic terrorism. The current focus is on making targeted incremental improvements through investment in the City infrastructure. There is active engagement in partnership working to prevent, protect and prepare for a major security-related incident, but this is against the backdrop of the UK threat level of ‘severe’.
 - **Financial**
8. The Directorate reports the corporate position against three risks to finance and internal control.
 - **Financial Resilience** – The risk of failing to deliver a balanced annual budget and a fully informed Medium Term Financial Plan, which would significantly weaken the financial resilience of the Council. The current Budget Gap of £91 million for the period 2019/20 to 2021/22 will be addressed through the budget planning process, which has been brought forward in recent budget setting cycles to allow more time for challenge and focus in achieving a deliverable budget.

- **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. The Council's monitoring approach is robust and includes challenge sessions to provide assurance on the in-year financial monitoring position, through which we continue to report the actual and projected overspends are reported to SMT for review and mitigation. Cabinet portfolio holders are also kept informed of the monitoring position on a regular basis.
- **Fraud, Bribery and Corruption** - Fraud, financial impropriety or improper business practices may increase due to weak internal controls, which may result from stretched resources. Management assurances and the independent work of the Internal Audit function, indicate that the potential for impropriety is isolated to a minority of areas for which there are targeted actions in place to improve the internal control environment. The Council's refreshed Fraud, Bribery and Corruption Policy reinforces the significance given to robust stewardship, a culture of accountability and zero tolerance to impropriety.
- **Service Delivery**

9. The Directorate reports the corporate position against three risks to the delivery of services.

- **Performance Management** –The risk to embedding, consistently applying and continually developing performance management arrangements in line with the Council's evolving operating environment. The work done over the past few years has improved the Council's approach to performance management, and led to improved performance in many key areas. The primary challenge and focus going forward is to continue to improve service provision in the context of reducing finances and demographic growth.
- **Business Continuity** - The risk of a large-scale incident/loss affecting the delivery of services. As business as usual, we measure the criticality of our services and set recovery timeframes, which range from 0-1 hours to 5 working days for different priority activities. Directorates are required to prepare business continuity plans for time sensitive services, for which a programme of audits provide assurance and support. For dealing with internal incidents and external emergencies, we have a 24-hour incident management structure occupied by senior officers who are trained to take key roles and responsibilities.
- **ICT Platforms Unsuitable / Outdated** - The risk that ICT platforms (desktop, software, network, servers, and telephones) will not be able to support the technologies required by the corporate change programme, or will not provide a reliable service due to age and condition of equipment and systems. There is a renewal programme in place for ICT platforms, which is considered appropriate for the ambitions and resources of the

Council. New systems have minimum requirements for downtime, and ICT lifecycle monitoring and further support for directorates and schools are identified as areas to progress.

- **Legal and Regulatory**

10. The Directorate reports the corporate position against three legal and regulatory risks.

- **Health and Safety** – The risk of ineffective health and safety compliance through poor application and embedding of the ‘Framework for Managing Health and Safety’ in Cardiff Council. Over the last year, a number of appointments have been made to strengthen the corporate health and safety team, who have taken responsibility for the Council’s RAMIS Statutory Maintenance system and targeting improvements in five key areas (asbestos management, fire safety, electrical safety, gas safety, and legionella control).
- **Information Governance** – The risk that information handled inappropriately could leave the Council exposed to intervention and financial penalties issued by the Information Commissioner (ICO), to include information held by Cardiff Schools. A number of measures have been put in place to prepare for the General Data Protection Regulation (GDPR), which came into force on 25 May 2018, supported by a programme of council-wide training. A GDPR Implementation Plan is in place, overseen by a GDPR Implementation Group with mechanisms for issues to be escalated to the Operational Manager for Information Governance and the Council's Senior Information Risk Owner (SIRO).
- **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. The National Cyber Security Centre approach is used for an ongoing cyber-security assessment against 11 risk factors. Secure configuration, monitoring and corporate cloud security controls have been identified as areas for improvement. Measures to progress include the development of an asset register, ICT lifecycle and notification targets, privacy and cloud impact assessment reviews.

Senior Management Assurance Statement

11. The Directorate Management team is actively engaged in the review of the directorate’s SMAS both at an individual level on behalf of their function and as part of the discussion that considers and collates the overall position. In carrying out this exercise the following picture sets out the thought process used.

Am I Assured?



Have I received supporting SMAS returns which cover all areas of my directorate?

Do I understand the different levels of assurance across all areas of my directorate?

Have I captured assurance from all available sources?

Have I drawn up action plans to target exceptions and achieve the desired level?

Do I need to gain a greater understanding in some areas?
e.g. what is my overall fraud risk?

Have I retained sufficient evidence from my Directorate Management Team?

Have I considered compliance for all areas of the business?
e.g. HRPS, Procurement, Health and Safety, IG, Internal Audit, Regulator (assurance / indicators)

Which areas of assurance am I targeting for embedded in light of finite resources available?

Gweithio dros Gaerdydd, gweithio gyda'n gilydd
Working for Cardiff, working together

12. As might be expected for this directorate the aspects around Risk and Budget Delivery were judged as Embedded while the vast majority of the other aspects have been identified as having a Strong application. Opportunities to improve the integration of risk registers with internal and external stakeholders, to formalise mechanisms for partnership assurances and to improve the future generation approach to decision making have been recognised. These areas for development are common for the Council as a whole and for which corporate actions are being progressed through the AGS action plan.
13. Regular discussions will continue at management meetings to further improve the position in time for the mid-year review.

Monitoring/Implementing recommendations made in Internal Audit reports

14. The audits undertaken for Resources during 2017/18 were:

Audit	Status	Assurance rating	Number of recommendations made	Number of recommendations agreed
Commissioning and procurement	Final report issued	Effective with opportunity for improvement	2	2
Effective Decision Making	Draft reports issued			

Governance	Final report issued	Effective with opportunity for improvement	2	2
Payroll	Final report issued	Effective	0	0
Cybersecurity governance	Final report issued	Insufficient with major improvement needed	4	4
ICT Business Continuity and Disaster Recovery	Final report issued	Insufficient with major improvement needed	3	3
Server virtualisation	Ongoing			
IT governance	Final report issued	Effective with opportunity for improvement	4	4
PCI DSS	Final report issued	Insufficient with major improvement needed	5	3
Insurance (CRSA and testing)	Final report issued	Effective	2	2

15. The latest position in respect of the above audits shown as “Insufficient with major improvement needed” is as follows:

Cyber security governance – all ICT related recommendations have been completed. The one recommendation not yet fully completed relates to Information Governance in respect of one information asset register that remains outstanding. The purpose and importance of Information Asset Registers has formed part of the ‘Information Governance, GDPR and You training’ seminars which have been delivered to all directorates.

On an ongoing basis the Information Asset Registers are used, and will continue to be used, as a point of reference as part of the work to support directorates move forward with complying with GDPR and the UK Data Protection Act 2018. This action is ongoing and will be included in as part of business as usual.

ICT BC and DR – one action has been completed. Work has been undertaken on the second in reviewing the business continuity fall back site locations, and the testing of the plans remains a work in progress.

PCI DSS – four of the actions have been completed, and one remains “in progress” (but with an action date of 31 July 18). The open action relates to training of officers in PCI DSS requirements.

16. Audits were also undertaken on fundamental financial systems during the year:

Audit	Status	Assurance rating	Number of recommendations	Number implemented
Asset management	Fieldwork ongoing			
Council Tax 2016/17	Final report issued	Effective	1	1
Local Housing Allowances	Final report issued	Effective	0	0
Main accounting 2016/17	Final report issued	Effective	0	0
NNDR 2016/17	Final report issued	Effective	0	0
Treasury management	Final report issued	Effective with opportunity for improvement	3	3

17. The recommendations made for final reports issued are reported to every meeting of the Audit Committee on the Recommendation Tracker that is attached to the Internal Audit progress report. Managers are contacted before every Audit Committee meeting for an update on the implementation of recommendations, and the recommendations remain on the tracker until managers confirm that they have been fully implemented, at which point they are marked as closed.
18. Audit has been involved in the revision of the Contract Standing Orders & Procurement Rules and Financial Procedure Rules, which will come into force on 1 July 2018.

Audit Planning and liaison

19. The draft audit plan is presented to Audit Committee in January of each year to allow members to review the broad themes and time allocations. Once the draft plan has been agreed, the Relationship Manager will meet with the Director and management team to discuss the corporate themes and the number of audit days that will be allocated to each of those themes in the directorate. Also discussed at these meetings are any areas of concern that

the Director would like Internal Audit to review and the number of audit days that will be allocated to these assurance or consultation pieces.

20. This is then presented back to Audit Committee in March for final agreement by members. During the year, there are regular, quarterly meetings with the Relationship Manager to discuss progress against the agreed plan and to discuss any emerging risks that might need to be reviewed during the year. Any audits that cannot be undertaken at that time (such as due to on-going system changes) will also be discussed at these meetings. If any changes are made to the agreed audit plan, these are reported to the next meeting of the Audit Committee for the members to agree.
21. Auditors also meet with managers at the start of each audit for initial scoping of the audits and at the end of the audit prior to the draft report being issued to discuss the main findings. Managers will also contact Internal Audit for advice and guidance on any matters of internal control and auditors have been involved with system and process development.

Legal Implications

22. The statutory functions of the Audit Committee include the duty to review, scrutinise and issue reports and recommendations on the appropriateness of the authority's risk management, internal control and corporate governance arrangements (pursuant to Part 6 Chapter 2 of the Local Government (Wales) Measure 2011). In discharging its functions, the Audit Committee must have regard to all relevant guidance, in particular the CIPFA guidance for Audit Committees.

Financial Implications

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

Recommendations

24. Audit Committee are requested to note the contents of the report.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES

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AUDIT COMMITTEE: 26 June 2018

FINANCIAL UPDATE**REPORT OF THE CORPORATE DIRECTOR RESOURCES****AGENDA ITEM: 7.1**

Reason for this Report

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.

This report has been prepared to provide the Audit Committee with an outline of the initial work being undertaken in relation to budget preparation for 2019/20 and to advise the Committee on the current position in relation to the Council's outturn report for 2017/18.

Background

The Council's accounts for 2017/18 have been closed and work has been undertaken in relation to the preparation of the statement of accounts. The Outturn position for 2017/18 is likely to follow through on the position outlined in the 2017/18 monitoring reports and will be reported to the Cabinet Meeting on the 5 July 2018. This report will be issued to Audit Committee at the point of publication. Work in relation to the in-year financial monitoring position for 2018/19 is still at an early stage and updates will be provided to the Committee as the year progresses. Initial work has also begun in relation to budget preparation for 2019/20 and a report outlining the proposed budget strategy will be presented to Cabinet in July. A brief summary of the key issues and areas for consideration is set out below. Further information on the 2019/20 budget process will be provided to the Committee later in the year.

2019/20 Budget Strategy

The 2018/19 Budget Report identified a likely budget reduction requirement of £91.4 million over the period 2019/20 - 2021/22. This is a combination of increasing pressures (£75.9 million) and potential funding reductions (£15.5 million.) The pressures reflected within the gap include pay and price inflation, demand increases and the revenue costs of financing the capital programme. The funding component of the gap assumes there may be annual AEF reductions of 1% over the next three years. This assumption will need to be revisited once the 2019/20 Provisional Settlement is received in October 2018.

The 2018/19 Budget Report also contained the outline strategy to address the £91.4 million budget gap. The strategy combined council tax increases, use of earmarked reserves, a cap on schools' growth and savings. At an estimated requirement of £66 million over the three-year period, savings are the largest element of the strategy. Delivering savings of this scale will be extremely challenging, especially building from a position where £200 million has been saved over the last decade, of which 70% was over the past five years.

Since approval of the Budget Report in February, work has been ongoing to review and refresh key components of the budget gap and to develop the outline strategy. As well as providing an update in this regard, the 2019/20 Budget Strategy Report which is due to be received by Cabinet in July 2018, will also outline the approach with regards the Council's Capital Strategy.

Reason for Recommendations

To inform Audit Committee of the reporting arrangements for the Council's final outturn position for 2017/18 and to outline the work being undertaken in relation to the budget strategy for 2019/20.

Legal Implications

There are no direct legal implications arise from this report.

Financial Implications

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

RECOMMENDATIONS

To note the current position in respect of the out-turn report for 2017/18, and the work being undertaken in relation to the budget strategy for 2019/20.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
June 2018

AUDIT COMMITTEE: 26 JUNE 2018

DRAFT STATEMENT OF ACCOUNTS 2017/18**REPORT OF THE CORPORATE DIRECTOR RESOURCES****AGENDA ITEM: 7.2**

Reason for this Report

1. The Audit Committee Terms of Reference sets out their responsibility for Governance, Risk & Control and also Financial Reporting. This report allows the Committee to be updated with reference to the above.
2. This report has been prepared to provide Audit Committee Members with an opportunity to review and provide comments on the draft 2017/18 Statement of Accounts of :-
 - Cardiff Council including; Cardiff Harbour Authority; Cardiff Port Health Authority; Trust Funds – **Appendix 1**
 - Cardiff and the Vale of Glamorgan Pension Fund – **Appendix 2**

prior to them being signed by the Responsible Finance Officer and formally submitted for external audit and public inspection along with the Annual Governance Statement.

Background

3. The Local Government (Wales) Measure 2011 identifies the review of the Council's Statement of Accounts as a specific function of the Audit Committee.
4. The Statement of Accounts are prepared in accordance with a Codes of Practice developed by the Chartered Institute of Public Finance and Accountancy (CIPFA), legislative and Companies Act requirements where relevant. The Accounts aim to give electors, those subject to levied taxes and charges, those charged with governance, members of the authority, employees and other interested parties, information about activities during the year.
5. The accounts are important to ensure accountability of public funds, to allow comparison across organisations and to meet legislative requirements. However they are complex documents given the requirements to be met.

6. At its March 2018 meeting, Audit Committee considered the accounting policies on which the Council's Statement of Accounts for 2017/18 were to be based, along with the key areas in the accounts where estimates and assumptions are used in preparation of the accounts. Key changes expected to be implemented for the 2017/18 accounts arising from the 2017/18 CIPFA Code of Practice (the Code) and our own internal review were also highlighted.

Issues

7. There are two administrative changes in approach that Committee should be aware of compared to previous years as follows:-
- Cardiff & the Vale of Glamorgan Pension Fund accounts are no longer presented within the Council's accounts, following changes in the Accounts and Audit (Wales) Regulations 2014. These are now a separate standalone set of financial statements
 - A decision has been taken to disclose the Annual Governance statement (AGS) as a standalone document outside of the Council's Statement of Accounts, which represents the governance arrangements of the Council and the Pension Fund.
8. The draft Annual Governance Statement (AGS) has been updated following Audit Committee consideration in March 2018, and is included in **Appendix 3**. It includes assurance statements from the Senior Management Team, the Internal Audit Manager and the Audit Committee for consideration by Audit Committee as part of agenda item 7.2.
9. The Council's statement of accounts includes:-
- a narrative report which provides a general explanation of the overall financial position
 - core financial statements
 - group accounts which consolidates the position to include the unaudited financial position of Cardiff City Transport Services Limited (Cardiff Bus)
 - accompanying by notes which provide further detail on the accounts
 - separate disclosures or accounts for the Housing Revenue Account, Trust Funds and Cardiff Port Health Authority accounts and Cardiff Harbour Authority.

Notes included in the Council's Statement of Accounts either as a result of legislative or accounting requirements include:-

- disclosures on financial instruments (financial assets and financial liabilities)
- capital expenditure and financing
- officer remuneration and exit packages and
- parking and enforcement funds

Committee have previously been provided with a document prepared by CIPFA – Understanding Local Authority Financial Statements. This is a background paper may assist members of Audit Committee and other users to understand the format of the accounts.

Next Steps

10. Current regulations require that the Responsible Finance Officer sign the accounts by 30 June 2018. A draft of Appendix 1 was provided to Wales Audit Office on 15 June and Appendix 2 on the 18 June, ahead of the statutory deadline of the 30 June 2018. The next steps are:
- to advertise the opportunity for Public inspection for a period of four weeks
 - to complete Whole of Government Accounts returns based on the draft accounts, in July 2018
 - for all material amendments and adjustments to be agreed by Wales Audit Office and Council by end of August 2018
 - for Audit committee consideration of the final accounts, accompanying Annual Governance Statement and audit report at its September meeting, prior to Full Council
 - to publish the approved accounts by 30 September 2018 on the Council website.

Legal Implications

11. No direct legal implications arise from this report.

Financial Implications

12. No direct financial implications arise from this report.

RECOMMENDATIONS

That Audit Committee:

- I. Subject to any comments in respect of the 2017/18 draft Statement of Accounts and accompanying AGS, note that the accounts are to be signed by the Corporate Director Resources and submitted for external audit and public inspection.
- II. Note that the audited Statements and Annual Governance Statement for 2017/18 will, prior to being presented to Council, be reviewed by this Committee in September along with the audit report.

CHRISTINE SALTER

Corporate Director Resources
20 June 2018

The following appendices are attached:

Appendix 1 – Unaudited Draft Statement of Accounts 2017/18 – Cardiff Council including, Cardiff Harbour Authority, Cardiff Port Health Authority and Trust Funds
Appendix 2 - Unaudited Draft Statement of Accounts 2017/18 – Cardiff and Vale of Glamorgan Pension Fund
Appendix 3 – Draft Annual Governance Statement 2017/18

Background Paper – Understanding Local Authority Financial Statements (CIPFA – 2016)

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Draft Statement of Accounts 2017/18

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



Contents

Narrative Report by Council's Statutory Finance Officer	3
Statements to the Accounts	17
Statement of Responsibilities for the Financial Statements and Corporate Director Resources Certificate	18
Audit Report	19
Accounting Policies, Critical Judgements and Assumptions	21
Core Financial Statements	37
Comprehensive Income and Expenditure	38
Movement in Reserves	40
Balance Sheet	41
Cash Flow	42
Notes to the Financial Statements	
1 Adjustments between Accounting Basis and Funding Basis Under Regulations	43
2 Earmarked Reserves	45
3 Exceptional Items	49
4 Expenditure and Funding Analysis	49
5 Precepts and Levies	52
6 Participation in Joint Committees	53
7 Council Tax	53
8 Non-Domestic Rates	54
9 Agency Income and Expenditure	54
10 Remuneration	55
11 Health Act 1999 Pooled Funds and Similar Arrangements	59
12 Related Parties	59
13 External Audit Costs	60
14 Leasing	60
15 Investment Properties	61
16 Prudent Revenue Provision	62
17 Pensions	62
18 Non-Current Assets	69

Contents

19 Financial Instruments	74
20 Held for Sale Assets	80
21 Debtors	80
22 Cash and Cash Equivalents	80
23 Creditors	80
24 Interests in other Companies and other Organisations	80
25 Provisions	83
26 Pension Strain	84
27 Deferred Liabilities	84
28 Usable Reserves	84
29 Unusable Reserves	85
30 Grant Income	88
31 Contingent Assets and Liabilities	89
32 Notes to the Cash Flow Statement	90
33 Events After the Reporting Period	90
34 Date of Authorisation of the Accounts for Issue	90
Housing Revenue Account	91
Group Accounts	99
Trust Funds	120
Cardiff Harbour Authority	123
Cardiff Port Health Authority	137
Glossary of Accounting Terms	141

Narrative Report by Council's Statutory Finance Officer

CREV GWIR IN THESE STONES
FEL GW YDR HORIZONS
O F WRNAIS AWENSING

Introduction

This report presents the 2017/18 Statement of Accounts for the County Council of the City and County of Cardiff (the Council). It sets out our financial performance for the past year and is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

The cumulative savings made by the Council over the past 10 years are approaching £250 million, and the financial outlook for future years remains even more challenging. The process of identification of savings, modernisation and improvement to ensure resilient services is a continuous one and will need to be sustained in the medium-term. This is in the context of an uncertain economic environment in Wales, UK and internationally, and the need to maintain priority services that meet resident's expectations. There is a need to invest in the city's future, to prioritise and challenge the way we deliver services whilst ensuring we remain financially resilient, not only now, but for future generations.

Budget monitoring reports during the year identified risks to meeting the set budget. This was as a result of service demand pressures and difficulty in meeting savings targets the Council had set. Mitigating actions were taken to bring the budget back to balance and credit goes to Directors, Assistant Directors and all senior managers and employees for their work to achieve this position for the year.

Our City

As the capital city of Wales, Cardiff is its commercial, cultural and retail centre. It is a diverse, talented and youthful city and home to world class sporting and cultural institutions. With a population of 367,000, its population grew by 11% between 2005 and 2015. This trend is set to continue with projected growth of 20% between 2017 and 2037. This is an additional 73,000 people making Cardiff one of the fastest growing UK core cities and exceeding the population growth estimate of every other local authority in Wales.

The city's economy is growing, jobs and businesses are being created and unemployment is at its lowest level this decade and visitor numbers are increasing every year. As well as those living in the city, more than 80,000 people, over one third of the city's workforce, commute into Cardiff every day from across the city/region. However, there are major challenges too. The gap between rich and poor has grown and some of Cardiff's communities are amongst the poorest in Wales. Tackling poverty and inequality is therefore at the heart of everything the Council does.



Capital Ambition

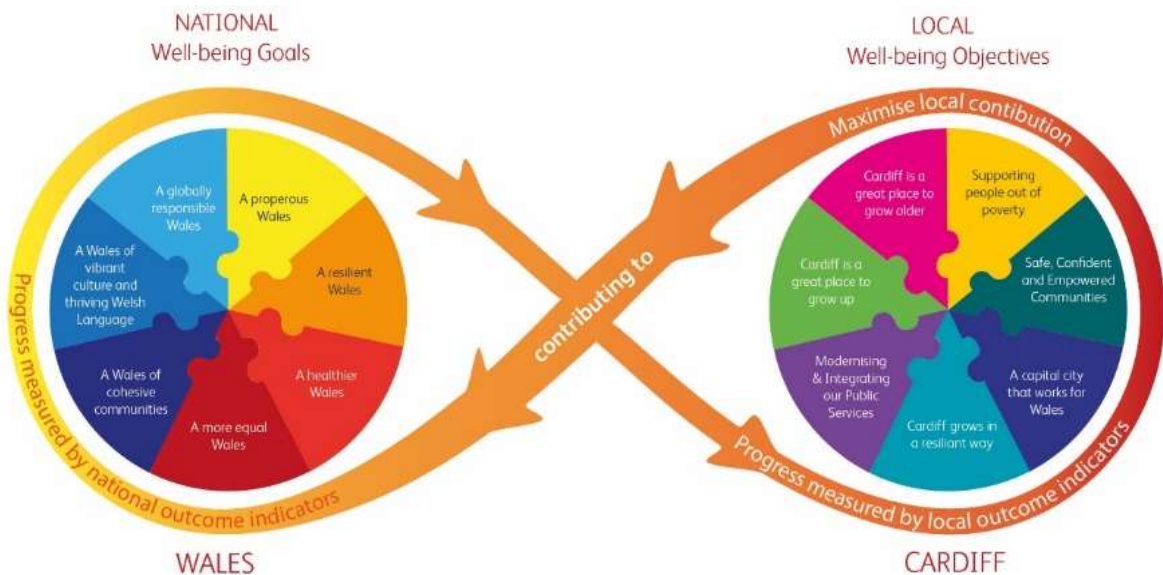
To meet these challenges, the Council has embarked on a programme of action, with commitments and targets to move forward in the face of severe budget challenges faced by all public services.

Capital Ambition identifies four priorities:



It sets out how a series of principles will underpin the development of the Council in the coming years, namely: getting the basics right, digital first, putting communities front and centre, joining-up of frontline services, purposeful partnerships and a new deal for citizens.

The Council's Corporate Plan and the Wellbeing Plan translate the above priorities into deliverable organisational objectives, setting out the steps to be taken and how performance will be measured and mapped to national wellbeing measures.

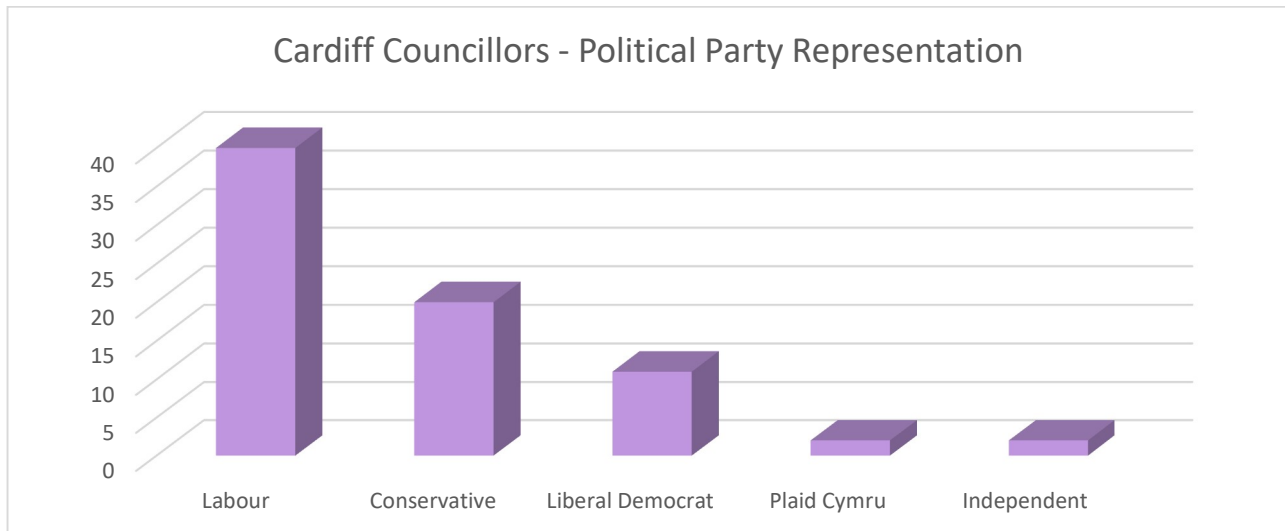


The plans set out how we will continue to invest in and improve our schools, build more affordable housing, tackle homelessness, and protect the city's most vulnerable people. The Council has bold plans for tackling congestion and air pollution, improving recycling rates and keeping our streets clean, together with a series of commitments which will help change the lives of people in the city for the better. Further detail is available on the Council's website.

The way we work

Our Leadership

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



A constitution sets out how the Council operates, how decisions are made and the procedures to be followed to ensure decisions are efficient, transparent and accountable to local people.

A Lord Mayor is appointed by the Council annually to perform a civic role and a leader of the Council is also appointed. Cabinet Members are appointed by the leader, each with responsibility for a portfolio of services.

The role of Cabinet is to:-

- be responsible for most major decisions
- provide leadership
- propose the budget framework and subsequent budget.

Scrutiny Committees support the work of the Cabinet and the Council by:-

- monitoring decisions of the Cabinet
- allowing all Councillors, citizens and stakeholders to have a greater say in matters concerning the Council
- producing reports and recommendations on policies, budget and service delivery
- having the ability to review a decision which has been made but not yet implemented
- supporting development of policy on forthcoming decisions.

Regulatory and other governance committees support delivery of Council services including across local authority boundaries. Council has given Audit Committee the responsibility for the review of the Financial Statements for the Council.

The Council's senior management team is led by Chief Executive Paul Orders and includes Corporate Directors, Directors and Assistant Directors, including the statutory officers (Monitoring Officer and Section 151 Officer). They, and employees are responsible for:

- providing impartial advice and implementing decisions of the Cabinet and Council and those delegated to them
- managing the day-to-day delivery of services and performance.

Our Services

Everyone in Cardiff uses public services and it is sometimes easy to forget about all the important services provided - every day - to people across the city. Over 700 services, helping to support local communities and improve the lives of local people. Some of these are shown below.

City Operations	Resources
<ul style="list-style-type: none"> · Bereavement and registration · Highways infrastructure and street cleansing · Transport and civil parking enforcement · Leisure, parks and sport · Schools transport 	<ul style="list-style-type: none"> · Commissioning and procurement · Finance · Human resources · ICT and customer services · Performance and partnerships
Communities, Housing and Customer Services	Economic Development
<ul style="list-style-type: none"> · Libraries and citizen hubs · Customer facing services e.g preventative and into work services · Independent living and community alarm · Adult and community learning · Housing subsidy and systems · Housing Revenue Account – Council dwellings management 	<ul style="list-style-type: none"> · Business and investment · Economic development and regeneration and major projects · Property management, design and development · Culture, venues, events, city centre management and tourism · Waste collection, recycling, treatment, disposal and education · Facilities management e.g security, cleaning, maintenance
Education and Lifelong Learning	Social Services
<ul style="list-style-type: none"> · Nursery, primary, secondary and special schools · Youth and community education and community learning · Inclusion and improvement · Schools catering 	<ul style="list-style-type: none"> · Adult learning disabilities and mental health · Youth offending · Children's safeguarding, early help, fostering and residential services · Support for older people and those with physical disabilities e.g. day, residential and nursing care
Governance and legal services	Corporate Management
<ul style="list-style-type: none"> · Democratic, electoral, scrutiny, member and legal services 	<ul style="list-style-type: none"> · Precepts, levies and contributions · Corporate initiatives

Performance reports are considered by Cabinet each quarter.

In 2017-18 45.8% of people travelled to work by sustainable methods compared to 44.9% of people in 2016-17



In 2016-17 10% of people in Cardiff were using cycling as a mode of transport to travel to work, this has risen to 11.4% during 2017-18



During 2017-18 there were 2,714,916 visits to Cardiff's various sports and leisure sites across the City



Cardiff has given 42,371 people Into Work advice to help citizens to develop skills and find employment opportunities



6,551 people were helped to remain independent through alternative solutions provided by Independent Living



In 2017-18 3,344,686 citizens visited our libraries and hubs, that is approximately 100,000 more people using our library and hub services than in 2016-17



Increasing numbers of customers are choosing to access services digitally. 784,567 customers used digital channels to contact the council on areas such as Council Tax, housing, planning and waste collection



In 2017-18 Cardiff had an increase in the number of staying visitors - from 2,025,000 in 2016 to 2,062,000 in 2017. There was also an increase in total visitor numbers from 20,380,000 in 2016 to 21,980,000 in 2017



The Council has supported 4,904 new and safeguarded jobs across the city and 366,000 sq feet of Grade A office space to attract investment to the City



The council has invested £58 million on improving or building new schools



89.75% of primary school children secured their first choice schools whilst 76.21% of secondary school children secured their first choice schools



Of the primary and secondary schools in Cardiff 53.06% and 38.89% were categorised as green. This is an increase from 40% and 30% respectively from 2016-17



89.4% of pupils achieved core subjects at the end of KS2 and 58.5% of pupils achieved 5 GCSEs grades A* to C at the end of KS4 compared to a Wales average of 89.5% and 54.6%



123 apprenticeships and traineeships were created by the Council in 2017-18



49% of care leavers in education, training or employment at 12 months after leaving care



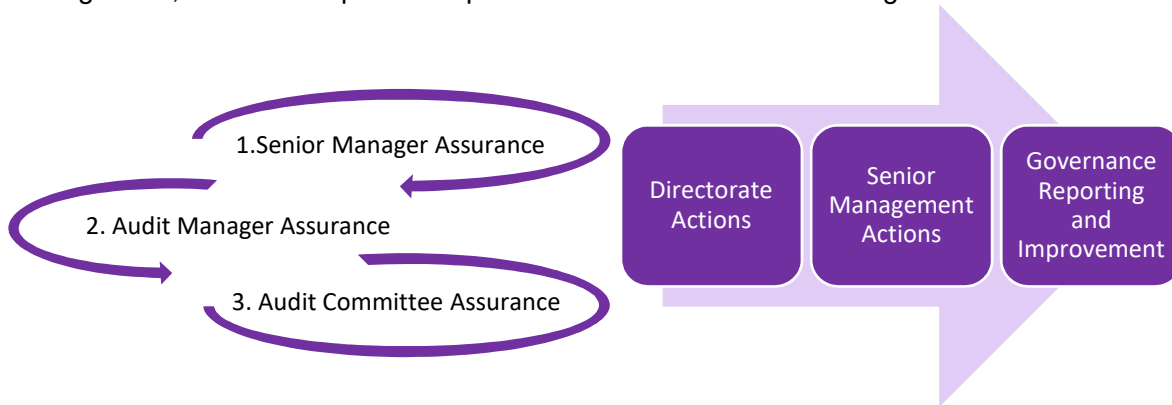
51% of children with a care and support plan were supported to remain living with their family



Our Governance

We prepare an Annual Governance Statement (AGS) each year, to disclose the findings of our annual review of the Council's governance. The AGS includes an Action Plan for any significant governance issues identified as part of the review, to be progressed by Senior Management. This is a separate document and is included in papers for Audit Committee in draft (March and June) and final in September. It is approved by Council in parallel with the Financial Statements and is used for governance reporting and improvement.

In preparing the AGS, the Council has adopted the 'Delivering Good Governance in Local Government' framework, developed by CIPFA and the Society of Local Authority Chief Executives. It comprises the systems, processes, culture and values through which the Council is directed and controlled and its engagement and work with the community. The AGS is built through core disclosures from Senior Management, and the independent opinions of the Internal Audit Manager and the Audit Committee.



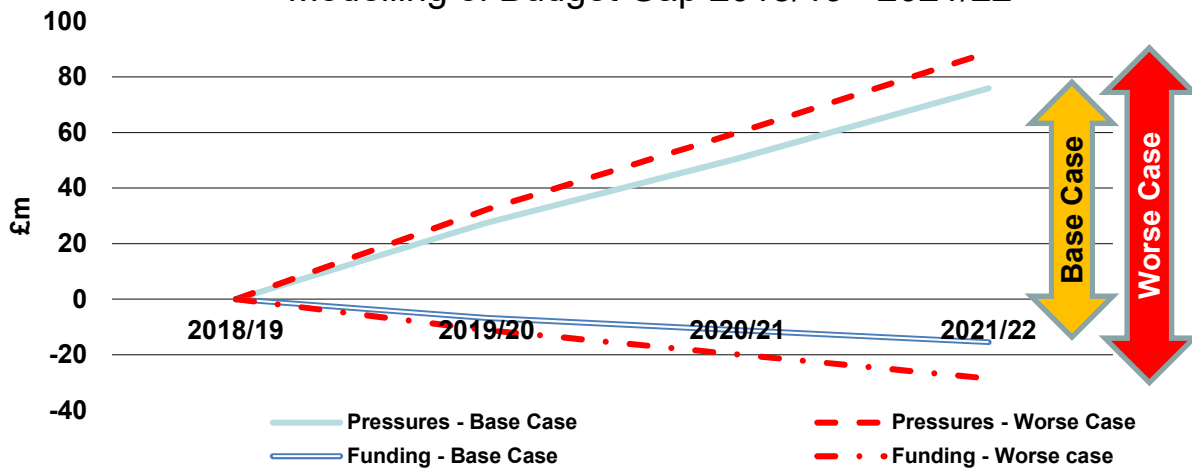
Future Financial Outlook, Risks and Uncertainties

The Council's risk management regime supports the identification, assessment, reporting and management of risks in directorate, corporate, programme and project activities. It involves quarterly risk assessments to support the timely identification and escalation of the Council's most critical risks to Senior Management Team for ownership, review and reporting.

Over the course of the year, many risks have been progressed and appropriately mitigated through the above mechanisms. At 31 March 2018, there are eight corporate risks at a 'red' residual risk status i.e. major or significant consequence is likely without further mitigation. These are shown below and are being actively managed.

Health and Safety	<ul style="list-style-type: none"> Risk of ineffective health and safety compliance through poor application and embedding of the framework for managing health and safety
Statutory Maintenance (Building Equipment)	<ul style="list-style-type: none"> Risk of ineffective application of statutory equipment maintenance responsibilities for Council buildings
City Security	<ul style="list-style-type: none"> Risk of major security-related incident in the city as a result of international or domestic terrorism
Coastal Erosion	<ul style="list-style-type: none"> Breach of current defences resulting in widespread flooding
Air Quality	<ul style="list-style-type: none"> Failure to address the impact of poor air quality on the health of our communities
Budget Monitoring (Control)	<ul style="list-style-type: none"> 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
Welfare Reform	<ul style="list-style-type: none"> Failure to prevent increased rent arrears and homelessness in delivering the requirements of Welfare Reform including Universal Credit, Benefit Cap reductions, size restrictions for social tenants, housing cost entitlement changes for under 21s and changes to funding for supported housing
Financial Resilience	<ul style="list-style-type: none"> Failure to deliver a balanced annual budget and a fully informed medium term financial plan would significantly weaken the financial resilience of the Council. The current outlook is that there is a budget gap of £91 million for the period 2019/20 to 2021/22

Modelling of Budget Gap 2018/19 - 2021/22



As in previous years, the key reasons for the budget gap are that Welsh Government funding is anticipated to reduce over the medium term by 1% p.a, whilst costs are expected to rise significantly due to factors such as employee costs, price inflation, paying for capital projects, demographic pressures for adults and children as well as increased school pupil numbers and needs.

To ensure the budget strategy approach is aligned to the delivery of corporate priorities a Capital Ambition Delivery Programme is in place and composed of two discrete components:

- Modernisation: Transformation of corporate systems and processes that support service delivery and
- Resilient Services: Transformation of front-line services

A range of options will be considered in order to address the gap including income generation, collaboration, review of business processes and digitalisation, review of expenditure, increases in council tax, prevention and early intervention to manage demand for services. Determining and meeting savings targets will be increasingly problematic with increased levels of risk to the delivery of those targets. This will need to be managed and performance monitored closely.

Significant capital expenditure investment is proposed in areas such as: new schools; to address the condition of existing buildings across the whole estate; to develop new council housing and for sustainable travel schemes such as cycling and economic regeneration schemes. The five year investment plan will require an increase in borrowing and a new approach to generating a significantly enhanced level of asset disposals in order to help pay for investment and minimise the need for investment in the first place.

Further details of the Council's budget are included in the Budget Report 2018/19 which is available on the Council's website.

Financial Performance 2017/18

Council approved the 2017/18 budget in February 2017, which addressed a budget shortfall of £21.527 million. This was bridged by a combination of savings, use of earmarked reserves, a cap on schools non demographic growth and a 3.7% Council Tax increase.

Revenue Expenditure and Funding

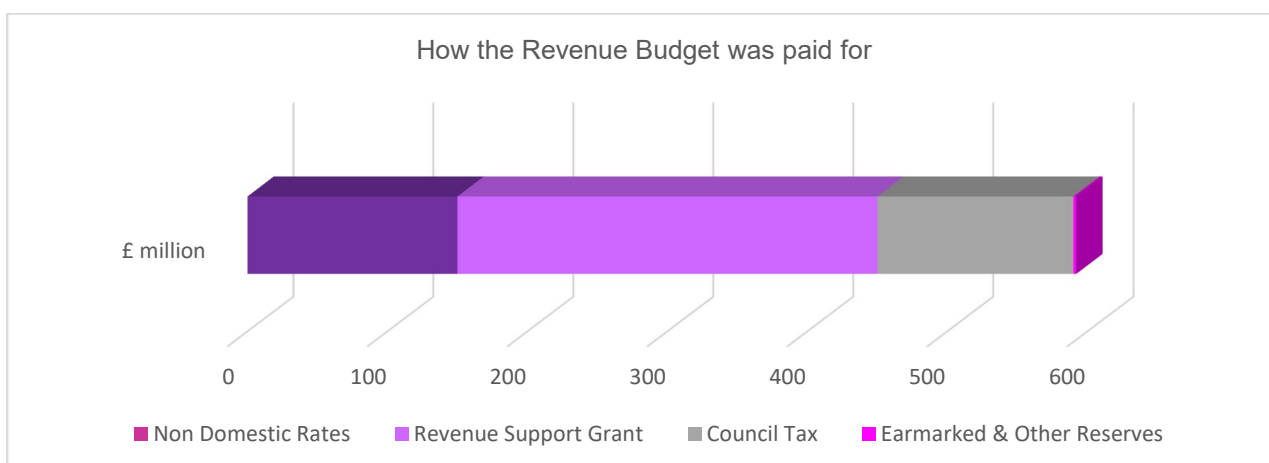
The final revenue outturn shows expenditure within the overall 2017/18 net revenue budget of £586.984 million. During the year contributions were also made to a number of strategic earmarked reserves that

will support financial resilience and benefit the Council in the medium term. The details will be available once Cabinet has approved the outturn report in July.

Directorate	Net Expenditure Budget £000	Net Expenditure Outturn £000	Variance (Under)/Over £000
City Operations			0
Communities, Housing & Customer Services			0
Corporate Management			0
Economic Development			0
Education & Lifelong Learning			0
Governance & Legal Services			0
Resources			0
Social Services			0
Directorate Outturn Subtotal	0	0	0
Capital Financing			
General Contingency			
Summary Revenue Account			
Discretionary Rate Relief			
Total Council Outturn	0	0	0

The budget monitoring process identified financial pressures in a number of directorates, notably Social Services for adults and children, Economic Development 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 2017/18 budget.

A balanced position was achieved without having to make unplanned drawdowns of reserves and balances.



- Revenue Support Grant of £312.736 million was received from Welsh Government.
- Council Tax collected by the Council includes precepts for the police and community councils and where applicable was passed onto the relevant bodies. Council Tax income retained by the Council of £160.421 million funds just over a quarter of the Council's net expenditure. The in-year collection rate was 97.7%.
- Non-Domestic Rates (NDR) are collected by the Council for Welsh Government based on the value of buildings used in business or for non-domestic purposes and a rate is set annually. The net NDR collected by Cardiff for 2017/18 totalled £184.953 million of which Cardiff received

£115.480 million after redistribution by Welsh Government. The in-year collection rate was 97.4%.

Housing Revenue Account (HRA)

The Housing Revenue Account is a ring fenced service shown within the Communities, Housing and Customer service directorate, with income from rents and expenditure on managing the housing stock and related services. Details of HRA performance are shown in the supplementary accounts on Page 91.

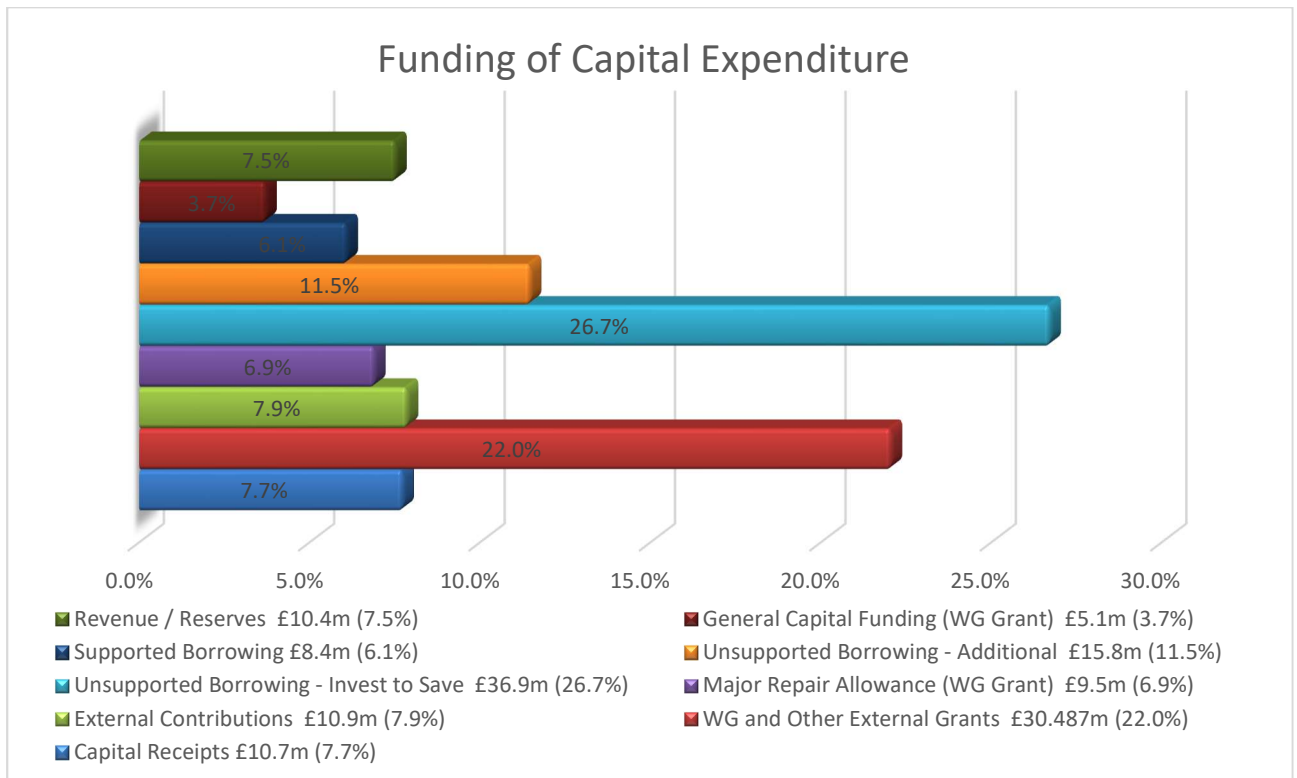
- The Council has 13,436 dwellings
- The average weekly net rent for 2017/18 was £95.27
- Income including rent and charges for services totalled £72.896 million
- Revenue expenditure included £20.697 million on repairs and maintenance, £22.078 million on supervision and management and £29.706 million on interest, provision for repayment of debt and to pay towards capital expenditure

Capital Expenditure and Funding

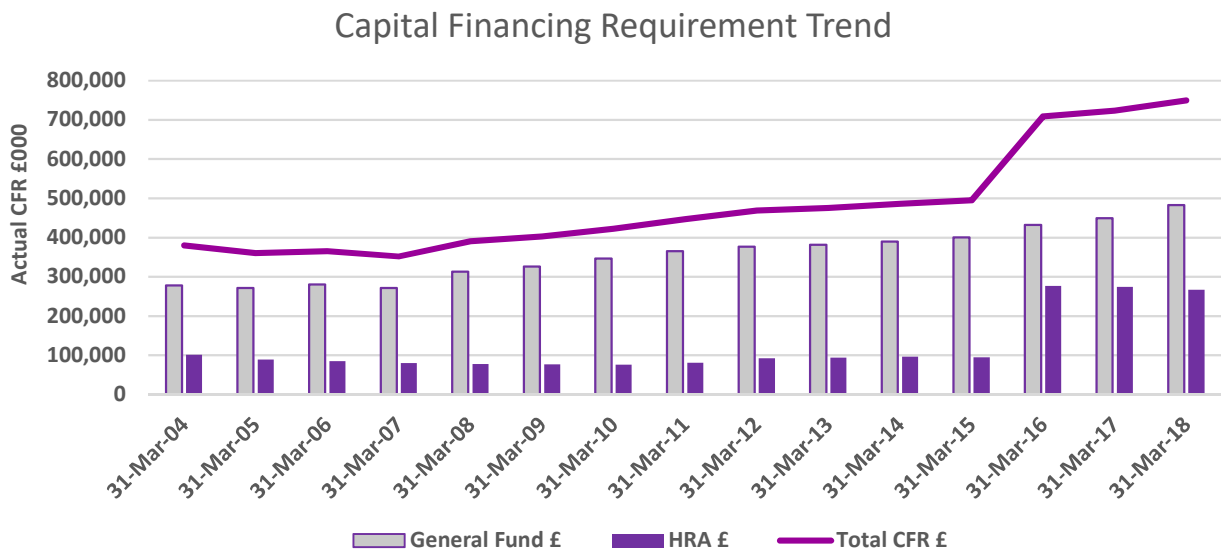
Capital expenditure represents money spent on improving, acquiring and enhancing assets that are used in the provision of services or specified by legislation. Expenditure totalled £138.265 million, with the main schemes described below.

Schemes	Detail	£m
Housing, Neighbourhood Regeneration & Hubs	Disabled adaptation grants, allowing people to live independently in their homes; environmental and shop front improvements; a comprehensive regeneration scheme for Maelfa Centre in Llanedeyrn; opening of hubs in Llanishen, Llandaff North and Llanederyn.	10.9
Education & Lifelong Learning	Completion of the new Eastern Community Campus; start of construction of a new high school in the West, three new primary schools and extensions of facilities at a number of schools; investment in the condition of school buildings to address electrical and other safety compliance works.	57.9
Highways & Transportation	Road and footpath reconstruction and resurfacing; LED street lighting energy efficiency, Greener Grangetown rainwater management scheme; public transport and road safety improvements; cycling strategy implementation and cycle new hire scheme; investment in safe routes in communities.	16.2
Leisure Facilities & Parks	Investment in leisure sites retained by the Council as well as sites operated by external partner; parks play equipment replacement and infrastructure improvements.	3.8
City Development & Major Projects	Public realm improvements at Central Square and pre development costs towards central square and new transport interchange; Alexandra head events area infrastructure.	11.5
City Deal	Contribution towards first project of Cardiff Capital Region City Deal – Semiconductor facility.	5.7
Other	Modernising ICT to improve business process; Energy efficiency measures in Council buildings; harbour asset renewal; completion of new Lambly Way Household Waste Recycling Centre; day centre improvements; new facilities to support service delivery for children.	7.4

The Council pays for its capital expenditure from a number of sources. This includes borrowing money. Borrowing and any associated interest costs must ultimately be repaid in a prudent way from existing and future income. Expenditure of £61.1 million during 2017/18 is to be paid for by borrowing.

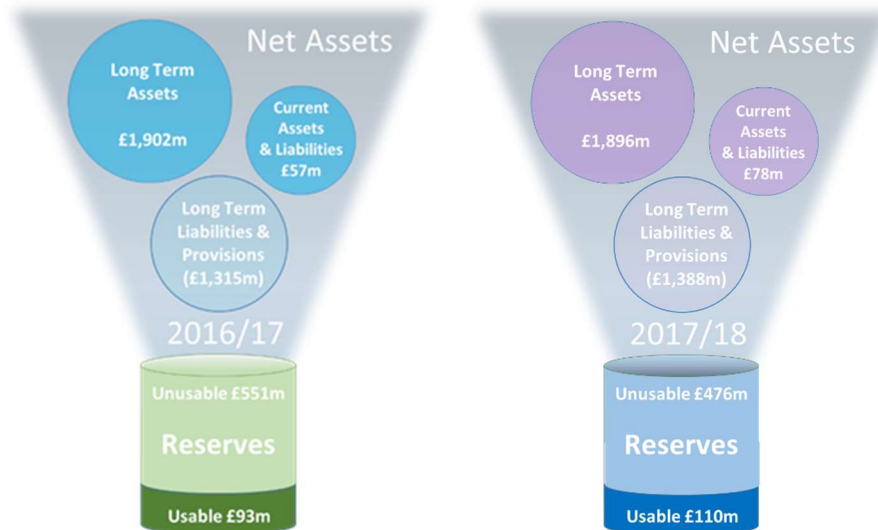


Capital incurred historically by borrowing but yet to be paid for from future revenue or capital income from the General Fund and HRA is termed the Capital Financing Requirement (CFR). Each year, a prudent amount is charged to our revenue budgets to reduce this. In 2015/16 additional borrowing was taken by the Council and paid to HM Treasury to exit the HRA subsidy system. The CFR and associated financing costs, interest and repayment, of capital investment continue to rise as a percentage of controllable budget.



Financial Position 2017/18

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



Property, Plant Equipment and Other Non-Current Assets

The valuation of assets involves a number of assumptions, however, movements in asset valuations as well as any accounting charges such as depreciation have no impact on the council tax or rent payable as they are required to be reversed from unusable reserves. Note 18 details movements in assets, capital expenditure and its financing.

- Capital receipts from the disposal of property assets and similar income was £24.818 million including sale of investment property at Central Square, disposal of offices at Penhill Road in Llandaff and Council dwellings sold under right to buy regulations.
- Assets classified as surplus were re-valued as part of a rolling programme of revaluation.

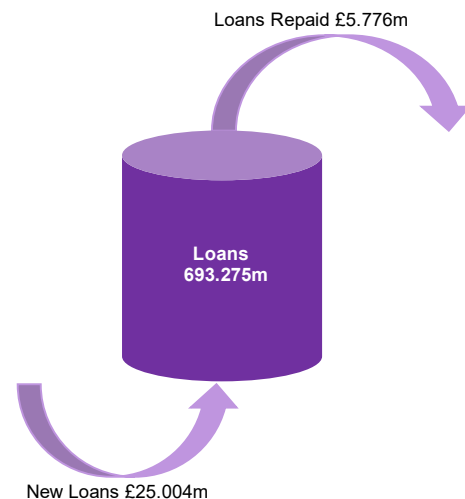
Financial Assets and Liabilities

Investment and borrowing activities were undertaken in accordance with regulatory requirements and the Council's Treasury Management Strategy for 2017/18. Investments for treasury management purposes are £59.051 million at 31 March 2018 and are represented by temporary cash balances deposited with financial institutions. The average rate of interest earned for the period was 0.44% compared to the recognised benchmark of 0.22% (7 day LIBID rate).

The Council borrows money to manage its daily cash flows and to pay for capital expenditure. In accordance with the Treasury Management Strategy, borrowing to meet the capital financing requirement continues to be deferred by using temporary cash balances. Borrowing is undertaken when deemed necessary to mitigate against the risk of future interest rates rising unexpectedly.

The average interest rate paid on the Council's borrowing reduced from 4.74% to 4.64% at 31 March 2018. Interest payable on borrowing was £31.781 million, of which £11.779 million was payable by the Housing Revenue Account.

Note 19 of the accounts provides further information on the Council's financial assets and liabilities and the nature and extent of risks involved.



Provisions

The Council sets aside money for liabilities or losses which are likely to be incurred, but where the exact amount and timing of payment may be uncertain. This includes insurance claims received as well as for landfill aftercare. During 2017/18, total provisions decreased by £5.520 million to £29.417 million. Details of the movement of individual provisions are shown in note 25 of the accounts.

Pensions Liabilities

The Council is a member of the Cardiff and Vale of Glamorgan Pension Fund.

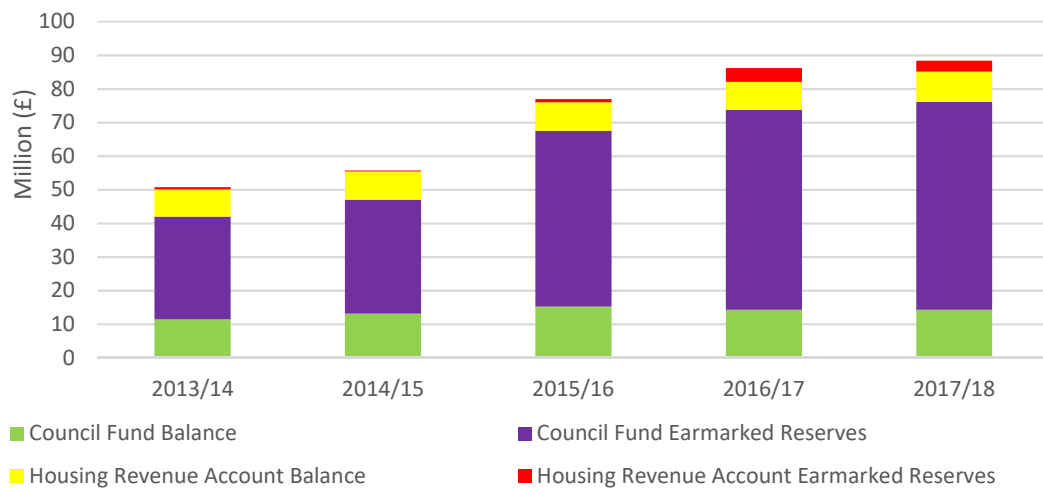
- The cost to the Council during the year for pension liabilities is £44.030 million.
- The Council's future liability in respect of pension benefits payable, compared to assets held, is £643.282 million at 31 March 2018 based on the latest actuarial assumptions which can fluctuate between years. This has increased by £56.604 million from 2016/17.
- The fund is revalued every three years, with the fund's assets at 31 March 2016 deemed to cover 85% of future liabilities. A 20 year recovery plan is in place in order to meet the shortfall.

Further details are given in note 17 of the accounts.

Balances and Reserves

Balances and Reserves are sums of money put aside for specific policy purposes or for general contingencies and cash flow management. Their use, creation and assessment of sufficiency also considers risks to financial resilience. Despite recent increases, the levels of usable reserves as a percentage of revenue expenditure continues to be one of the lowest in Wales. Earmarked reserves are detailed in note 2 of the accounts whilst other usable and unusable reserves are shown in notes 28 and 29.

Usable Revenue Reserves



The Financial Statements

The Council's Statement of Accounts is set out in the remainder of this document, accompanied by a Statement of Responsibilities for the financial Statements and the Audit Report. Accounting policies set out the rules followed in compiling its financial statements and these are largely specified by the Local Authority Code of Practice. Critical judgements show areas where judgements have been made about the application of accounting policies, to highlight areas where others may have made different judgements. In addition, the key areas where estimates are required to be made are also shown, for example in the valuation of assets.

The core statements are:-

Comprehensive Income and Expenditure 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

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

Provides a 'snapshot' of the financial position at 31 March, showing what the Council owns and owes.

Cash Flow Statement

Shows the reason for changes in the cash and cash equivalents of the Council during the reporting period.

The supplementary Financial statements are:-

Housing Revenue Account (HRA)

This separate account must be maintained to record income and expenditure arising from the provision of Council Housing.

Group Accounts

The Council is required to produce Group Accounts in addition to the single entity accounts where it has material interests in subsidiaries, associated companies and joint ventures. Whilst the Council has involvement with a number of small companies, as highlighted in the accounts, due to materiality, the Council only consolidates the accounts of Cardiff City Transport Services Ltd (Cardiff Bus).

Prior Period Adjustments

The 2016/17 figures in the Council's note 24 Interest in Other Companies and the group accounts have been restated for 2016/17 Cardiff Bus final accounts, as these were not available at 30 September 2017.

Other statements required for regulatory purposes

These include Trust Funds, Cardiff Port Health Authority and Cardiff Harbour Authority.

Conclusion

Despite in year pressures, the Council was able to remain within its net revenue budget set for 2017/18. Demand for all council services continues to increase and the continued negative future funding outlook for all local authorities remains a significant risk. The Council has set an ambitious agenda to invest and improve what we do for residents which will require difficult choices to be made and a focus on key priorities. Detailed financial planning assumptions will continue to be required to support a fully informed Medium Term Financial Plan that ensures financial resilience.

Once again, I am grateful for the work of my finance team in supporting directorates and in preparing these financial statements that facilitate transparency of our financial performance and position during 2017/18. This is a requirement that will itself be more challenging in future years due to both additional accounting and reporting as well as earlier preparation of the accounts and consequential audit requirements.

The statements will be available to stakeholders and residents to review during the public inspection period as well as undergoing further review by Audit Committee and independent audit, before approval by Council in September.

Christine Salter
Corporate Director Resources
26 June 2018

Statement of Responsibilities for the Financial Statements



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 2017/18, 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 Dianne Rees
Lord Mayor

Date:

The Corporate Director Resources responsibilities

The Corporate Director Resources is responsible for the preparation of the Council's financial statements in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (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 Council give a true and fair view of its income and expenditure for the financial year 2017/18 and financial position of the Council at 31 March 2018.

Christine Salter
Corporate Director Resources

Date:

Audit Report

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

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Accounting Policies, Critical Judgements and Assumptions



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 2018 and its financial position at 31 March 2018. 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 2017/18 (the Code).

1. Accounting policies issued but not yet adopted

International Financial Reporting Standard 9 - Financial Instruments has been implemented in the 2018/19 Code. Its introduction will see the classifications of financial assets change to Amortised Cost, Fair Value through Comprehensive Income and Fair Value through Profit and Loss, from the previous categories of Loans and Receivables, Available for Sale and Fair Value through Profit and Loss.

The second main change will be the introduction of an expected credit loss model for particular asset types, rather than an impairment of the asset resulting from a specific incident.

The Authority currently owns 100% of shares in Cardiff City Transport Services Limited, a subsidiary company, which forms part of its business model. Under the IFRS 9 changes these shares will be elected to be categorised as Fair Value through Other Comprehensive Income which, subject to any impairment, will be held at Fair Value, with details of the company shown in the Group Accounts.

The main financial assets held by the Authority will be treasury management investments which will move from the Loans and Receivables category to Amortised Cost and will be accounted for on a similar basis. The expected credit loss implications for those financial assets not treated as Fair Value are expected to be minimal as the Authority adopts strict credit quality arrangements in accordance with the CIPFA Treasury Management Code of Practice.

Overall, the impact of these changes on the Authority's financial position is likely to be immaterial.

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 Council are members of two separate pension schemes:

Accounting Policies, Critical Judgements and Assumptions

- the Teachers' Pension Scheme, administered by the Teachers Pensions Agency
- the Local Government Pension Scheme, administered by the Council.

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 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 the 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 2017/18 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 and Contributions - 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.

Accounting Policies, Critical Judgements and Assumptions

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.

Accounting Policies, Critical Judgements and Assumptions

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	2-93
Vehicles, Plant, Furniture and Equipment	3-15

Accounting Policies, Critical Judgements and Assumptions

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 £1.500 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.

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 or earnings 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.

Accounting Policies, Critical Judgements and Assumptions

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
Provisions	<p>The Council makes a number of provisions for liabilities that it may face where a reasonable estimate of value can be made.</p> <p>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.</p>	<p>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.</p>
Provisions in relation to arrears	<p>At 31 March 2018, 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.</p>	<p>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.</p>
Pensions Liability	<p>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.</p>	<p>The effects on the net pension liability of changes in individual assumptions are difficult to measure as they interact in different ways.</p>

Core Financial Statements and Notes to the Financial Statements



Comprehensive Income and Expenditure

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).

2016/17				Note	2017/18		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
108,517	(52,402)	56,115	City Operations		99,912	(45,371)	54,541
239,620	(189,528)	50,092	Communities, Housing & Customer Services		239,683	(191,395)	48,288
6,762	(469)	6,293	Corporate Management		13,455	(3,164)	10,291
64,316	(44,397)	19,919	Economic Development		85,031	(48,519)	36,512
348,120	(100,654)	247,466	Education & Lifelong Learning		385,276	(100,473)	284,803
6,912	(2,556)	4,356	Governance & Legal Services		8,911	(1,896)	7,015
9,085	(6,537)	2,548	Harbour Authority		9,134	(6,484)	2,650
50,009	(69,938)	(19,929)	Housing Revenue Account		53,836	(72,896)	(19,060)
28,636	(9,195)	19,441	Resources		29,681	(8,287)	21,394
180,319	(26,432)	153,887	Social Services		189,194	(31,610)	157,584
1,547	(5,078)	(3,531)	Summary Revenue Account		2,701	(5,813)	(3,112)
1,043,843	(507,186)	536,657	Net Cost of Services	4	1,116,814	(515,908)	600,906
29,367	0	29,367	Police and Crime Commissioner for South Wales	5	31,216	0	31,216
296	0	296	Community Council Precepts	5	310	0	310
17,034	0	17,034	Levies & Contributions	5	17,115	0	17,115
32,221	(9,009)	23,212	(Gain)/loss on sale of non-current assets		29,135	(27,146)	1,989
78,918	(9,009)	69,909	Other Operating Expenditure		77,776	(27,146)	50,630
32,250	0	32,250	Interest Payable on debt	19	31,781	0	31,781
18,035	0	18,035	Interest on net defined benefit liability/(asset)*	17	14,690	0	14,690
0	(979)	(979)	Interest & Investment Income		0	(700)	(700)
9,105	(18,805)	(9,700)	Change in fair value of Investment Properties		1,795	(38)	1,757
59,390	(19,784)	39,606	Financing and Investment Income & Expenditure		48,266	(738)	47,528
0	(41,191)	(41,191)	Recognised Capital Grants & Contributions		0	(57,115)	(57,115)
0	(320,309)	(320,309)	Revenue Support Grant	30	0	(312,736)	(312,736)
0	(105,994)	(105,994)	Non-Domestic Rates	8	0	(115,480)	(115,480)
2,063	(182,502)	(180,439)	Council Tax Income	7	2,070	(191,095)	(189,025)

Comprehensive Income and Expenditure

2,063	(649,996)	(647,933)	Taxation & Non-Specific Grant Income		2,070	(676,426)	(674,356)
		(1,761)	(Surplus)/Deficit on Provision of Services				24,708
		(26,098)	Revaluation Gains	29			(2,537)
		10,169	Revaluation Losses	29			2,128
		784	Impairment losses on non-current assets charged to the Revaluation Reserve				331
		3,576	(Surplus)/Deficit on revaluation of available for sale financial assets	29			(305)
		16,049	Actuarial (gains)/losses on pension assets/liabilities*	17			33,581
		4,480	Other Comprehensive Income & Expenditure				33,198
		2,719	Total Comprehensive Income & Expenditure				57,906

*The figures in note 17 are different as they do not contain the share of the joint committees which are included in these figures

Movement in Reserves

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

	Council Fund Balance £000	Council Fund Earmarked Reserves £000	HRA Balance £000	HRA Earmarked Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2016 carried forward	15,255	52,226	8,438	954	5,423	82,296	564,460	646,756
<u>Movement in Reserves during 2016/17</u>								
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	(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
<u>Movement in Reserves during 2017/18</u>								
Surplus or (deficit) on the provision of Services	(46,330)	0	21,622	0	0	(24,708)	0	(24,708)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(33,198)	(33,198)
Total Comprehensive Income and Expenditure	(46,330)	0	21,622	0	0	(24,708)	(33,198)	(57,906)
Adjustments between accounting basis & funding basis under regulations (note 1)	48,782	0	(21,940)	0	14,115	40,957	(40,957)	0
Net Increase/(Decrease) before Transfers to/(from) Earmarked Reserves	2,452	0	(318)	0	14,115	16,249	(74,155)	(57,906)
Transfers to/(from) Earmarked Reserves (note 2)	(2,452)	2,452	863	(863)	0	0	0	0
Increase/(Decrease) in 2017/18	0	2,452	545	(863)	14,115	16,249	(74,155)	(57,906)
Balance at 31 March 2018 carried forward	14,255	61,843	8,983	3,223	21,320	109,624	476,507	586,131

Balance Sheet

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

31 March 2017 £000		Note	31 March 2018 £000
1,693,015	Property, Plant & Equipment	18	1,712,293
53,846	Heritage Assets	18	54,099
132,241	Investment Properties	18	104,645
3,315	Intangible assets including AUC	18	2,701
13,691	Long-term Investments	19	13,996
5,616	Long-term Debtors		8,087
1,901,724	Total Long-Term Assets		1,895,821
66,124	Short-term Investments	19	34,033
80	Held for Sale assets	20	6,375
2,175	Inventories		2,129
83,754	Short-term Debtors	21	92,544
18,776	Cash and Cash Equivalents	22	54,371
170,909	Total Current Assets		189,452
(14,972)	Short-term Borrowing	19	(13,440)
(87,603)	Short-term Creditors	23	(87,928)
(1,414)	Pension Strain	26	(1,884)
(7,116)	Provisions	25	(5,005)
(2,846)	Deferred Liabilities	27	(3,195)
(113,951)	Total Current Liabilities		(111,452)
(668,028)	Long-term Borrowing	19	(688,713)
(27,821)	Provisions	25	(24,412)
(14,021)	Deferred Liabilities	27	(12,006)
(11,843)	Capital Contributions Receipts in Advance	30	(9,961)
(2,016)	Revenue Grants Receipts in Advance	30	(6,484)
(974)	Capital Grants Receipts in Advance	30	(38)
(3,219)	Pensions Strain	26	(2,794)
(586,723)	Net Pensions Liability	17	(643,282)
(1,314,645)	Total Long-Term Liabilities		(1,387,690)
644,037	NET ASSETS		586,131
	Financed by:		
14,255	Council Fund Balance		14,255
59,391	Council Fund Earmarked Reserves	2	61,843
8,438	Housing Revenue Account Balance		8,983
4,086	Housing Revenue Account Earmarked Reserves	2	3,223
7,205	Capital Receipts Reserve	28	21,320
93,375	Usable Reserves		109,624
258,922	Revaluation Reserve		255,889
876,075	Capital Adjustment Account		859,860
2,038	Deferred Capital Receipts		4,511
13,235	Available for Sale Financial Instruments Reserve		13,540
(591,356)	Pensions Reserve		(647,960)
(8,252)	Accumulated Absences Adjustment Account		(9,333)
550,662	Unusable Reserves	29	476,507
644,037	TOTAL RESERVES		586,131

Cash Flow

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.

2016/17 £000		Note	2017/18 £000
(1,761)	Net (surplus) /deficit on the provision of services		24,708
(97,213)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	32	(144,496)
48,392	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	32	52,314
(50,582)	Net cash flows from operating activities		(67,474)
99,661	Purchase of property, plant and equipment, investment property and intangible assets		126,595
9,093	Purchase of short-term and long-term Investments		0
7,579	Other payments for investing activities		929
(9,009)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(24,818)
(40,942)	Capital Grants		(51,676)
(3,590)	Capital Contributions		0
62,792	Investing activities		51,030
(14,645)	Cash receipts from short-term and long-term borrowing		(25,004)
(6,220)	Other receipts from financing activities		(1,938)
7,231	Repayments of short-term and long-term borrowing		7,791
(13,634)	Financing activities		(19,151)
(1,424)	Net (increase)/ decrease in cash and cash equivalents		(35,595)
17,352	Cash and cash equivalents at the beginning of the reporting period		18,776
18,776	Cash and cash equivalents at the end of the reporting period	22	54,371

Notes to the Financial Statements

1. Adjustments between Accounting Basis and Funding Basis under Regulation

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

2017/18	Usable Reserves			Movement in Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserves	
	£000	£000	£000	
Adjustments primarily involving the capital adjustment account:				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation and impairment of non-current assets	51,258	9,699	0	(60,957)
Revaluation losses of non-current assets	40,868	268	0	(41,136)
Reverse previous impairment on revaluation	(6,864)	(12)	0	6,876
Amortisation of Intangible Assets	741	208	0	(949)
Movements in the market value of investment properties	1,757	0	0	(1,757)
Movement in the value of held for sale assets	0	0	0	0
Capital grants and contributions applied	(45,260)	(11,855)	0	57,115
Revenue expenditure funded from capital under statute	5,737	55	0	(5,792)
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	26,854	1,526	0	(28,380)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Provision for the financing of capital investment	(24,253)	(11,112)	0	35,365
Capital expenditure charged against the Council Fund and HRA balances	(2,774)	(7,633)	0	10,407
Use of the capital receipts reserves to finance new capital expenditure	0	0	(10,682)	10,682
Credit for disposal costs that qualify to be met from the resulting capital receipts	0	51	(51)	0
Capital receipts set aside for the repayment of debt	45	0	0	(45)
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	(20,079)	(4,010)	24,845	(756)
Adjustments involving the Pensions Reserve:				
Net retirement benefits as per IAS19	62,972	4,038	0	(67,010)
Employer's contributions to the pension scheme	(40,759)	(3,273)	0	44,032
Pension strain future years	(75)	119	0	(44)
Adjustments involving the Accumulated 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	1,090	(9)	0	(1,081)
Adjustments involving the Deferred Capital Receipts Reserve				
Transfers to the deferred capital receipts reserve in relation to gain/loss on disposal	(4,500)	0	0	4,500
Transfers to the capital receipts reserve upon receipt of cash	2,024	0	3	(2,027)
Total Adjustments	48,782	(21,940)	14,115	(40,957)

Notes to the Financial Statements

Comparative Movements in 2016/17.

2016/17	Usable Reserves			Movement in Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserves	
	£000	£000	£000	
Adjustments primarily involving the Capital Adjustment Account:				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
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)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
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 Accumulated 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)

Notes to the Financial Statements

2. Earmarked Reserves

This note sets out the contribution to and from earmarked reserves during the year to fund current and future expenditure plans.

	Balance 31 March 2017 £000	Contributions		Balance 31 March 2018 £000
		From Revenue £000	To Revenue £000	
SCHOOLS BALANCES				
Schools Reserves	4,242	4,698	(2,918)	6,022
Cathays HS – Maintenance of Playing Field	3	0	0	3
Primary/Special Schools Repairs	210	277	(124)	363
	4,455	4,975	(3,042)	6,388
SCHOOLS RESERVES				
Out of School Childcare	98	22	(51)	69
Schools Catering	462	0	(143)	319
Schools Formula Funding	1,571	626	(761)	1,436
Schools Organisational Plan	6,414	6,660	(9,626)	3,448
	8,545	7,308	(10,581)	5,272
OTHER COUNCIL RESERVES				
Apprenticeships and Trainees	1,073	316	(138)	1,251
Bereavement Services	162	266	(228)	200
Building Control Fee Earning	601	12	(111)	502
Bute Park Match Funding	170	0	(39)	131
Capital Ambition Delivery	1,042	604	(482)	1,164
Cardiff Academy Training	97	32	0	129
Cardiff Capital Region City Deal	157	201	(33)	325
Cardiff Dogs Home Legacy	108	16	0	124
Cardiff Enterprise Zone	4,608	3	(368)	4,243
Central Market Works	43	298	0	341
Central Transport Service	366	50	(115)	301
City Wide Management and Initiatives	450	495	(228)	717
Community Based Services Transition	348	0	(61)	287
Community Initiatives	30	212	0	242
Connect to Cardiff Refurbishment	10	0	0	10
Corporate Events and Cultural Services	649	239	(296)	592
Corporate Landlord Function	975	75	(609)	441
Discretionary Rate Relief	100	0	0	100
Emergency Management, Safeguarding and Prevent	105	53	0	158
Employee Changes	5,555	2,268	(168)	7,655
Energy Conservation	234	0	0	234
Energy Market Volatility	450	237	(100)	587
Equal Pay	282	0	(282)	0
Fraud Detection	140	0	0	140
Governance and Legal Services	607	51	(304)	354
Harbour Authority Project and Contingency Fund	479	3	(100)	382
Highways Section 278	0	566	0	566
Homelessness	1,533	85	(24)	1,594
House Mortgage	29	0	(29)	0
Houses in Multiple Occupation Licensing	38	0	(13)	25

Notes to the Financial Statements

Housing Options Centre	923	0	(121)	802
Housing Support	1,305	0	(195)	1,110
ICT Holding Account	862	0	0	862
Inspectorate Support	295	0	(13)	282
Insurance	6,344	1,180	(1,015)	6,509
Integrated Partnership Strategy	31	0	0	31
Invest to Save	350	0	0	350
Joint Equipment Store	195	67	0	262
Libraries Book Fund	19	0	0	19
Local Lend a Hand Mortgage Scheme	222	0	0	222
Local Plan	99	0	0	99
Major Projects	1,351	155	(570)	936
Members Development	112	0	(51)	61
Municipal Election	694	187	(544)	337
Municipal Mutual Insurance	1,167	191	0	1,358
Non-Domestic Rates Due Diligence	60	0	0	60
Parking and Enforcement	350	6,054	(5,704)	700
Projects, Design and Development	137	0	0	137
Property Asset Management	156	312	(104)	364
Public Service Board Initiative	23	0	0	23
Registration Service Improvement	46	0	(27)	19
Rentsmart	0	675	0	675
Resources	1,867	189	(269)	1,787
Schools Catering and Kitchen Improvements	332	0	0	332
Scrutiny Development & Training	82	42	0	124
South East Wales Construction Framework	0	318	0	318
Shared Regulatory Service	115	0	(17)	98
Social Care Technology	709	0	0	709
Strategic Budget	2,532	1,500	0	4,032
Waste Management	1,825	286	(1,233)	878
Welfare Reform	2,794	562	(665)	2,691
Wales Interpretation and Translation Service	0	135	0	135
Workshops Asset Maintenance	139	0	0	139
Youth and Community Education	364	0	(83)	281
	45,941	17,935	(14,339)	49,537
SHARE OF JOINT COMMITTEE RESERVES				
Cardiff Capital Region City Deal (CCRCD)*	54	0	(152)	(98)
Central South Consortium	154	85	0	239
Glamorgan Archives	84	0	(9)	75
Prosiect Gwyrdd	66	3	0	69
Regional Adoption Service	28	0	(28)	0
Shared Regulatory Service	64	297	0	361
	450	385	(189)	646
Total Council Fund Reserves	59,391	30,603	(28,151)	61,843
HRA RESERVES				
Housing Development and Acquisition	2,582	0	(863)	1,719
Housing Repairs and Building Maintenance	1,016	0	0	1,016
Modernising ICT	238	0	0	238
Tackling Overcrowding	200	0	(200)	0
Welfare Reform	50	200	0	250

Notes to the Financial Statements

Total HRA Reserves	4,086	200	(1,063)	3,223
TOTAL EARMARKED RESERVES	63,477	30,803	(29,214)	65,066

*This balance arises due to the consolidation of CCRCD including its subsidiary CSC Foundry Ltd.

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 2018 on the Council's Schools Budget Forum website. However, a deficit balance of £1.296 million has been set up and offset against overall school balances. This amount represents a cumulative liability in respect of the Mutual Supply Fund which reimburses schools that have incurred supply costs that fall within certain parameters. This amount will be repaid via the school budget over forthcoming years.

Schools Formula Funding - to meet unplanned and unforeseen expenditure incurred by or on behalf of the delegated schools' budgets.

Schools Organisational Plan - to manage the cash flow implications of the Schools Organisational Plan financial model.

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 ring-fenced building control account which will be used to smooth the effects of any future deficits.

Capital Ambition Delivery – to fund additional advice/support for the delivery of Capital Ambition projects. Requests for funding are presented to the Investment Review Board for approval.

Cardiff Enterprise Zone - to fund expenditure on the Cardiff Enterprise Zone in future years.

City Wide Management and Initiatives – city wide management and initiatives including supporting marketing and infrastructure in relation to the city.

Corporate Events and Cultural Services – to support feasibility studies and costs of major events and to offset future pressures arising from fluctuations in income within Venues and Cultural Services.

Employee Changes - to meet the costs associated with voluntary redundancy and other employee costs.

Energy Market Volatility - to provide funding for unexpected fluctuations in the cost of energy.

Highway Section 278 – to support highway investment.

Homelessness - to meet increases in homelessness pressures.

Housing Options Centre - to meet the capital financing costs of the Housing Options Centre.

Housing Support - to improve sustainability by maintaining people's independence in their own homes.

ICT Holding Account – to fund future Business Process Improvement initiatives and other future ICT initiatives.

Insurance - to protect the Council from future potential insurance claims.

Major Projects - to contribute towards the cost of Major Projects.

Notes to the Financial Statements

Municipal Mutual Insurance Scheme (MMI) – to protect the Council from a scheme that was triggered on 13 November 2012 and will involve the claw back of a percentage of previously paid claims, as well as a percentage of future claims.

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.

	2016/17 £000	2017/18 £000
On-street pay car parking fees	(4,362)	(4,575)
Off-Street car parking fees	(1,042)	(1,087)
Residents parking permits	(330)	(346)
Penalty charge notices	(2,019)	(1,973)
Moving Traffic Offences	(3,256)	(3,792)
Camera Car	(104)	(200)
Other income	0	(55)
Total Income	(11,113)	(12,028)
Operational costs / Parking and Permits	1,037	698
Enforcement service	4,607	5,276
Total Expenditure	5,644	5,974
Civil Parking Enforcement Net (Surplus)/Deficit	(5,469)	(6,054)
Appropriations to Parking Reserve:		
Balance 1 April 2017	370	350
Contributions from CPE	5,469	6,054
Contributions to revenue*	(5,489)	(5,704)
Balance 31 March 2018	350	700

* Eligible expenditure totalling £5.704 million was drawn down from the reserve leaving a balance of £700,000 at the 31 March 2018. 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 specific drawdowns for various improvement schemes and initiatives approved by the Director of City Operations in consultation with the Cabinet Member for Transport, Planning and Sustainability.

Rentsmart – the Council is the single licensing authority across Wales, processing landlord registrations and grant licenses to landlords and agents who need to comply with the Housing (Wales) Act 2014. Further details can be found on the website <https://www.rentsmart.gov.wales/en/>. The purpose of the reserve is to reinvest in training and service delivery.

Resources – to provide funding to a number of areas within the Resources Directorate particularly where transition to new methods of operation are required.

Social Care Technology – to support Social Care ICT 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 - to support additional waste management initiatives to achieve recycling targets and offset the impact of additional tonnage and associated waste management costs.

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

Notes to the Financial Statements

Share of Reserves of Joint Committees - the Council's percentage share of the accumulated balances and earmarked usable reserves.

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

Housing Repairs and Building Maintenance (HRA) - to fund costs of the housing repairs including health and safety.

3. Exceptional Items

There are no exceptional items to disclose separately.

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).

Directorate	2017/18		
	Net Expenditure Charged to CF and HRA	Adjustments between accounting & funding basis	Net expenditure CIES
	£000	£000	£000
City Operations	34,790	19,751	54,541
Communities, Housing & Customer Services	43,009	5,279	48,288
Corporate Management	25,800	(15,509)	10,291
Economic Development	15,001	21,511	36,512
Education & Lifelong Learning	250,499	34,304	284,803
Governance & Legal Services	6,055	960	7,015
Harbour Authority	0	2,650	2,650
Housing Revenue Account	0	(19,060)	(19,060)
Resources	19,371	2,023	21,394
Social Services	156,319	1,265	157,584
Summary Revenue Account	36,140	(39,252)	(3,112)
Net Cost of Services	586,984	13,922	600,906
Other Income and Expenditure	(537,519)	(38,679)	(576,198)
(Surplus) or Deficit on Provision of Services	49,465	(24,757)	24,708
Opening Council Fund balance as at 31 March			(14,255)
Surplus/Deficit on the Council Fund			0
Adjust for transfers (to)/from reserve			0
Closing Council Fund balance as at 31 March			(14,255)

Notes to the Financial Statements

Comparative note for 2016/17.

Directorate	2016/17		
	Net Expenditure Charged to CF and HRA	Adjustments between accounting & funding basis	Net expenditure CIES
	£000	£000	£000
City Operations	34,078	22,037	56,115
Communities, Housing & Customer Services	43,408	6,684	50,092
Corporate Management	24,665	(18,372)	6,293
Economic Development	13,095	6,824	19,919
Education & Lifelong Learning	244,197	3,269	247,466
Governance & Legal Services	4,541	(185)	4,356
Harbour Authority	0	2,548	2,548
Housing Revenue Account	0	(19,929)	(19,929)
Resources	19,680	(239)	19,441
Social Services	153,031	856	153,887
Summary Revenue Account	41,466	(44,997)	(3,531)
Net Cost of Services	578,161	(41,504)	536,657
Other Income and Expenditure	(560,044)	21,626	(538,418)
(Surplus) or Deficit on Provision of Services	18,117	(19,878)	(1,761)
Opening Council Fund balance as at 31 March			(15,255)
Surplus/Deficit on the Council Fund			0
Adjust for transfers (to)/from reserve			1,000
Closing Council Fund balance as at 31 March			(14,255)

4.1. Note to the Expenditure and Funding Analysis

Directorate	2017/18			
	Adjustments for capital purposes	Net change for Pensions Adjustments	Other Adjustments	Total Adjustments
	£000	£000	£000	£000
City Operations	20,944	768	(1,961)	19,751
Communities, Housing & Customer Services	5,064	885	(670)	5,279
Corporate Management	10,760	854	(27,123)	(15,509)
Economic Development	18,431	1,217	1,863	21,511
Education & Lifelong Learning	30,792	913	2,599	34,304
Governance & Legal Services	5	296	659	960
Harbour Authority	2,736	99	(185)	2,650
Housing Revenue Account	10,270	885	(30,215)	(19,060)
Resources	1,235	(309)	1,097	2,023
Social Services	314	1,068	(117)	1,265
Summary Revenue Account	0	6	(39,258)	(39,252)
Net Cost of Services	100,551	6,682	(93,311)	13,922

Notes to the Financial Statements

Other Income and Expenditure from the Expenditure & Funding Analysis	(53,368)	14,690	(537,518)	(576,196)
(Surplus) or Deficit on Provision of Services	47,183	21,372	(630,829)	(562,274)

Comparative note for 2016/17.

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)
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)

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.

Notes to the Financial Statements

- 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

	2016/17 £000	2017/18 £000
Employee Benefits Expenses	430,055	473,220
Other Service Expenses	568,272	558,097
Depreciation, Amortisation & Impairment	57,231	101,850
Change in Fair Value of Investment Properties	(9,700)	1,757
Interest Payments	32,250	31,781
Precepts & Levies	46,698	48,641
Loss on Sale of Non-Current Assets	23,212	29,136
Total Expenditure	1,148,018	1,244,482
Fees, Charges & Other Service Income	(236,267)	(209,676)
Interest and Investment Income	(979)	(700)
Income from Council Tax and Non-Domestic Rates	(606,742)	(674,356)
Government Grants and Contributions	(305,791)	(307,896)
Gain on Sale of Non-Current Assets	0	(27,146)
Total Income	(1,149,779)	(1,219,774)
Surplus & Deficit on the Provision of Services	(1,761)	24,708

5. Precepts and Levies

	2016/17 £000	2017/18 £000
Precepts		
Police and Crime Commissioner for South Wales	29,367	31,216
Community Councils:		
Lisvane	34	34
Pentyrch	85	91
Radyr	112	120
St Fagans	18	18
Old St Mellons	28	28
Tongwynlais	19	19
	29,663	31,526
Levies & Contributions		
South Wales Fire and Rescue Service	16,775	16,857
Natural Resources Wales	139	114
Cardiff Port Health Authority	115	139
Newport Health Authority	5	5
	17,034	17,115

Notes to the Financial Statements

6. Participation in Joint Committees

During 2017/18 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	2016/17 £000	2017/18 £000
Cardiff Capital Region City Deal*	To co-ordinate and discharge Councils' obligations in relation to the City Deal	42	183
Central South Consortium Joint Education Service	To provide a regional approach to improvement in schools	1,505	1,436
Glamorgan Archives*	Management and administration of the Glamorgan Records Office	212	209
Prosiect Gwyrdd*	To manage residual waste treatment	32	32
Regional Adoption Service	To share best practice, develop and improve adoption services	472	488
Shared Regulatory Service	To provide environmental health services	5,231	5,002
Total		7,494	7,350

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

7. 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 2017/18 was £143,032 (£141,255 for 2016/17).

The amounts for a band D property in Cardiff during 2017/18 were as follows:

Band D Council Tax:	2016/17 £	2017/18 £
Cardiff Council	1,060	1,100
Police and Crime Commissioner for South Wales	208	218
Total	1,268	1,318

The above amount (£1,318) 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:

	2016/17 £000	2017/18 £000
Council Tax collectable	(182,502)	(191,095)
Provision for non-payment of Council Tax	2,063	2,070
	(180,439)	(189,025)

The net proceeds from Council Tax figure of £189.025 million includes precepts of £31.526 million and a transfer to the bad debt provision of £2.922 million. The remaining balance of £160.421 million is the Council Tax attributable to the Council, as part of the Council's Outturn for 2017/18.

Notes to the Financial Statements

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

31 March 2017 £000		31 March 2018 £000
(5,858)	Council Tax Bad Debt Provision	(7,076)

8. Non-Domestic Rates (NDR)

The Welsh Government specifies an amount for the rate (48.2p in 2016/17 and 48.6p in 2017/18) and, subject to the effects of transitory arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from ratepayers in its areas but pays the proceeds into the NDR pool administered by the Welsh Government. The sums collected are redistributed back to Councils' on the basis of a fixed amount per head of population.

The NDR income of £184.953 million for 2017/18 (£189.057 million for 2016/17) was based on a total rateable value of £457.936 million for 2017/18 (£475.602 million for the year 2016/17).

Analysis of the net proceeds from non-domestic rates:

	2016/17 £000	2017/18 £000
Non-Domestic Rates collectable	189,057	184,953
Cost of collection allowance	(896)	(893)
Provision for non-payment	(1,696)	(1,459)
Payment into national pool	186,465	182,601
Redistribution from national pool	(105,994)	(115,480)

9. 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 £13.323 million at 31 March 2018 (£14.993 million at 31 March 2017) 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 2018 the Welsh Government had provided £2.736 million of funding, of which £801,000 is outstanding as loans provided. The balance available for new loans was £1.935 million (£1.220 million at 31 March 2017).
- Home Improvement loans – provide loans for home improvements. At 31 March 2018 the Welsh Government had provided £1.062 million of funding, of which £313,000 is outstanding as loans provided leaving a balance available for new loans of £749,000.

South Wales Trunk Road Agency

The total reimbursement received by the Council was £595,000 in 2017/18 (£394,000 in 2016/17).

FOR Cardiff (formerly known as Business Improvement District (BID) Company)

This 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. Further information is available on their website <https://www.forcardiff.com>. 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 2018 the Council owed the company £81,000.

Prosiect Gwyrdd

Notes to the Financial Statements

The Council is responsible for the payments to Viridor to provide waste treatment in relation to commercial and industrial waste. The Council made payments of £10.662 million in 2017/18 (£10.995 million in 2016/17) on behalf of all the partners.

10. Remuneration

10.1 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 2017/18 was 1:7 (1:8 in 2016/17). The median full time equivalent earnings for 2017/18 was £24,437 (£21,164 in 2016/17). These figures include staff employed by voluntary aided schools.

10.2 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 10.3.

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	
		2016/17	2017/18
		Total	Total
	60,000-64,999	43	60
	65,000-69,999	43	46
	70,000-74,999	8	12
	75,000-79,999	9	9
	80,000-84,999	13	17
	85,000-89,999	1	5
	90,000-94,999	4	2
	95,000-99,999	1	2
	100,000-104,999	1	2
	105,000-109,999	1	1
	110,000-114,999	2	1
	115,000-119,999	2	2
	120,000-124,999	5	6
	125,000-129,999	0	1
	130,000-134,999	2	1
	135,000-139,999	1	1
	140,000-144,999	0	0
	145,000-149,999	0	1
	150,000-169,999	0	0
	170,000-174,999	1	1
	Total	137	170

10.3. Shown in the tables below are remuneration details as required by regulation:

- 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.

Notes to the Financial Statements

- Employees whose salary is £150,000 or more on an annualised basis. These are identified by name.
- This does not include senior employees in schools.

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 2017/18 (£0 in 2016/17)

2017/18 Post title	Salary, fees and allowances £	Taxable benefits £	Compensation for loss of employment			Employers pension contribution (23.3% of salary) £	Total £
			Received via payroll (taxable) (a) £	Received via creditors (non taxable) £	Enhancement of Retirement Benefits £		
Paul Orders, Chief Executive	173,417	0	0	0	0	40,406	213,823
Corporate Director Resources & Section 151 Officer (a)	132,613	0	0	0	0	0	132,613
Assistant Director Children's Services (b)	128,115	0	0	0	0	0	128,115
Director Education & Lifelong Learning	122,412	13	0	0	0	28,522	150,947
Director Social Services	122,412	0	0	0	0	28,522	150,934
Director Economic Development	122,412	0	0	0	0	28,522	150,934
Director City Operations	122,412	0	0	0	0	28,522	150,934
Director Governance & Legal Services & Monitoring Officer	122,412	0	0	0	0	28,168	150,580
Director Communities, Housing & Customer Services (Post Deleted 06/02/2018) (c)	104,196	0	0	0	0	24,246	128,442
Assistant Director Education & Lifelong Learning	83,240	0	0	0	0	19,395	102,635
Assistant Director Adult Services	83,240	0	0	0	0	19,395	102,635
Assistant Director Housing & Communities	83,240	0	0	0	0	19,395	102,635
Assistant Director Customer Services & Communities	83,240	0	0	0	0	19,395	102,635
Assistant Director Commercial Services	83,240	0	0	0	0	19,395	102,635
Chief HR Officer	83,240	0	0	0	0	19,395	102,635
Head of Service, Finance	83,240	0	0	0	0	19,395	102,635
Head of Performance & Partnerships	83,240	0	0	0	0	19,395	102,635

Notes to the Financial Statements

2017/18	Salary, fees and allowances £	Taxable benefits £	Compensation for loss of employment			Employers pension contribution (23.3% of salary) £	£ Total
Post title			Received via payroll (taxable) (a) £	Received via creditors (non taxable) £	Enhancement of Retirement Benefits £		
Corporate Director People and Communities (Commenced 07/02/2018) (d)	19,734	0	0	0	0	4,629	24,363

a) In addition to the remuneration fees detailed in the table above, Corporate Director Resources received fees relating to Returning Officer duties of £31,785 (£57,196 in 2016/17), a breakdown below is provided:

£12,865 UK Parliamentary Elections

£18,920 Local Elections

b) During 2017/18 agency invoices of £128,115 (£130,519 in 2016/17) were received for service as Assistant Director Children Services, payments made were also £128,115.

c) Director Communities, Housing & Customer Services post deleted from the structure on 06/02/2018. Annualised salary of £122,412.

d) Corporate Director People and Communities commenced 07/02/2018. Annualised salary £132,613.

Comparative data for 2016/17:

2016/17	Salary, fees and allowances £	Taxable benefits £	Compensation for loss of employment			Employers pension contribution (22.9% of salary) £	£ Total
Post title			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

Notes to the Financial Statements

2016/17	Salary, fees and allowances £	Taxable benefits £	Compensation for loss of employment			Employers pension contribution (22.9% of salary) £	Total £
Post title			Received via payroll (taxable) (a) £	Received via creditors (non taxable) £	Enhancement of Retirement Benefits £		
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.

10.4 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

Notes to the Financial Statements

up of two elements. The first element is the one off payment made to an individual as compensation for loss of employment through either voluntary or compulsory redundancy, the second element is the pension strain cost which is paid by the Council to the Pension Fund over a five year period.

2016/17				Exit package cost band (including special payments)	2017/18			
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 £		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 £
9	64	73	617,394	£0 - £20,000	14	42	56	585,070
0	16	16	403,619	£20,001 – £40,000	2	15	17	480,481
1	4	5	228,575	£40,001 – £60,000	1	7	8	405,989
0	3	3	214,224	£60,001 – £80,000	1	5	6	414,321
0	1	1	87,320	£80,001 – £100,000	0	2	2	166,285
0	1	1	130,276	£100,001 – £150,000	0	3	3	331,498
1	0	1	172,584	£150,001 – £200,000	0	1	1	166,519
11	89	100	1,853,992	Total	18	75	93	2,550,163

10.5 Members Allowances

The total amount of Members' Allowances (including basic and special responsibility) paid in 2017/18 was £1.290 million (£1.285 million in 2016/17). As required by the Code this figure includes all remuneration paid to members including basic and special allowances, care allowances and expenses directly reimbursed.

11. 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 2018 is as follows:

	2016/17 £000	2017/18 £000
Expenditure		
Equipment	1,742	1,598
Contribution to Overheads	124	102
Total Expenditure	1,866	1,700
Funding		
Cardiff and Vale University Health Board	(1,161)	(1,267)
Cardiff Council	(518)	(283)
Vale of Glamorgan Council	(187)	(217)
Total Funding	(1,866)	(1,767)
Surplus transferred to JES Partnership Reserve	0	(67)

12. 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.

Notes to the Financial Statements

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 30 including grant receipts outstanding at 31 March 2018.

Members of the Council have direct control over the Council's financial and operating policies. The total members' allowances paid in 2017/18 is shown in note 10. Members' interests in other organisations have been identified by an inspection of the Members' and Officers' Declaration of Interest Register. During 2017/18, goods and services totalling £15.120 million were commissioned from companies in which members had an interest (£15.777 million in 2016/17). Grants totalling £3.378 million (£790,960 in 2016/17) were paid to voluntary organisations in which members had an interest.

Officer's emoluments are shown in note 10 to the Core Financial Statements. In 2017/18, for companies in which Senior Officers had an interest there were £0 of goods and services commissioned (£0 in 2016/17). For goods and services provided, income of £63,589 was received in 2017/18 (£9,040 in 2016/17).

Subsidiary Companies include Cardiff City Transport Services (Cardiff Bus), Cardiff Business Technology Centre (CBTC), Cardiff Business Council and Atebion Solutions Ltd. Details of transactions with these companies are shown in note 24 to the Core Financial Statements.

Pension Fund contributions paid to the Fund are shown in note 17 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 5 to the Core Financial Statements. Separate to the precept, the Council made payments of £125,286 to Police and Crime Commissioner for South Wales during 2017/18 (£46,100 in 2016/17).

Related Party Balances

The following balances were held in respect of related parties:

31 March 2017			31 March 2018	
Debtors £000	Creditors £000		Debtors £000	Creditors £000
24,114	(2,117)	Central Government Grants	33,540	(1,220)
109	(13)	Cardiff City Transport Services Ltd	28	(133)
5,019	(9)	Companies in which members' interests declared/other	2,001	(25)

13. External Audit Costs

	2016/17 £000	2017/18 £000
Fees payable to Wales Audit Office for external audit services	389	383
Fees payable to Wales Audit Office for the certification of grant claims	65	65
Fees payable to Wales Audit Office for other financial audit work	23	23
Total	477	471

14. 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 2017/18:

Notes to the Financial Statements

	2016/17 £000	2017/18 £000
Property Leases	1,829	1,330
Other Leases	2,705	3,127
	4,534	4,457

The Council was committed at 31 March 2018 to making payments of £4.209 million under operating leases in 2017/18 (£3.939 million at 31 March 2017 for 2016/17) comprising the following elements:

31 March 2017			31 March 2018	
Property Leases £000	Other Leases £000		Property Leases £000	Other Leases £000
38	1,847	Leases expiring within 1 year	0	1,925
1,066	857	Leases expiring between 2 and 5 years	1,016	1,021
131	0	Leases expiring after 5 years	247	0
1,235	2,704		1,263	2,946

Finance Leases

There were no finance leases at 31 March 2018 (none in 2016/17) 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 £5.618 million in 2017/18 (£6.193 million in 2016/17).

The Council was committed as at 31 March 2018 to receiving income of £5.390 million (£5.547 million as at 31 March 2017) under operating leases for Land & Buildings comprising the following elements:

31 March 2017 £000			31 March 2018 £000
165	Leases expiring within 1 year		488
1,166	Leases expiring between 2 and 5 years		1,253
4,216	Leases expiring after 5 years		3,649
5,547			5,390

Finance Leases

The Council does not provide any leases of this type.

15. 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.

	2016/17 £000	2017/18 £000
Rental income from investment property	(6,047)	(5,402)
Direct operating expenses arising from investment property	2,607	2,173
Net (gain) / loss	(3,440)	(3,229)

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.

16. Prudent Revenue Provision

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

	2016/17 £000	2017/18 £000
Council Fund revenue provision	24,625	24,257
Housing Revenue Account provision	8,042	11,108
Prudent revenue provision	32,667	35,365

17. Pensions

Participation in Pension Schemes

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

The Council participates in 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 2017/18 the Council paid £19.562 million in respect of teachers' pension costs, which represents 16.5% of teachers' pensionable pay (£19.016 million representing 16.5% of teachers' pensionable pay in 2016/17). 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.

Notes to the Financial Statements

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.

	2016/17			2017/18		
	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	50,150	0	50,150
Past Service Costs	3,410	180	3,590	1,520	170	1,690
Financing & Investment Income & Expenditure						
Interest on net defined benefit liability/(asset)*	16,290	1,530	17,820	13,310	1,200	14,510
Net charge to CI&E Statement	59,500	1,710	61,210	64,980	1,370	66,350
Movement in Reserves Statement						
Reversal of net charges made for retirement benefits in accordance with IAS19	(59,500)	(1,710)	(61,210)	(64,980)	(1,370)	(66,350)
Actual amount charged against Council Tax in respect of pensions for the year						
Employers contributions payable to the scheme	39,640	0	39,640	40,820	0	40,820
Payments in respect of unfunded pensions liabilities **	0	3,230	3,230	0	3,210	3,210
	39,640	3,230	42,870	40,820	3,210	44,030

*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 2019

Local Government Scheme - employer's regular contributions to the Fund for the accounting period ending 31 March 2019 are estimated to be £40.730 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 2019 the Council expects to pay £3.310 million directly to beneficiaries.

Notes to the Financial Statements

Basis for estimating assets and liabilities

The latest actuarial valuation of the Council'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 2017 % pa	31 March 2018 % pa
Rate of Inflation - Retail Price Index (RPI)	3.1	3.2
Rate of Inflation - Consumer Price Index (CPI)	2.0	2.1
Rate of general increase in salaries*	3.0	3.1
Rate of increase to pensions in payment**	2.0	2.1
Rate of increase to deferred pensions	2.0	2.1
Discount rate for scheme liabilities	2.6	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 2017		31 March 2018	
	Men	Women	Men	Women
Future lifetime from age 65:-				
Currently age 65	23.0	25.7	23.1	25.8
Currently age 45	24.0	27.1	24.2	27.2

(c) 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.

(d) 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 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 2017	Approx. split of assets %	31 March 2018		
		Quoted %	Unquoted %	Total %
78.1	Equities	62.6	3.9	66.5
6.3	Property	6.3	0.0	6.3
8.5	Government Bonds	15.4	0.0	15.4
5.8	Corporate Bonds	10.4	0.0	10.4

Notes to the Financial Statements

1.5	Cash	1.4	0.0	1.4
-0.2	Other*	0.0	0.0	0.0
100	Total	96.1	3.9	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 2017			31 March 2018		
	Funded scheme £000	Unfunded liabilities £000	Total £000	Funded scheme £000	Unfunded liabilities £000	Total £000
Notional value of assets	1,198,860	0	1,198,860	1,230,630	0	1,230,630
Present value of liabilities	(1,730,930)	(47,490)	(1,778,420)	(1,820,380)	(46,520)	(1,866,900)
Net pension asset/(liability)*	(532,070)	(47,490)	(579,560)	(589,750)	(46,520)	(636,270)

*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 2017				31 March 2018		
Funded scheme £000	Unfunded liabilities £000	Total £000		Funded scheme £000	Unfunded liabilities £000	Total £000
(1,509,170)	(46,650)	(1,555,820)	Opening present value of liabilities	(1,730,930)	(47,490)	(1,778,420)
(39,800)		(39,800)	Current service cost	(50,150)	0	(50,150)
(50,680)	(1,530)	(52,210)	Interest cost	(44,420)	(1,200)	(45,620)
(9,910)	0	(9,910)	Contributions by participants	(10,470)	0	(10,470)
(165,900)	(2,360)	(168,260)	Remeasurements in Other Comprehensive Income (OCI)	(39,550)	(870)	(40,420)
47,940	3,230	51,170	Net benefits paid out *	56,660	3,210	59,870
(3,410)	(180)	(3,590)	Past service cost	(1,520)	(170)	(1,690)
(1,730,930)	(47,490)	(1,778,420)	Closing present value of liabilities	(1,820,380)	(46,520)	(1,866,900)

* Includes changes to the actuarial assumptions.

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

31 March 2017 £000		31 March 2018 £000
1,010,320	Opening fair value of assets	1,198,860
34,390	Interest income on assets	31,110
152,540	Remeasurement gains/(losses) on assets	6,030

Notes to the Financial Statements

39,640	Contributions by employer	40,820
9,910	Contributions by participants	10,470
(47,940)	Net benefits paid out **	(56,660)
1,198,860	Closing fair value of assets	1,230,630

* 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 2017			31 March 2018	
Funded Scheme £000	Unfunded Liabilities £000		Funded Scheme £000	Unfunded Liabilities £000
(152,540)	0	Return on plan assets (in excess of) / below that recognised in net interest	(6,030)	0
318,150	3,300	Actuarial (gains)/losses due to change in financial assumptions	30,390	420
(119,650)	(590)	Actuarial (gains)/losses due to changes in demographic assumptions	0	0
(32,600)	(350)	Actuarial (gains)/losses due to liability experience	9,160	450
13,360	2,360	Total amount recognised in OCI	33,520	870

Actual return on assets

31 March 2017 £000		31 March 2018 £000
34,390	Interest income on assets	31,110
152,540	Remeasurement gain/(loss) on assets	6,030
186,930	Actual return on assets	37,140

Analysis of amount recognised in the Comprehensive Income & Expenditure Statement

31 March 2017				31 March 2018		
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
(13,360)	(2,360)	(15,720)	Total Actuarial Gain/(Loss)*	(33,520)	(870)	(34,390)

*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

	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m
Total gain/(loss) –funded scheme	263.70	(49.85)	21.88	(13.36)	(30.52)
Total gain/(loss) –unfunded liabilities	2.76	(1.64)	(9.81)	(2.36)	0.87
Cumulative gain/(loss)	(566.00)	(299.54)	(351.03)	(338.68)	(368.33)

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

Notes to the Financial Statements

	31 March 2014 £000	31 March 2015 £000	31 March 2016 £000	31 March 2017 £000	31 March 2018 £000
Fair value of assets	906,610	1,027,052	1,014,120	1,198,860	1,230,630
Present value of funded liabilities	(1,341,187)	(1,528,588)	(1,513,150)	(1,730,930)	(1,820,380)
Present value of unfunded liabilities	(38,450)	(38,250)	(46,650)	(47,490)	(46,520)
Surplus/(deficit)	(473,027)	(539,786)	(545,680)	(579,560)	(636,270)

History of experience gains and losses

	Year ending 31.3.14 £m	Year ending 31.3.15 £m	Year ending 31.3.16 £m	Year ending 31.3.17 £m	Year ending 31.3.18 £m
Experience gains/(losses) on funded assets	47.95	78.33	(47.81)	152.54	6.03
Experience gains/(losses) on funded liabilities	34.60	8.21	13.12	32.60	9.16
Experience gains/(losses) on unfunded liabilities	0.04	(0.36)	10.81	(0.35)	0.45

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	1,787,030	1,854,350
% change in present value of total obligation	-1.8%	1.9%
Projected service cost	51,610	54,810
Approximate % change in projected service cost	-3.0%	3.0%

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	1,828,850	1,812,010
% change in present value of total obligation	0.5%	-0.5%
Projected service cost	53,190	53,190
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	1,845,820	1,795,330
% change in present value of total obligation	1.4%	-1.4%

Notes to the Financial Statements

Projected service cost	54,810	51,610
Approximate % change in projected service cost	3.0%	-3.0%

Post retirement mortality assumption

Adjustment to mortality age rating assumption	-1 year £000	+1 year £000
Present value of total obligation	1,875,180	1,765,940
% change in present value of total obligation	3.0%	-3.0%
Projected service cost	55,120	51,270
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.

Notes to the Financial Statements

18. Non-Current Assets

Non-Current assets valuation

Non-Current assets are valued as per the accounting policies shown on pages 21 to 36.

2017/18	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 2017	554,803	767,945	36,684	605,525	19,652	40,992	42,555	2,068,156
Additions	17,633	33,011	4,587	14,943	84	14	54,899	125,171
Impairment losses/reversals to RR *	0	(330)	0	0	0	0	0	(330)
Impairment losses / reversals to SDPS **	(25)	(7,130)	0	0	0	0	(1,458)	(8,613)
Derecognition - disposals	(1,479)	(1,001)	(3,401)	0	0	(567)	0	(6,448)
Reclassified (to)/from Held for Sale	0	(582)	0	0	0	5,975	0	5,393
Other reclassifications	3,243	(864)	17	3,746	0	10,280	(28,271)	(11,849)
Revaluation increases /(decreases) to RR*	0	27	0	0	0	(569)	0	(542)
Revaluation increases /(decreases) to SDPS**	0	(19,745)	0	0	0	(16,396)	0	(36,141)
At 31 March 2018	574,175	771,331	37,887	624,214	19,736	39,729	67,725	2,134,797
Depreciation								
At 1 April 2017	16,941	26,169	21,127	310,904	0	0	0	375,141
Depreciation charge	9,072	16,585	4,927	22,135	0	0	0	52,719
Depreciation written out on impairment	0	(349)	0	0	0	0	0	(349)
Derecognition - disposals	(42)	(636)	(3,401)	0	0	0	0	(4,079)
Depreciation written out to SDPS **	0	(82)	0	0	0	0	0	(82)
Reclassifications	0	(819)	0	0	0	(27)	0	(846)
Depreciation written out on revaluation	0	0	0	0	0	0	0	0
At 31 March 2018	25,971	40,868	22,653	333,039	0	(27)	0	422,504
Net Book Value:								
At 31 March 2018	548,204	730,463	15,234	291,175	19,736	39,756	67,725	1,712,293
At 31 March 2017	537,862	741,776	15,557	294,621	19,652	40,992	42,555	1,693,015

* RR = Revaluation Reserve

** SDPS = Surplus or deficit on Provision of Services

Notes to the Financial Statements

Comparative Movements in 2016/17

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	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)	0	(33,458)
Reclassified (to)/from Held for Sale	0	0	0	0	0	8	0	8
Other reclassifications	400	13,291	193	7,088	0	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

Notes to the Financial Statements

Heritage Assets

2016/17 £000		2017/18 £000
51,278	Balance at 1 April	53,846
97	Additions	53
2,471	Revaluation increases /(decreases) to RR	200
0	Other Reclassifications	0
53,846	Balance at 31 March	54,099

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 £38.421 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:

Notes to the Financial Statements

2016/17 £000		2017/18 £000
110,471	Balance at 1 April	132,241
13,207	Additions	1,036
0	Impairment	(1,795)
(1,182)	Disposals	(26,774)
0	Reclassified (to) / from Held for Sale	0
45	Other Reclassifications	(101)
0	Revaluation increases / (decreases) to RR*	32
9,700	Revaluation increases / (decreases) to SDPS**	6
132,241	Balance at 31 March	104,645

* Revaluation Reserve

** Surplus/Deficit on Provision of Services

Intangible Assets

Movements in intangible assets during 2017/18 are summarised as follows:

2016/17 Total £000		2017/18		
		Other Intangible Assets £000	Intangible AUC £000	Total £000
	Cost or Valuation			
7,939	Balance at 1 April	6,540	1,960	8,500
561	Additions	193	142	335
0	Other reclassifications	1,942	(1,942)	0
8,500	Balance at 31 March	8,675	160	8,835
	Amortisation			
4,513	Balance at 1 April	5,185	0	5,185
672	Amortisation	949	0	949
5,185	Balance at 31 March	6,134	0	6,134
	Net Book Value:			
3,315	Balance at 31 March	2,541	160	2,701

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.

2016/17 £000		2017/18		
		CFR exc. landfill £000	Landfill CFR £000	Total CFR £000
733,368	Opening Capital Financing Requirement	724,435	23,429	747,864
	Capital Expenditure:			
86,570	Property, Plant and Equipment*	120,443	0	120,443
97	Heritage Assets	53	0	53
0	Assets Held for Sale	0	0	0
13,207	Investment Properties	1,036	0	1,036

Notes to the Financial Statements

2016/17 £000		2017/18		
		CFR exc. landfill £000	Landfill CFR £000	Total CFR £000
561	Intangible Assets	335	0	335
171	Loans / Equity	200	0	200
7,751	Expenditure on REFCUS	15,148	0	15,148
	Sources of Finance:			
(7,675)	Capital Receipts	(10,682)	0	(10,682)
(41,458)	Government grants and other contributions	(61,744)	0	(61,744)
(10,834)	Direct revenue contributions and reserves	(10,407)	0	(10,407)
(33,894)	Prudent revenue and capital provision for loan repayment	(34,366)	(1,020)	(35,386)
747,864	Closing Capital Financing Requirement	744,451	22,409	766,860
	Explanation of movements in year:			
(5,317)	Increase / (Decrease) in underlying need to borrow (supported by government financial assistance)	(2,427)	0	(2,427)
19,813	Increase / (Decrease) in underlying need to borrow (unsupported by government financial assistance)	22,443	(1,020)	21,423
14,496	Increase in Capital Financing Requirement	20,016	(1,020)	18,996

*The difference between this figure for 2017/18 and the figure in the non-current assets note on page 69 is £4.728 million. This is due to a donated asset that is not recorded as capital expenditure in the year.

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.

2016/17 £000		2017/18 £000
	Expenditure:	
4,792	Housing Improvement Grants	4,254
2,745	Buildings not owned by Cardiff Council	10,853
214	Grants awarded (not Housing Grants)	41
7,751	Charged to Income and Expenditure Statement	15,148
	Funded by:	
(3,629)	Grants and Contributions	(9,356)
(4,122)	Borrowing, Receipts and Other Capital Resources	(5,792)
(7,751)		(15,148)

Significant capital expenditure contractual commitments

At 31 March 2018, the significant capital expenditure commitments scheduled for completion in 2018/19 and future years is £38.794 million (£35.588 million 2016/17) represented by the following:

	£000
High School in the West	18,378
Maelfa High Rise Refurbishment	4,520
Gabalfa and Glan Ceubal Primary School	4,022
Hamadryad Primary School	3,735

Notes to the Financial Statements

Central Square - Public Realm	2,927
Fire Door replacement (Council Dwellings)	2,300
Glan Morfa Primary School	1,711
Howardian Primary School	1,201
Total Contractual Commitments	38,794

19. 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 and Loans to organisations are shown separately in the respective notes rather than as financial instruments:-

	31 March 2017			31 March 2018		
	Long Term £000	Short Term £000	Total £000	Long Term £000	Short Term £000	Total £000
Investments						
Loans and Receivables - Investments - Principal	0	66,000	66,000	0	34,000	34,000
Loans and Receivables - Investments Accrued Interest	0	124	124	0	33	33
Loans and Receivables - Cash and Cash Equivalents	0	18,765	18,765	0	54,360	54,360
Loans and Receivables - Cash and Cash Equivalents Accrued Interest	0	11	11	0	11	11
Total Loans and Receivables Included in Investments	0	84,900	84,900	0	88,404	88,404
Investments at Fair Value	13,691	0	13,691	13,996	0	13,996
Total Investments	13,691	84,900	98,591	13,996	88,404	102,400
Debtors						
Loans and receivables	597	288	885	640	243	883
Debtors that are not included in financial Instrument notes	5,019	83,466	88,485	7,447	92,301	99,748
Total in Debtors	5,616	83,754	89,370	8,087	92,544	100,631
Borrowings						
Financial liabilities at amortised cost - Loans (principal)	(668,028)	(7,028)	(675,056)	(688,713)	(4,562)	(693,275)
Financial liabilities at amortised cost - Loans Accrued Interest	0	(7,944)	(7,944)	0	(8,878)	(8,878)
Total included in Borrowings	(668,028)	(14,972)	(683,000)	(688,713)	(13,440)	(702,153)

Notes to the Financial Statements

Investments

Loans and receivables include:

- Cash and bank including temporary investments is £88.404 million, of which £59.051 million is deposited for various maturities with financial institutions

The fair value of loans and receivables is deemed to be the carrying value.

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 the average of inputs other than quoted prices (Level 2). These include 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 2018 is estimated to be £13.630 million (£13.279 million in 2016/17).
- Various minority equity holdings in companies are included either at cost or at quoted prices where available.

Debtors

Loans and receivables include:

- 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.

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 2018.

31 March 2017			Valuation Method - Level	31 March 2018	
Carrying amount £000	Fair value £000			Carrying amount £000	Fair value £000
(624,514)	(915,372)	Public Works Loan Board Loans	Level 2	(640,000)	(922,218)
(51,637)	(74,972)	Lender Option Borrower Option Loans	Level 2	(51,638)	(73,508)
(6,849)	(6,171)	Market Loans, Bonds and Temporary Balances	Level 2	(10,515)	(8,919)
(683,000)	(996,515)	Financial Liabilities		(702,153)	(1,004,645)

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 2018. An exit price fair value of £1.085 billion is also calculated using early repayment discount rates which are lower than equivalent loan rates.

Notes to the Financial Statements

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		2016/17 £000	2017/18 £000
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000		
Interest Payable & Similar Charges	32,250	31,781	0	0	0	0	32,250	31,781
Interest and Investment Income	0	0	(755)	(471)	0	0	(755)	(471)
(Gain)/loss arising on Revaluation or Disposal of Financial Assets	0	0	0	0	3,576	(305)	3,576	(305)
Net (gain) / loss for the year	32,250	31,781	(755)	(471)	3,576	(305)	35,071	31,005

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 2017/18 from Cardiff Bus (£0 in 2016/17).

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.

Notes to the Financial Statements

Credit Risk	Likelihood of Default	31 March 2017 £000	31 March 2018 £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. 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 which is deemed minimal. Using historic data adjusted for current financial market conditions and based on the level of counterparty exposure at 31 March 2018, the probability of any default is 0.01% or £5,905. Accordingly, no provisions for losses is recognised.	83,900	88,404																											
Local Authority Mortgage Scheme	The Council had placed a £1 million indemnity with Lloyds Bank as part of this scheme. This matured on the 24 April 2017 and no mortgage defaults occurred.	1,000	0																											
Car Loans	Repayments are recovered directly from employees pay and indemnity insurance is a condition of the loan. Default experience is minimal.	629	493																											
Loans to External Bodies	Includes loans to SME’s. Where there is deemed to be a risk of non-repayment a provision or impairment is considered.	256	390																											
Customers	<p>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.</p> <p>The bad debt provision for 2017/18 was based on the adjusted age profile disclosed in the following table.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: right;">2016/17</th> <th style="text-align: right;">2017/18</th> </tr> <tr> <th></th> <th style="text-align: right;">£000</th> <th style="text-align: right;">£000</th> </tr> </thead> <tbody> <tr> <td>Less than 1 year</td> <td style="text-align: right;">15,684</td> <td style="text-align: right;">20,197</td> </tr> <tr> <td>1 – 2 years</td> <td style="text-align: right;">413</td> <td style="text-align: right;">798</td> </tr> <tr> <td>2 – 3 years</td> <td style="text-align: right;">138</td> <td style="text-align: right;">296</td> </tr> <tr> <td>3 – 4 years</td> <td style="text-align: right;">124</td> <td style="text-align: right;">90</td> </tr> <tr> <td>4 – 5 years</td> <td style="text-align: right;">90</td> <td style="text-align: right;">98</td> </tr> <tr> <td>Over 5 years</td> <td style="text-align: right;">359</td> <td style="text-align: right;">353</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">16,808</td> <td style="text-align: right;">21,832</td> </tr> </tbody> </table> <p>Other debt such as grant income due from government bodies and year-end accruals of income is considered to be 100% collectable and provision against non-payment is not usually considered necessary.</p>		2016/17	2017/18		£000	£000	Less than 1 year	15,684	20,197	1 – 2 years	413	798	2 – 3 years	138	296	3 – 4 years	124	90	4 – 5 years	90	98	Over 5 years	359	353	Total	16,808	21,832	16,808	21,832
	2016/17	2017/18																												
	£000	£000																												
Less than 1 year	15,684	20,197																												
1 – 2 years	413	798																												
2 – 3 years	138	296																												
3 – 4 years	124	90																												
4 – 5 years	90	98																												
Over 5 years	359	353																												
Total	16,808	21,832																												
Total		102,593	111,119																											

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:

Notes to the Financial Statements

31 March 2017 £000	Loans Outstanding	31 March 2018 £000
617,207	Public Works Loans Board	631,760
51,000	Market Lender Option Borrow Option (LOBO)	51,000
5,839	Welsh Government / Salix	10,515
674,046	Total	693,275
6,019	Under 12 months	4,562
3,983	12 months and within 24 months	3,286
9,948	24 months and within 5 years	12,870
24,238	5 years and within 10 years	35,412
152,214	10 years and within 20 years	155,500
165,000	20 years and within 30 years	166,000
208,689	30 years and within 40 years	210,689
86,955	40 years and within 50 years	99,956
12,000	50 years and within 60 years	5,000
5,000	60 years and within 70 years	0
674,046	Total	693,275

Currently, £24.000 million of the LOBO loans are subject to the lender having the right to change the rate of interest payable during the next financial year. The Council has the right to refuse the change, triggering early repayment and the need to re-finance. Details are shown in the following table:

£m	Potential Repayment Date	Option Frequency	Full Term Maturity
6	21/05/2018	6 months	21/11/2041
6	21/05/2018	6 months	21/11/2041
6	21/05/2018	6 months	23/05/2067
6	21/05/2018	6 months	23/05/2067
22	21/11/2020	5 years	23/11/2065
5	16/01/2023	5 years	17/01/2078

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.	<ul style="list-style-type: none"> • Production and Council approval of a Treasury Management Strategy at the start of each financial year, setting limits for fixed and variable rate exposure.
Interest paid on variable rate borrowings	If interest rates rise, lenders may exercise options to increase rates in a Lender Option Borrower Option loan potentially increasing the interest expense charged to the Comprehensive Income and Expenditure Statement, should the Council accept the higher rate.	<ul style="list-style-type: none"> • Interest rate forecasts based on advice from treasury management advisors are built into the budget and monitored regularly throughout the year.

Notes to the Financial Statements

Variable affected by interest rate fluctuations	Impact of Variation	Actions to mitigate interest rate risk
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.	<ul style="list-style-type: none"> 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.
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 2017/18 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	(100)
Interest in interest receivable on investments	302
Impact on Income and Expenditure Account	202
Increase in interest transferred to other balances and accounts	(2)
Net Income / (Expenditure)	200

Changes in Fair Value	£000
Decrease in Fair Value of Fixed Rate Investments	0
Decrease in Fair Value of Fixed Rate Borrowings	153,338

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 £30,000 (£76,000 in 2016/17) which are quoted on a recognised stock exchange at 31 March 2018.

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 £682,000 gain or loss being recognised in the Movement in Reserves Statement.

Notes to the Financial Statements

20. Held for Sale Assets

2016/17 £000		2017/18 £000
2,819	Balance at 1 April	80
(2,731)	De-recognition	(80)
(8)	Reclassified to/(from) Held for Sale	6,557
0	Revaluation increases /(decreases) to RR*	(84)
0	Revaluation increases /(decreases) to SDPS**	(98)
80	Balance at 31 March	6,375

*Revaluation Reserve

** Surplus/Deficit on Provision of Services

21. Debtors

31 March 2017 £000		31 March 2018 £000
45,251	Central Government Bodies	50,616
9,120	Other Local Authorities	10,984
5,259	NHS Bodies	5,955
14	Public Corporations & Trading Funds	242
24,110	Other Entities and Individuals	24,747
83,754	Total Debtors Net of Impairments	92,544

22. Cash and Cash Equivalents

31 March 2017 £000		31 March 2018 £000
223	Cash	207
15,992	Bank (including cheque book schools)	29,102
2,561	Short-term deposit with banks and building societies	25,062
18,776	Total Cash and Cash Equivalents	54,371

Included within the bank figure above are bank balances of chequebook schools totalling £2.137 million (£1.740 million in 2016/17).

In addition to the above, at 31 March 2018 the Council held £622,000 (£594,000 at 31 March 2017) 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.

23. Creditors

31 March 2017 £000		31 March 2018 £000
(16,155)	Central Government Bodies	(12,726)
(7,907)	Other Local Authorities	(9,713)
(1,594)	NHS Bodies	(1,022)
(4)	Public Corporations & Trading Funds	(11)
(61,943)	Other Entities and Individuals	(64,456)
(87,603)	Total Creditors	(87,928)

24. Interests in Other Companies and Other Organisations

The Council had four wholly owned subsidiary companies which traded during 2017/18. The interest in Cardiff City Transport Services Ltd is consolidated into the Council's group accounts, on pages 99 to

Notes to the Financial Statements

119. The interests in the other organisations are considered immaterial in terms of both the turnover and the net assets of the group and have therefore been excluded from consolidation in 2017/18. 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.

Cardiff City Transport Services Ltd. (Cardiff Bus) (company number 02001229)

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. The company's operating results are summarised below:

31 March 2017 Final £000		31 March 2018 Draft £000
(32,007)	Turnover and other income	(30,487)
31,686	Operating and other expenditure	32,822
(321)	Net (Profit) / Loss before Taxation	2,335
92	Less: Taxation	0
(229)	(Profit) / Loss after Taxation	2,335

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

31 March 2017 Final £000		31 March 2018 Draft £000
21,972	Bus and other operating assets	22,601
5,056	Current Assets	3,017
(4,823)	Less Current Liabilities	(5,977)
(4,998)	Creditors: Amounts falling due after more than one year	(5,559)
(1,117)	Provisions & Long term liabilities	(776)
(1,169)	Deferred Taxation	(1,124)
(3,821)	Pension Liability	(3,583)
11,100	Total Assets less Liabilities	8,599
	Represented by:	
4,618	Share Capital	4,618
3,319	Retained Earnings	818
3,163	Revaluation Reserve	3,163
11,100	Net Worth	8,599

In 2017/18 the Council made payments totalling £8.773 million to Cardiff Bus (£9.448 million in 2016/17), of which £8.263 million related to concessionary fares payments (£8.527 million in 2016/17). The Council also received income of £62,000 (£93,000 in 2016/17). During 2016/17 and 2017/18 no dividend was paid to the Council.

At 31 March 2018, Cardiff Bus had inter-company balances with the Council as follows: debtors £133,000 (£106,000 in 2016/17) and creditors £28,000 (£9,000 in 2016/17).

The accounts for year ended 31 March 2018 have not yet been audited. The company's auditors are Deloitte.

Cardiff Business Technology Centre Ltd. (CBTC) (company number 02074331)

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

Notes to the Financial Statements

31 March 2017 £000		31 March 2018 £000
(13)	Net (Profit) / Loss before Taxation	68
2	Less: Taxation	(64)
(11)	(Profit) / Loss after Taxation	4

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

31 March 2017 £000		31 March 2018 £000
853	Total assets less current liabilities	775
(7)	Creditors: falling due after more than one year	0
(116)	Provision for taxation	(51)
730	Total Assets less liabilities	724
	Represented by:	
274	Retained Profit	274
456	Revaluation Reserve	450
730	Net Worth	724

During 2017/18 the Council received income of £0 (£0 in 2016/17) from CBTC. At 31 March 2018 CBTC owed the Council £0 (£0 at 31 March 2017) and was owed £0 (£0 at 31 March 2017).

The company's auditors are Gerald Thomas & Co.

Cardiff Business Council Ltd. (company number 08650575)

Cardiff Business Council is a company set up 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 2017/18 are summarised below:

31 March 2017 £000		31 March 2018 £000
40	Net (Profit) / Loss before Taxation	0
0	Less: Taxation	0
40	(Profit) / Loss after Taxation	0

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

31 March 2017 £000		31 March 2018 £000
2	Total assets less current liabilities	0
2	Total Assets less liabilities	0
	Represented by:	
2	Retained Profit	0
2	Net Worth	0

During 2016/17 and 2017/18 the Council made no funding payments and received no income. The Council incurred no expenditure in connection with Cardiff Business Council (£2,164 in 2016/17).

For the year ending 31 March 2018 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

Notes to the Financial Statements

Atebion Solutions Ltd. (company number 10411758)

Atebion Solutions Ltd. are wholly owned by the Council to deliver procurement and commercial services to the public sector.

31 March 2017 £000		31 March 2018 £000
0	Net (Profit) / Loss before Taxation	(38)
0	Less: Taxation	7
0	(Profit) / Loss after Taxation	(31)

31 March 2017 £000		31 March 2018 £000
0	Total assets less current liabilities	31
0	Total Assets less liabilities	31
	Represented by:	
0	Retained Profit	31
0	Net Worth	31

During the year the Council made core funding payments of £0 (£0 in 2016/17) to Atebion Solutions Ltd. and received £0 income from the company (£0 in 2016/17). The Council accrued income in connection with Atebion Solutions Ltd. totalling £113,687 (£0 in 2016/17).

25. Provisions

	Balance 1 April 2017 £000	Utilised/ Released in year £000	Transfers to Provisions £000	Balance 31 March 2018 £000	Not later than one year £000	Later than one year £000
Insurance	(9,559)	5,026	(3,860)	(8,393)	(3,900)	(4,493)
Ferry Road Landfill	(8,952)	490	0	(8,462)	(224)	(8,238)
Lamby Way Landfill	(15,286)	4,056	0	(11,230)	(287)	(10,943)
MMI Scheme of Arrangement Levy	(51)	0	(24)	(75)	(10)	(65)
City Deal	0	0	(427)	(427)	0	(427)
Other	(1,089)	496	(237)	(830)	(584)	(246)
Total	(34,937)	10,068	(4,548)	(29,417)	(5,005)	(24,412)

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

Municipal Mutual Insurance (MMI) Scheme of arrangement levy - represents a scheme that was triggered on 13 November 2012 and this will involve the claw back of a percentage of previously paid claims as well as a percentage of future claims. Further details are provided in note 31

Landfill aftercare - reflects the financial obligations to address restoration and aftercare for Lamby Way and Ferry Road sites in accordance with initial permits for the disposal of waste. These obligations can stretch for over 60 years with potentially significant but uncertain capital and revenue expenditure.

Other - includes £475,000 in relation to potential maintenance costs in connection with the Council's occupancy of the Friary building.

Notes to the Financial Statements

26. Pension Strain

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

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

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

31 March 2017 £000		31 March 2018 £000
1,414	Pension Strain due within 1 year	1,884
3,219	Pension Strain due later than 1 year	2,794
4,633		4,678

27. Deferred Liabilities

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

	Balance 1 April 2017 £000	Utilised/ Released in year £000	Transfers to Deferred Liabilities £000	Balance 31 March 2018 £000	Not later than one year £000	Later than one year £000
Commuted Maintenance Sums	(9,667)	1,314	(686)	(9,039)	(1,195)	(7,844)
Rent Smart Wales Income in Advance	(7,200)	1,038	0	(6,162)	(2,000)	(4,162)
Total Deferred Liabilities	(16,867)	2,352	(686)	(15,201)	(3,195)	(12,006)

28. 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.

2016/17 £000		2017/18 £000
5,423	Balance as at 1 April	7,205
	Movements during Year:	
7,501	Sale of Land, Buildings and other assets	20,857
2,991	Sale of Council Dwellings	3,765
192	Recoupments of grant/other	196
10,684		24,818
(7,675)	Finance Capital Expenditure	(10,682)
(1,227)	Provide for Repayment of External Loans	(21)
(8,902)		(10,703)
7,205	Balance as at 31 March	21,320

Notes to the Financial Statements

29. 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.

2016/17 £000		2017/18 £000
254,122	Balance as at 1 April	258,922
26,098	Upward revaluation of assets	2,537
(10,953)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(2,459)
15,145	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	78
(2,448)	Difference between fair value depreciation and historical cost depreciation (charged to Capital Adjustment Account)	(2,355)
(7,897)	Accumulated gains on assets sold or scrapped	(756)
(10,345)	Amount written off to the Capital Adjustment Account	(3,111)
258,922	Balance as at 31 March	255,889

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.

2016/17 £000		2017/18 £000
856,975	Balance as at 1 April	876,075
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(53,824)	Charges for depreciation and impairment of non-current assets	(60,957)
36,062	Reverse previous impairment on revaluation	6,876
(38,118)	Revaluation losses on Property, Plant and Equipment	(41,136)
(672)	Amortisation of intangible assets	(949)
(4,122)	Expenditure on REFCUS	(5,792)
(24,260)	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	(28,380)
(84,934)		(130,338)
2,448	Adjusting amounts written out of the Revaluation Reserve (historic cost adjustment)	2,355

Notes to the Financial Statements

2016/17 £000		2017/18 £000
(82,486)	Net written out amount of the cost of non-current assets consumed in the year	(127,983)
	Capital financing applied in the year:	
7,675	Capital Receipts	10,682
10,829	Direct Revenue Financing	10,407
41,191	Grants and contributions	57,115
32,667	Prudent Revenue Provision	35,365
1,227	Capital receipts to provide for repayment of external loans	21
(1,703)	Reduction in loan debtors	(65)
91,886		113,525
9,700	Movements in the value of Investment Properties	(1,757)
0	Movement in the value of Held for Sale assets	0
876,075	Balance as at 31 March	859,860

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.

2016/17 £000		2017/18 £000
2,049	Balance as at 1 April	2,038
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	4,500
(11)	Transfers to the Capital Receipts Reserve upon receipt of cash	(2,027)
2,038	Balance as at 31 March	4,511

The balance in 2017/18 relates primarily to the deferred payment from disposal of land at Central Square.

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.

2016/17 £000		2017/18 £000
16,811	Balance as at 1 April	13,235
(3,576)	(Downwards) / Upwards revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	305
13,235	Balance as at 31 March	13,540

The majority of the balance relates to the Council's shareholding in Cardiff Bus which is not listed on any quoted market, and for which a valuation is 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

Notes to the Financial Statements

reflected in the 'available for sale reserve'. Any valuation should be treated with care as it is for accounting purposes only.

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.

2016/17 £000		2017/18 £000
(559,208)	Balance as at 1 April	(591,356)
(16,049)	Actuarial gains or losses on pensions assets and liabilities	(33,582)
(61,579)	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	(67,010)
2,613	Reversal of amounts accrual in respect of pension strain for future years	(44)
42,867	Employer's pensions contributions and direct payments to pensioners payable in the year	44,032
(591,356)	Balance as at 31 March	(647,960)

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.

2016/17 £000		2017/18 £000
(6,289)	Balance as at 1 April	(8,252)
(1,963)	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	(1,081)
(8,252)	Balance as at 31 March	(9,333)

Notes to the Financial Statements

30. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2017/18:

	2016/17 £000	2017/18 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(320,309)	(312,736)
Non-Domestic Rates	(105,994)	(115,480)
Capital Grants	(39,778)	(43,551)
Developers' Contributions	(1,413)	(13,564)
Total	(467,494)	(485,331)
Credited to Services (Revenue Grants & Contributions)		
Central Government Bodies	(256,021)	(272,076)
Other Local Authorities	(2,033)	(6,648)
NHS Bodies	(11,799)	(11,729)
Public Corporations & Trading Funds	(709)	(814)
Other Entities and Individuals	(1,519)	(2,728)
Total	(272,081)	(293,995)

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 2017 £000	Revenue Grants and Contributions Receipts in Advance	31 March 2018 £000
(1,122)	Central Government Bodies	(5,599)
0	Other Local Authorities	(32)
0	NHS Bodies	(3)
(372)	Public Corporations and Trading Funds	(610)
(522)	Other Entities and Individuals	(240)
(2,016)	Total	(6,484)

31 March 2017 £000	Capital Grants Receipts in Advance	31 March 2018 £000
(974)	Central Government Bodies	(38)
0	Other Local Authorities	0
0	NHS Bodies	0
0	Public Corporations and Trading Funds	0
0	Other Entities and Individuals	0
(974)	Total	(38)

Capital Expenditure and other Contributions Receipts in Advance:

31 March 2017 £000		31 March 2018 £000
(9,933)	Balance as at 1 April	(11,843)
(3,590)	Contributions received during the year	(9,290)
1,413	Contributions applied to expenditure during the year	10,862
267	Reclassification	310
(11,843)	Balance as at 31 March	(9,961)

Notes to the Financial Statements

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

31. Contingent Assets and Liabilities

Assets

The Council holds a proportion of equity in a number of properties arising primarily from the affordable housing contribution that developers provide on new build developments. The equity proportions range from 20% to 40%, with the buyer nominated by the Council providing the balance of the resources to purchase the property. These properties were aimed at first time buyers who could not afford to buy a home on the open market. When the owner of the property wishes to sell their home, the Council 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 at 31 March 2018 is £4.739 million.

In March 2015, the Council approved a request from Glamorgan County Cricket Club to write off 70% of a £6.534 million loan balance due to the Council and restructure remaining sums in line with other major creditors. This was actioned on 21 December 2015 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, until a further review of the business plan forecasts and risks. 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, subject to HMRC reviews. This includes cultural and leisure exemptions, the latter being at a more advanced stage.

Liabilities

As at 31 March 2018 there existed 4 claims in excess of £10,000 against the Council for which there is no insurance cover. The claims include unfair dismissal, disability and race discrimination, and breach of contract. The potential liability in respect of the claims is estimated to be £160,000, although some are unknown and the Council is resisting liability.

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

The Council's share of residual exposure has been reduced to £2.061 million. The accounts reflect a provision of £74,516 with £1.358 million held in an earmarked reserve towards any liability. This is considered prudent based on most recent actuarial advice, however, this is subject to the outcome of settled claims.

The Council has entered into a number of contracts for services involving the transfer of Council employees to the new service provider under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE). Admission agreements with the new employers allow transferred employees to remain in membership of the Cardiff and Vale of Glamorgan Pension Fund. In the event that a contractor fails to meet its obligations to the Pension Fund as set out in the admission agreement, the Council acts as guarantor for the accrued pension liabilities.

Notes to the Financial Statements

32. Notes to Cash Flow Statement

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

2016/17 £000		2017/18 £000
(46,851)	Depreciation, impairment & amortisation	(96,231)
(18,062)	Charges made for retirement benefits (IAS19) less employers contributions	(23,021)
2,005	Contributions (to)/from provisions	3,763
(32,158)	Gain/loss on disposal of non-current assets	(28,380)
36	Increase/(decrease) in stock	(46)
(6,214)	Increase/(decrease) in debtors (exc capital)	5,536
4,031	(Increase)/decrease in creditors (exc capital creditors) & super fund	(6,117)
(97,213)		(144,496)

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

2016/17 £000		2017/18 £000
8,946	Net gain/(loss) on sale of non-current assets	(4,801)
0	Repayments of liabilities under finance leases	0
41,191	Capital grants/contributions recognised in CI&E	57,115
(1,745)	Other cash items which effect investing or financing activities	0
48,392		52,314

33. Events After the Reporting Period

There are no events after the reporting period to report.

34. Date of Authorisation of the Accounts for Issue

This Statement of Accounts was authorised for issue on XX September 2018 by the Corporate Director Resources. Post Balance Sheet events have been considered up to this date.

Housing Revenue Account



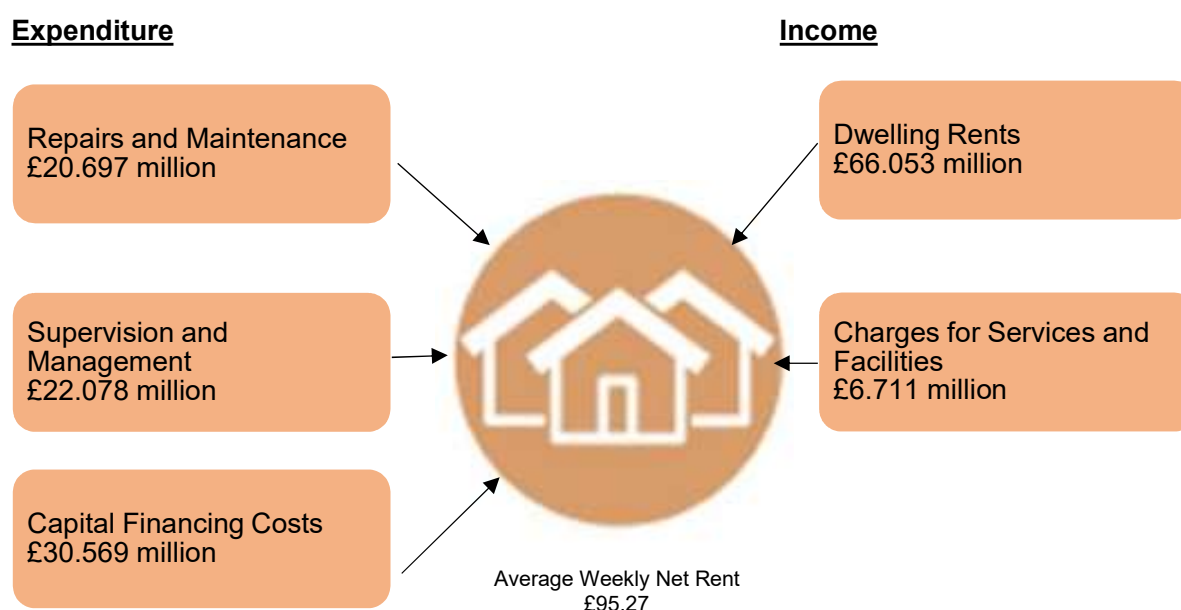
Notes to Housing Revenue Account

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

A 30 year business plan and financial model, completed on an annual basis for submission to Welsh Government, provides financial forecasts and performance and service information for the HRA. The plan includes our approach to maintaining the Welsh Housing Quality Standards, energy efficiency, remodelling homes, estate regeneration, fire safety works and community hubs.

With over 7,900 people currently on the combined housing waiting list, the plan includes delivery of 1,000 new affordable Council homes in the city by 2022 and further targets for another 1,000 over the longer term. In order to preserve current stock levels the Right to Buy scheme has been suspended in Cardiff. 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.

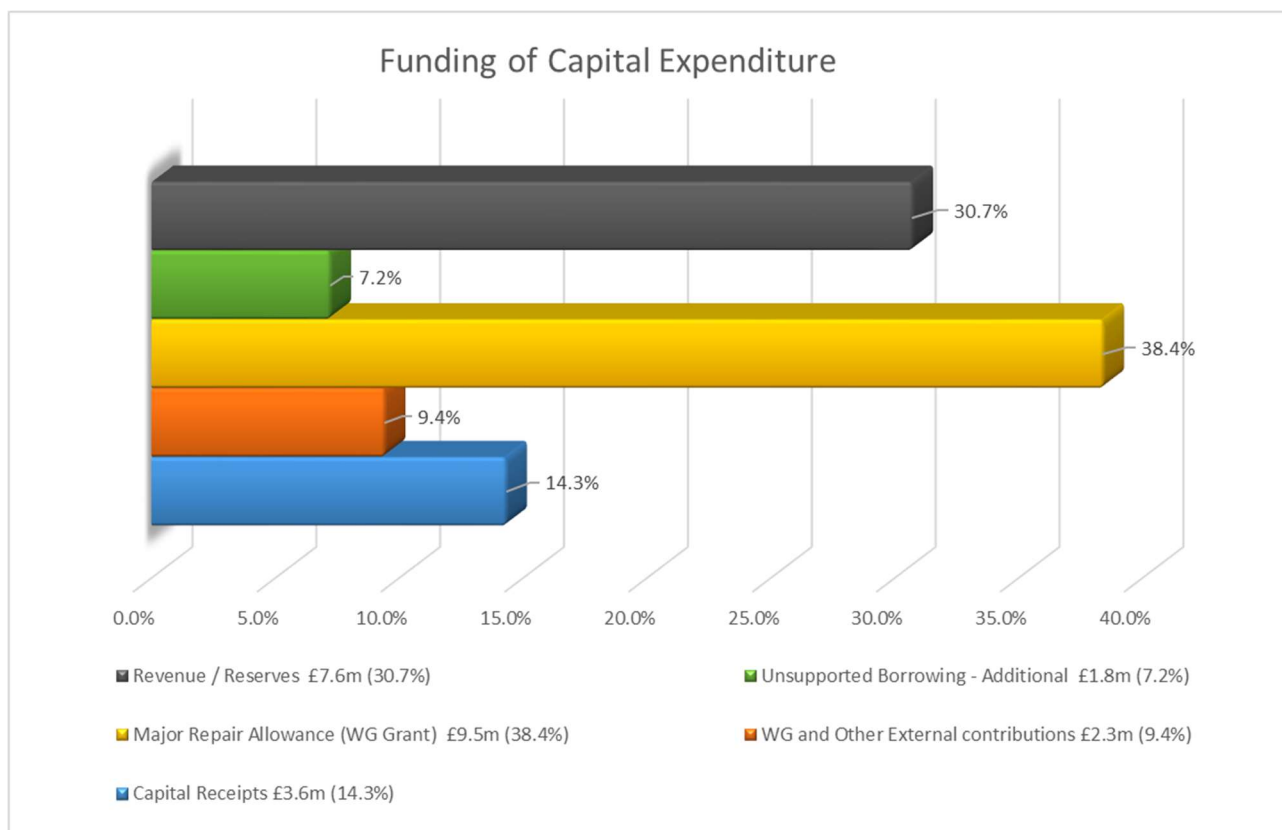
Key expenditure and income items include:



Our housing stock is valued in the accounts at £548.204 million. Dwellings were revalued in 2016/17 with the vacant possession value deemed to be £1.311 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 2018, this stands at £266.709 million and is currently below the maximum limit set by Welsh Government (£316.554 million). All borrowing must be affordable both now and in the future as it needs to be repaid with interest.

Capital expenditure represents money spent on improving, acquiring and enhancing assets. During the year we spent £24.822 million on estate regeneration, housing stock remodelling, the fabric of dwellings, disabled adaptations and on the development of new Council Housing to meet new build targets.



During 2017/18, 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
- 99% of over 6,000 clean and clear jobs completed within 10 working days
- 99% of urgent antisocial behaviour cases contacted within 1 working day
- 98% of emergency repairs completed on time
- 94% of responsive repairs carried out by the in-house workforce.

Tenant participation in shaping and delivering services is welcome and encouraged in numerous ways including a dedicated tenant participation team, conferences, tenants' voice meetings, community action days, information provision at the Citizen Hubs, the Tenants' Times publication and other social media.

A recent tenant satisfaction survey showed that:

- 92% of tenants 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.

Notes to Housing Revenue Account

The HRA Income and Expenditure Account shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices rather than the amount to be funded from rents and government grants. Councils charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The accounting policies are contained in pages 21 and 36 and key accounting terms are detailed on pages 141 to 147.

2016/17 £000		Note	2017/18 £000
19,959	Repairs and maintenance		20,697
19,239	Supervision and management		22,078
170	Rents, rates, taxes and other charges		96
650	Provision for bad and doubtful debts		701
9,407	Depreciation, impairment and revaluation losses of non-current assets	6	10,164
25	Sums directed by the Welsh Government that are expenditure in accordance with the Code	7	55
39	Debt management costs		45
49,489	Total Expenditure		53,836
(63,253)	Dwelling rents		(66,053)
(98)	Non-dwelling rents		(132)
(6,067)	Charges for services and facilities		(6,711)
(69,418)	Total Income	2	(72,896)
	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		
(19,929)			(19,060)
	HRA share of the operating income and expenditure included in the Comprehensive Income & Expenditure Statement:		
(2,088)	(Gain)/loss on sale of HRA non-current assets		(2,485)
12,497	Interest payable and similar charges		11,779
208	Changes in fair value of investment properties		0
(72)	Interest and Investment income		(1)
(9,645)	Capital grants and contributions applied		(11,855)
(19,029)	(Surplus)/Deficit for year on HRA Services		(21,622)

Movement on HRA Balance

2016/17 £000		Note	2017/18 £000
(8,438)	Balance on the HRA at the end of the previous year		(8,438)
(19,029)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement		(21,622)
15,897	Adjustments between accounting basis and funding basis under regulations	1	21,940
(3,132)	Net (increase)/decrease before transfers to or from reserves		318
3,132	Transfers to/(from) earmarked reserves		(863)
0	Increase or decrease in the year on the HRA		(545)
(8,438)	Balance on the HRA at the end of the current year		(8,983)

1. Adjustments between Accounting Basis and Funding Basis Under Regulations

Notes to Housing Revenue Account

2016/17 £000		Note	2017/18 £000
	Adjustments primarily involving the Capital Adjustment Account:		
	<u>Reversal of items debited or credited to the HRA Income and Expenditure Statement:</u>		
9,285	Charges for depreciation, impairment and revaluation of non-current assets	6	9,699
0	Revaluation losses of non-current assets	6	268
122	Reverse previous impairment on revaluation	6	(12)
0	Amortisation of intangible assets	6	208
208	Movement in the market value of investment properties		0
(9,645)	Capital grants and contributions applied		(11,855)
25	Sums directed by Welsh Government	7	55
(2,483)	Non-current assets written off as part of the gain/loss on disposal to the HRA Income and Expenditure Statement		1,526
(8,043)	Prudent Provision for the financing of capital investment		(11,112)
(6,009)	Capital expenditure charged against the HRA		(7,633)
42	Credit for disposal costs that qualify to be met from the resulting capital receipts		51
	Adjustments involving the Revaluation Reserve:		
395	Non-current assets written off as part of the gain/loss on disposal to the HRA Income & Expenditure Account		(4,010)
	Adjustments involving the Pensions Reserve:		
2,976	Net Retirement Benefits per IAS19		4,038
(2,851)	Employers Contributions to pension schemes		(3,273)
53	Pension Strain Accrual – future years		119
	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		(9)
(15,897)	Total Adjustments		(21,940)

2. Rental Income

This is the total rent income due for the year after allowance is made for voids etc. Vacancies accounted for 1.20% of rental income (1.25% in 2016/17). Average rents were £95.27 per week (£91.11 in 2016/17) based on a 52 week year.

Rent Arrears and Bad Debt Provision

31 March 2017			31 March 2018	
Rent arrears £000	Bad debt provision £000		Rent arrears £000	Bad debt provision £000
3,166	2,465	Ordinary HRA	3,588	2,753
39	39	Leasehold properties	40	40
210	210	Hostels	253	253
3,415	2,714	Total	3,881	3,046

In addition the following sums were also due from tenants:

31 March 2017	31 March 2018
---------------	---------------

Notes to Housing Revenue Account

Arrears £000	Bad debt provision £000		Arrears £000	Bad debt provision £000
91	55	Service charges	100	60
399	399	Tenants recoverables	441	441
490	454	Total	541	501

During 2017/18 a number of old debts totalling £298,905 were written off as irrecoverable (£211,450 in 2016/17).

3. 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:

	2016/17 £000	2017/18 £000
Current service cost	(2,976)	(4,038)
Cost of employer's contributions plus discretionary benefits	2,851	3,273
Pension Strain Accrual - Future Years	53	119
Net transfer to Pensions Reserve	(72)	(646)

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.

4. Housing Stock

The Council's housing stock is shown below:

	31 March 2017	31 March 2018
Houses	7,224	7,205
Bungalows	628	628
Flats/Bedsits	5,082	5,082
Maisonettes	169	169
Retirement complexes	352	352
Total	13,455	13,436

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

	31 March 2017	31 March 2018
Bed spaces in hostels	9	9
Flats in hostels	49	49
Total	58	58

5. Capital Expenditure and Capital Financing

2016/17 £000		2017/18 £000
276,599	Opening Capital Financing Requirement	273,882
	<u>Capital Expenditure:</u>	
17,980	Council dwellings	17,633
2,095	Other land & buildings	600
466	Vehicles, plant & equipment	96

Notes to Housing Revenue Account

0	Investment properties	582
3,516	Assets under construction	5,818
70	Intangible assets including intangible AUC	38
25	Expenditure on REFCUS	55
0	Appropriation of land	2,159
	Sources of Finance:	
(3,173)	Capital Receipts	(3,558)
(9,645)	Government grants and other contributions *	(11,855)
(6,009)	Direct revenue contributions and reserves	(7,633)
(8,042)	Prudent revenue and capital provision for loan repayment	(11,108)
273,882	Closing Capital Financing Requirement	266,709
316,554	Debt Cap at 31 March	316,554
42,672	Headroom	49,845
	Explanation of Movements in Year:	
(2,715)	Increase / (decrease) in underlying need to borrow (unsupported by government financial assistance - relating to previous years)	(7,171)
(2,715)	Movement in Capital Financing Requirement	(7,171)

*£9.532 million (£9.590 million in 2016/17) 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 2018, 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.

6. Capital Receipts

Proceeds from the disposal of HRA Assets during 2017/18 were as follows:

- Council Dwellings and Home Purchase Contributions £3.766 million (£2.991 million in 2016/17)
- Land £0.108 million (£0.234 million in 2016/17)

7. 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.

2016/17 £000		2017/18 £000
8,659	Council dwellings	9,071
187	Land and buildings	203
391	Vehicles, plant & equipment and intangibles	486
9,237	Total depreciation	9,760
153	Council dwellings	26
17	Land and buildings	257
0	Vehicles, plant & equipment, intangibles and AUC	121
170	Total Impairment and Revaluation	404
9,407	Depreciation, impairment and revaluation of non-current assets	10,164

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

	2016/17 £000	2017/18 £000

Notes to Housing Revenue Account

Expenditure:		
Buildings not owned by the Council	25	55
Charged to Income and Expenditure Account	25	55
Funded by:		
Grants and Contributions	0	0
Borrowing, Receipts and Other Capital Resources	(25)	(55)
	(25)	(55)

Group Accounts



Introduction

The group accounts that follow comply with the requirement of the 2017/18 Code, which states that a local authority with material interests in subsidiaries, associates and joint ventures should prepare group accounts in addition to its single entity accounts. These accounts consolidate the operating results and balances of the County Council of the City and County of Cardiff and its subsidiary Cardiff City Transport Services Ltd (Cardiff Bus). 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 the following subsidiaries: Cardiff Business Technology Centre (CBTC), Cardiff Business Council and Atebion Solutions Ltd. The interests in these organisations are considered immaterial in terms of both the turnover and the net assets of the group. The Council does not depend upon these organisations for statutory service provision and it is not considered that they expose the Council to a material level of commercial risk. Therefore they have been excluded from the consolidation in 2017/18. Details of the Council's interests in these organisations are included in note 24 to the Core Financial Statements.

Basis of Consolidation

The group accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of the Council and Cardiff City Transport Services Ltd. Inter-group transactions and balances between the Council and its subsidiary have been eliminated in full.

Accounting policies

The financial statements in the group accounts are prepared in accordance with the policies set out in the Statement of Accounting Policies on pages 21 to 36 with the following additions and exceptions:

Key accounting terms

Key accounting terms are detailed on pages 141 to 147.

1. Retirement Benefits

Cardiff City Transport Services Ltd. operates two defined benefit funded pension schemes which it accounts for in accordance with FRS102. The level of contributions made to the schemes and the cost of contributions included in the financial statements are based on the recommendations of independent actuaries. Accounting policies consistent with those of the Council have been adopted although the financial assumptions used may differ. Both these schemes are now closed to new members. The company also has a money purchase pension scheme for new employees. Pension costs charged to the profit and loss account represent the contributions payable by the group to the pension scheme during the year.

2. Value Added Tax

VAT paid by other group entities is accounted for in the Group Comprehensive Income and Expenditure Statement to the extent that it is irrecoverable from HM Revenue and Customs.

3. Goodwill

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

4. Charges to Income and Expenditure for Non-Current Assets

A charge is made from the revaluation reserve of the subsidiary company to the group income and expenditure reserve for the difference between depreciation charged on the current value of non-current assets held by the subsidiary and what would have been the historical cost depreciation for the year.

5. Derivatives Financial Instruments

Cardiff Bus is exposed to price risk arising from fluctuations in oil prices and the company enters into energy hedges to fix the price of fuel. In the opinion of the Board of Directors there is no material exposure to price risk. The company does not hold derivatives for speculative purposes.

Group Comprehensive Income and Expenditure

2016/17 Restated				Note	2017/18		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
130,583	(74,992)	55,591	City Operations		123,637	(67,005)	56,632
239,620	(189,528)	50,092	Communities, Housing & Customer Services		239,683	(191,395)	48,288
6,762	(469)	6,293	Corporate Management		13,455	(3,164)	10,291
64,316	(44,397)	19,919	Economic Development		85,027	(48,519)	36,508
348,099	(100,633)	247,466	Education & Lifelong Learning		385,269	(100,473)	284,796
6,911	(2,555)	4,356	Governance & Legal Services		8,910	(1,896)	7,014
9,085	(6,537)	2,548	Harbour Authority		9,134	(6,484)	2,650
50,009	(69,938)	(19,929)	Housing Revenue Account		53,836	(72,896)	(19,060)
28,636	(9,195)	19,441	Resources		29,681	(8,287)	21,394
180,301	(26,414)	153,887	Social Services		189,175	(31,610)	157,565
1,547	(5,078)	(3,531)	Summary Revenue Account		2,701	(5,813)	(3,112)
1,065,869	(529,736)	536,133	Net Cost of Services		1,140,508	(537,542)	602,966
29,367	0	29,367	South Wales Police Authority Precept		31,216	0	31,216
296	0	296	Community Council Precepts		310	0	310
17,034	0	17,034	Levies & Contributions		17,115	0	17,115
32,221	(9,060)	23,161	(Gain)/loss on sale of non-current assets		29,135	(27,164)	1,971
78,918	(9,060)	69,858	Other Operating Expenditure		77,776	(27,164)	50,612
32,433	0	32,433	Interest Payable on debt		31,781	0	31,781
0	0	0	Interest element of finance leases	4	209	0	209
18,113	0	18,113	Interest on net defined liability/(asset)		14,774	0	14,774
0	(986)	(986)	Interest & Investment Income		0	(700)	(700)
9,105	(18,805)	(9,700)	Change in fair value of Investment Properties		1,795	(38)	1,757

Group Comprehensive Income and Expenditure

59,651	(19,791)	39,860	Financing and Investment Income & Expenditure		48,559	(738)	47,821
0	(41,191)	(41,191)	Recognised Capital Grants & Contributions		0	(57,115)	(57,115)
0	(320,309)	(320,309)	Revenue Support Grant		0	(312,736)	(312,736)
0	(105,994)	(105,994)	Non-Domestic Rates		0	(115,480)	(115,480)
2,063	(182,502)	(180,439)	Council Tax Income		2,070	(191,095)	(189,025)
2,063	(649,996)	(647,933)	Taxation & Non-Specific Grant Income		2,070	(676,426)	(674,356)
92	0	92	Tax expenses - Corporation Tax payable		0	0	0
1,206,593	(1,208,583)	(1,990)	(Surplus)/Deficit on Provision of Services		1,268,913	(1,241,870)	27,043
		(26,098)	Revaluation Gains				(2,537)
		10,169	Revaluation Losses				2,128
		784	Impairment losses on non-current assets charged to the Revaluation Reserve				331
		81	(Surplus)/Deficit on revaluation of available for sale financial assets				45
		16,050	Actuarial gains/losses on pension assets/liabilities				33,581
		1,166	Share of other comprehensive income & expenditure of subsidiaries				166
		2,152	Other Comprehensive Income & Expenditure				33,714
		162	Total Comprehensive Income & Expenditure				60,757

Group Movement In Reserves

	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 2016 carried forward Restated	15,255	52,226	8,438	954	5,423	82,296	552,305	7,418	642,019
<u>Movement in Reserves during 2016/17</u>									
Surplus or (deficit) on the provision of Services	(17,268)	0	19,029	0	0	1,761	0	229	1,990
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(986)	(1,166)	(2,152)
Total Comprehensive Income and Expenditure	(17,268)	0	19,029	0	0	1,761	(986)	(937)	(162)
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)	(937)	(162)
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)	(937)	(162)
Balance at 31 March 2017 carried forward (restated)	14,255	59,391	8,438	4,086	7,205	93,375	542,001	6,481	641,857
<u>Movement in Reserves during 2017/18</u>									
Surplus or (deficit) on the provision of Services	(46,330)	0	21,622	0	0	(24,708)	0	(2,335)	(27,043)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(33,548)	(166)	(33,714)
Total Comprehensive Income and Expenditure	(46,330)	0	21,622	0	0	(24,708)	(33,548)	(2,501)	(60,757)
Adjustments between accounting basis & funding basis under regulations	48,782	0	(21,940)	0	14,115	40,957	(40,957)	0	0
Net Increase / (Decrease) before Transfers to/(from) Earmarked Reserves	2,452	0	(318)	0	14,115	16,249	(74,505)	(2,501)	(60,757)
Transfers to/(from) Earmarked Reserves	(2,452)	2,452	863	(863)	0	0	0	0	0
Increase / (Decrease) in 2017/18	0	2,452	545	(863)	14,115	16,249	(74,505)	(2,501)	(60,757)
Balance at 31 March 2018 carried forward	14,255	61,843	8,983	3,223	21,320	109,624	467,496	3,980	581,100

Group Balance Sheet

31 March 2017 Restated £000		Note	31 March 2018 £000
1,714,131	Property Plant & Equipment:		1,734,083
53,846	Heritage Assets		54,099
132,241	Investment Properties		104,645
3,315	Intangible Non-Current Assets including AUC		2,701
412	Long-term Investments		366
5,616	Long-term Debtors		8,087
856	Deferred tax asset		811
1,910,417	Total Long Term Assets		1,904,792
66,124	Short-term Investments		34,033
80	Assets held for Sale		6,375
2,466	Inventories		2,377
84,844	Short-term Debtors	9	93,405
22,336	Cash and Cash Equivalents		56,118
175,850	Total Current Assets		192,308
(14,972)	Short Term Borrowing		(13,440)
(89,867)	Short Term Creditors	11	(91,214)
(1,414)	Pension Strain		(1,884)
(8,031)	Provisions	12	(5,640)
(4,311)	Deferred Liabilities	13	(5,090)
(66)	Deferred tax liability		0
(118,661)	Total Current Liabilities		(117,268)
(668,028)	Long Term Borrowing		(688,713)
(28,938)	Provisions		(25,188)
(19,018)	Deferred Liabilities		(17,565)
(11,843)	Capital Contributions Receipts in Advance		(9,961)
(2,016)	Revenue Grants Receipts in Advance		(6,484)
(974)	Capital Grants Receipts in Advance		(38)
(3,219)	Pensions Strain		(2,794)
(590,544)	Net Pensions Liability		(646,865)
(1,169)	Deferred tax liability		(1,124)
(1,325,749)	Total Long Term Liabilities		(1,398,732)
641,857	NET ASSETS		581,100
	Financed by:		
14,255	Council Fund Balance		14,255
59,391	Council Fund Earmarked Reserves		61,843
8,438	Housing Revenue Account Balance		8,983
4,086	Housing Revenue Account Earmarked Reserves		3,223
7,205	Capital Receipts Reserve		21,320
93,375	Usable Reserves		109,624
262,084	Revaluation Reserve		259,052
876,075	Capital Adjustment Account		859,860
2,038	Deferred Capital Receipts		4,511
4,574	Available for Sale Financial Instruments Reserve		4,528
(597,671)	Pensions Reserve		(654,441)
(8,252)	Accumulated Absences Adjustment Account		(9,333)
9,634	Reserves (Group Entities)		7,299

Group Balance Sheet

548,482	Unusable Reserves		471,476
641,857	TOTAL RESERVES		581,100

Group Cash Flow

2016/17 Restated £000		Note	2017/18 £000
(1,990)	Net (Surplus) /Deficit on the provision of services		27,043
(98,375)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	14	(147,340)
48,290	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	14	52,105
(52,075)	Net cash flows from operating activities		(68,192)
99,975	Purchase of property, plant and equipment, investment property and intangible assets		126,997
9,093	Purchase of short-term and long-term Investments		0
7,579	Other payments for investing activities		929
(9,092)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(24,889)
(40,942)	Capital Grants		(51,676)
(3,590)	Capital Contributions		0
0	Proceeds from short-term and long-term investments		0
63,023	Investing activities		51,361
(14,645)	Cash receipts from short-term and long-term borrowing		(25,004)
(5,966)	Other receipts from financing activities		(1,938)
1,456	Cash payments for the reduction of outstanding liabilities relating to finance leases		1,907
8,231	Repayments of short-term and long-term borrowing		7,791
0	Other payments for financing activities		293
(10,924)	Financing activities		(16,951)
24	Net (increase)/ decrease in cash and cash equivalents		(33,782)
22,360	Cash and cash equivalents at the beginning of the reporting period		22,336
22,336	Cash and cash equivalents at the end of the reporting period		56,118

Notes to Group Accounts

NOTES TO THE GROUP ACCOUNTS

The notes to the Council's Core Financial Statements as set out on pages 43 to 90 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	
	2016/17	2017/18
60,000-64,999	43	60
65,000-69,999	43	46
70,000-74,999	8	12
75,000-79,999	11	11
80,000-84,999	13	17
85,000-89,999	1	5
90,000-94,999	4	2
95,000-99,999	1	2
100,000-104,999	1	2
105,000-109,999	2	2
110,000-114,999	2	1
115,000-119,999	2	2
120,000-124,999	5	6
125,000-129,999	0	1
130,000-134,999	2	1
135,000-139,999	1	1
140,000-144,999	0	0
145,000-149,999	0	1
150,000-169,999	0	0
170,000-174,999	1	1
Total	140	173

2. Related Parties Disclosures

Related party transactions and balances of the group are as contained in note 12 to the single entity financial statements.

3. External Audit Costs

In 2017/18 the following fees were paid by the Council and its subsidiary in respect of audit and inspection:

	2016/17 £000	2017/18 £000
Fees payable to Wales Audit Office for external audit services	389	383
Fees Payable to other external auditors in respect of external audit services	41	0
Fees payable to external auditors for the certification of grant claims and returns	88	65
Fees payable in respect of other services provided by external auditors	5	23
Total	523	471

Awaiting 2017/18 audit fees in relation to Cardiff Bus.

Notes to Group Accounts

4. Leasing

Operating Leases

Operating leases exist in respect of properties, vehicles and other items of equipment. Payments made during 2017/18 were as follows

	2016/17 £000	2017/18 £000
Property Leases	1,829	1,346
Other leases	2,705	0
	4,534	1,346

The group was committed at 31 March 2018 to making payments of £4.225 million under operating leases in 2017/18 (£3.939 million at 31 March 2017 for 2016/17) comprising the following elements:

	Property Leases £000	Other Leases £000
Leases expiring within 1 year	16	1,925
Leases expiring within 2 and 5 years	1,016	1,021
Leases expiring after 5 years	247	0
	1,279	2,946

Finance Leases

Finance leases exist in respect of vehicles and equipment. The aggregate finance charges made during 2017/18 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:

2016/17 £000		2017/18 £000
11,836	Vehicles, Plant, furniture & Equipment	14,587

Obligations under finance leases:

2016/17 £000		2017/18 £000
1,465	Obligations payable within 1 year	1,895
4,783	Obligations payable between 2 and 5 years	5,128
214	Obligations payable after 5 years	431
6,462	Total liabilities as at 31 March	7,454

The aggregate finance charges made during 2017/18 were as follows:

2016/17 £000		2017/18 £000
0	Vehicles, Plant & Equipment	209

5. Pensions

The following sums were charged to the Group Comprehensive Income and Expenditure Statement in the year in respect of pensions:

Notes to Group Accounts

	2016/17 £000	2017/18 £000
<i>Net Cost of Services</i>		
Past and current service cost and operating charge	44,188	52,668
<i>Net Operating Expenditure</i>		
Interest on net defined benefit liability/(asset)	18,195	14,510
Net charge to Group Income & Expenditure Account	62,383	67,178
Appropriation to/(from) Pensions Reserve to Council Fund Balance	(18,340)	(14,320)
Appropriation to/(from) Pensions Reserve to Profit and Loss Accounts of subsidiaries	458	582
Net charge to Council Fund Balance and Profit & Loss Accounts of Subsidiaries in respect of Pensions	44,501	53,440
Presented by:		
<i>Employers Contributions charged to Council Tax:</i>		
Employers Contributions Payable to the Scheme	(39,640)	(48,820)
Payments in Respect of Unfunded Pensions Liabilities	(3,230)	(3,210)
<i>Employers Superannuation Contributions Made by Subsidiaries to Defined Benefit Schemes in the Year</i>	(1,631)	(1,410)
	(44,501)	(53,440)

Pensions Assets and Liabilities of Cardiff Bus

The disclosures that follow relate solely to the pension arrangements of Cardiff City Transport Services Ltd. and have been taken directly from their draft 2017/18 financial statements.

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.

The total cost charged in the income statement for the money purchase scheme of £613,000 (£803,000 in 2016/17) represents contributions payable during the year. At 31 March 2018, contributions of £80,000 (£85,000 in 2016/17) due in respect of the current reporting period had not been paid over to the scheme.

Cardiff City Transport Services Limited Pension Scheme

Since 30 June 2001, the Cardiff City Transport Services Limited Pension Scheme (final salary) has been closed to new members and a money purchase scheme was introduced. This closed to new members in July 2013.

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 2014, was carried out as at 1 April 2015. 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 0.85% per annum higher than the rate of future annual wage and salary growth and 0.85% per annum higher than the rate of future retail price inflation. The investment return for pension liabilities once in payment was assumed to be 0.15% lower than the rate of future retail price inflation.

The defined benefit schemes are administered by a separate fund that is legally separated from the company. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the scheme. The trustees of the pension fund are responsible for the investment policy with regard to the assets of the fund.

Notes to Group Accounts

The valuation showed that the total market value of the scheme's assets, net of final salary members' AVCs, was £42.1m and that this value represented 95% 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, but allowing for PPF levies, life assurance premiums and expenses, was found to be 18.6% of members' pensionable pay as at 1 April 2015. The company paid 14.9% of members' pensionable pay until 31 December 2016, from which date it increased to 18.9% of members' pensionable pay. This is increased by 0.2% every 1 April, with an effective company contribution rate of 19.1% of pensionable pay from 1 April 2017. Employee contributions are payable in addition. For the majority of defined benefit section members, contributions are 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 sections are payable in accordance with the scheme rules.

An assessment of the liabilities of the defined benefit section of the scheme was carried out as at 31 March 2017 for accounting disclosure purposes by a qualified independent actuary. The present value of the defined benefit liability, and the related current service cost and past service cost, were measured using the projected unit credit method.

	31 March 2016	31 March 2017	31 March 2018
Rate of increase in salaries	3.1% pa	3.3% pa	3.2% pa
Discount rate	3.5% pa	2.6% pa	2.6% pa
Inflation Assumption (RPI)	3.1% pa	3.3% pa	3.2% pa
Inflation Assumption (CPI)	2.1% pa	2.3% pa	2.2% pa
Pension Increases (CPIS)	2.1% pa	2.3% pa	2.2% 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:

	2015/16	2016/17	2017/18
	Fair Value	Fair Value	Fair Value
	£000	£000	£000
Equities	13,734	14,679	12,980
Diversified Growth	15,348	16,724	13,758
Convertible Bonds	3,759	4,001	6,931
Cash and LDI	83	2,414	4,391
	32,924	37,818	38,060

The net pension liability measured under IAS19 comprised the following:

Notes to Group Accounts

	31 March 2016 £000	31 March 2017 £000	31 March 2018 £000
Total market value of assets	32,924	37,818	38,060
Present value of scheme liabilities	(32,046)	(38,459)	(38,444)
Net IAS19 Scheme Deficit	878	(641)	(384)

	31 March 2016 £000	31 March 2017 £000	31 March 2018 £000
Analysis of amount charged to operating profit			
Current service cost and total operating charge	(669)	(589)	(618)
Analysis of amount credited/(charged) to interest receivable/payable			
Expected return on pension scheme assets	835	846	714
Interest on pension scheme liabilities	(1,120)	(1,110)	(995)
Net finance income/(charge)	(285)	(264)	(281)

Analysis of amount recognised in the primary statements

	31 March 2016 £000	31 March 2017 £000	31 March 2018 £000
Actual return less expected return on pension assets	(315)	4,348	(528)
Changes in financial assumptions underlying the scheme/(liabilities)	2,664	(5,985)	612
Actuarial gain/(loss) recognised in the primary statements	2,349	(1,637)	84

Movements in scheme deficit during the year

	31 March 2016 £000	31 March 2017 £000	31 March 2018 £000
At 1 April b/f	(1,481)	878	(641)
Movement in year:			
Total operating charge	(669)	(589)	(618)
Contributions	964	971	1,072
Net finance income/(charge)	(285)	(264)	(281)
Actuarial gain/(loss) in the primary statements	2,349	(1,637)	84
At 31 March c/f	878	(641)	(384)

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 2016.

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 2017 continuing into 2019/20. In addition to this rate, Cardiff City Transport Services Limited is required to pay £360,000 per annum from April 2017 to March 2020.

Notes to Group Accounts

The most recent completed valuation was carried out as at 31 March 2016, 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 IAS 19 in order to assess the liabilities of the Fund as at 31 March 2016. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

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:

	31 March 2016	31 March 2017	31 March 2018
Rate of increase in salaries	3.1% pa	3.3% pa	3.3% pa
Discount rate	3.5% pa	2.6% pa	2.6% pa
Rate of increase in pensions in payment	2.1% pa	2.3% pa	2.3% pa
Rate of increase in deferred pensions	2.1% pa	2.3% pa	2.3% pa
Rate of inflation (RPI)	3.1% pa	3.3% pa	3.3% pa
Rate of inflation (CPI)	2.1% pa	2.3% pa	2.3% pa

Mortality assumption

The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements. The assumptions are that a member aged 65 at the valuation date will live on average for a further 20.3 years (2017: 20.3) if they are male and for a further 22.1 years (2017: 22.3) 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 21.4 years after retirement (2017: 21.6) if they are male and for a further 23.3 years after retirement (2017: 23.7) if they are female.

The assets in the fund and expected rates of return were:

	2015/16	2016/17	2017/18
	Fair Value £000	Fair Value £000	Fair Value £000
Equities	19,917	23,640	20,130
Government bonds	2,148	2,573	4,661
Corporate bonds	1,909	1,756	3,148
Property	1,936	1,907	1,907
Cash	610	454	424
Other assets	0	(60)	0
	26,520	30,270	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:

	31 March 2016 £000	31 March 2017 £000	31 March 2018 £000
Total market value share of assets	26,520	30,270	30,270
Present value of scheme liabilities	(30,190)	(33,450)	(33,470)
Net IAS19 Scheme Deficit	(3,670)	(3,180)	(3,200)

Notes to Group Accounts

	31 March 2016 £000	31 March 2017 £000	31 March 2018 £000
Total market value of assets	32,924	37,818	38,060
Present value of scheme liabilities	(32,046)	(38,459)	(38,444)
Net IAS19 Scheme Deficit	878	(641)	(384)

Analysis of amount charged to operating profit:

	31 March 2016 £000	31 March 2017 £000	31 March 2018 £000
Current Service Cost / Past Service Cost	(270)	(210)	(210)
Total Operating Charge	(270)	(210)	(210)

Analysis of amount credited/ (charged) to interest receivable/payable:

	31 March 2016 £000	31 March 2017 £000	31 March 2018 £000
Expected return on pension scheme assets	900	920	780
Interest on pension scheme liabilities	(990)	(1,030)	(850)
Net Finance Income / (Charge)	(90)	(110)	(70)

Analysis of amount recognised in the primary statements:

	31 March 2016 £000	31 March 2017 £000	31 March 2018 £000
Actual return less expected return on pension assets	(1,300)	3,580	140
Changes in financial assumptions underlying the scheme/(liabilities)	510	(3,430)	(390)
Actuarial gain/(loss) recognised in the primary statements	(790)	150	(250)

Movements in scheme deficit during the year:

	31 March 2016 £000	31 March 2017 £000	31 March 2018 £000
At 1 April	(3,210)	(3,670)	(3,180)
Movement in year:			
Total operating charge	(270)	(210)	(210)
Contributions	690	660	510
Net finance income/(charge)	(90)	(110)	(70)
Actuarial gain/(loss) in the primary statements	(790)	150	(250)
At 31 March	(3,670)	(3,180)	(3,200)

Notes to Group Accounts

The total net pension liability measured under IAS19 for both schemes is as follows:

	31 March 2017	31 March 2018
The Group and the Company	£000	£000
Cardiff City Transport Scheme	641	384
Cardiff and Vale of Glamorgan Pension Scheme	3,180	3,200
Deferred Tax Asset	(938)	not received yet
Total	2,883	3,584

6. Exceptional Items

There are no exceptional items reported in the 2017/18 Cardiff Bus Accounts.

Notes to Group Accounts

7. Non-Current Assets Note

2017/18	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 2017	554,803	773,311	76,496	605,525	19,652	40,992	42,555	2,113,334
Additions	17,633	33,011	7,888	14,943	84	14	54,899	128,472
Impairment losses/reversals to RR *	0	(330)	0	0	0	0	0	(330)
Impairment losses / reversals to SDPS **	(25)	(7,130)	0	0	0	0	(1,458)	(8,613)
Derecognition - disposals	(1,479)	(1,001)	(5,219)	0	0	(567)	0	(8,266)
Reclassified (to)/from Held for Sale	0	(582)	0	0	0	5,975	0	5,393
Other reclassifications	3,243	(864)	17	3,746	0	10,280	(28,271)	(11,849)
Revaluation increases /(decreases) to RR*	0	27	0	0	0	(569)	0	(542)
Revaluation increases /(decreases) to SDPS**	0	(19,745)	0	0	0	(16,396)	0	(36,141)
At 31 March 2018	574,175	776,697	79,182	624,214	19,736	39,729	67,725	2,181,458
Depreciation								
At 1 April 2017	16,941	26,304	45,054	310,904	0	0	0	399,203
Depreciation charge	9,072	16,692	7,376	22,135	0	0	0	55,275
Depreciation written out on impairment	0	(349)	0	0	0	0	0	(349)
Derecognition - disposals	(42)	(636)	(5,148)	0	0	0	0	(5,826)
Depreciation written out to SDPS **	0	(82)	0	0	0	0	0	(82)
Reclassifications	0	(819)	0	0	0	(27)	0	(846)
Depreciation written out on revaluation	0	0	0	0	0	0	0	0
At 31 March 2018	25,971	41,110	47,282	333,039	0	(27)	0	447,375
Net Book Value:								
At 31 March 2018	548,204	735,587	31,900	291,175	19,736	39,756	67,725	1,734,083
At 31 March 2017	537,862	747,007	31,442	294,621	19,652	40,992	42,555	1,714,131

* RR = Revaluation Reserve

**SDPS = Surplus or deficit on Provision of Services

Notes to Group Accounts

Comparative Information for 2016/17:

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	0	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	(14,775)	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

Notes to Group Accounts

8. Financial Instruments

In addition to the financial instrument disclosures in the single entity accounts it should be noted:

Consolidation Adjustment

On consolidation, the Council's shareholding in Cardiff Bus ceases to be a financial instrument, as the consolidated balance sheet includes the net assets of the subsidiary and their corresponding net worth. The increase to fair value is eliminated in the consolidation process.

Derivative Financial Instruments

Cardiff Bus enters into energy hedges to fix the price of fuel. At 31 March 2018, the company had no contracts to buy fuel.

9. Debtors

31 March 2017 Restated £000		31 March 2018 £000
45,535	Central Government Bodies	50,808
9,626	Other Local Authorities	11,304
5,364	NHS Bodies	5,955
14	Public Corporations & Trading Funds	242
24,305	Other Entities and Individuals	25,096
84,844	Total Debtors Net of Impairments	93,405

10. Cash and Cash Equivalents

This figure represents cash temporarily available for investment at balance sheet date and includes £2.391 million (£2.852 million in 2016/17) which Cardiff City Transport Services Ltd. holds in an escrow account against future insured liabilities. Cardiff City Transport Services Ltd holds £2.398 million (£2.859 million in 2016/17) in money market accounts that are not instant access.

11. Creditors

31 March 2017 Restated £000		31 March 2018 £000
(16,155)	Central Government Bodies	(12,726)
(7,916)	Other Local Authorities	(9,741)
(1,594)	NHS Bodies	(1,022)
(4)	Public Corporations & Trading Funds	(11)
(64,198)	Other Entities and Individuals	(67,714)
(89,867)	Total Creditors	(91,214)

Notes to Group Accounts

12. Provisions

	Balance 1 April 2017 £000	Utilised/ Released in year £000	Transfers to Provisions £000	Balance 31 March 2018 £000	Not later than one year £000	Later than one year £000
Cardiff Insurance	(9,559)	5,026	(3,860)	(8,393)	(3,900)	(4,493)
Ferry Road Landfill	(8,952)	490	0	(8,462)	(224)	(8,238)
Lamby Way Landfill	(15,286)	4,056	0	(11,230)	(287)	(10,943)
MMI Scheme of Arrangement Levy	(51)	0	(24)	(75)	(10)	(65)
Cardiff Bus Insurance Provision	(2,032)	2,540	(1,919)	(1,411)	(635)	(776)
City Deal	0	0	(427)	(427)	0	(427)
Other	(1,089)	496	(237)	(830)	(584)	(246)
Total Provisions	(36,969)	12,608	(6,467)	(30,828)	(5,640)	(25,188)

13. Deferred Liabilities

	Balance 1 April 2017 £000	Utilised/ Released in year £000	Transfers to Deferred Liabilities £000	Balance 31 March 2018 £000	Not later than one year £000	Later than one year £000
Commuted Maintenance Sums	(9,667)	1,314	(686)	(9,039)	(1,195)	(7,844)
Rent Smart Wales Income in Advance	(7,200)	1,038	0	(6,162)	(2,000)	(4,162)
Cardiff Bus Finance Lease Liability	(6,462)	1,907	(2,899)	(7,454)	(1,895)	(5,559)
Total Deferred Liabilities	(23,329)	4,259	(3,585)	(22,655)	(5,090)	(17,565)

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

	2016/17 Restated £000	2017/18 £000
Depreciation and impairment	(49,188)	(98,786)
Charges made for retirement benefits (IAS19) less employers contributions	(17,842)	(22,617)
Contributions (to)/from provisions	2,005	3,763
Gain/loss on disposal of fixed assets	(32,204)	(28,398)
Cardiff Bus Taxation	(92)	0
Increase/(decrease) in stock	68	(89)
Increase/(decrease) in debtors (exc capital)	(5,805)	5,353
(Increase)/decrease in creditors (exc capital creditors) & super fund	4,683	(6,566)
	(98,375)	(147,340)

Notes to Group Accounts

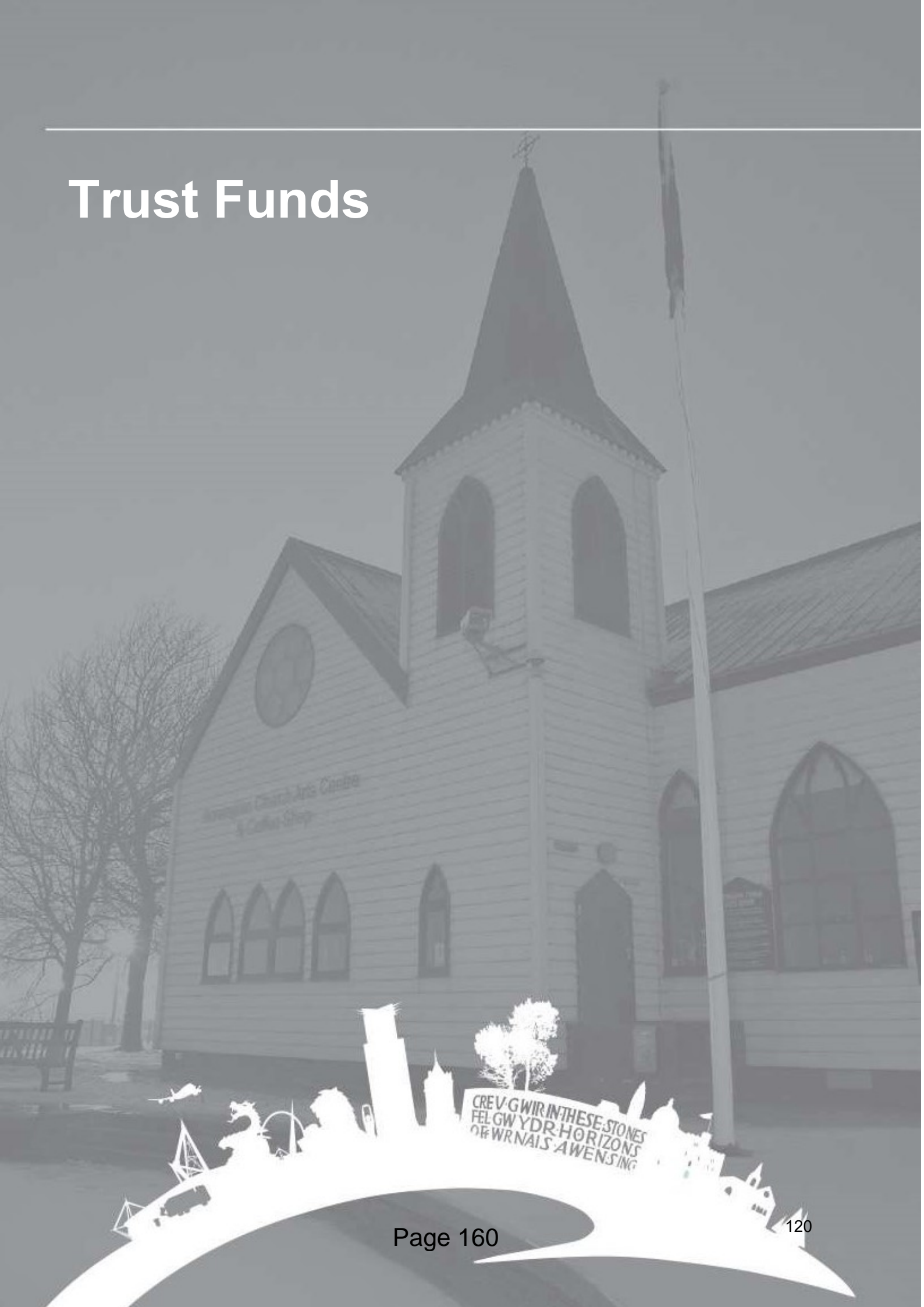
Adjust for items included in the net surplus/deficit on provision of services that are investing and financing activities

	2016/17 Restated £000	2017/18 £000
Net gain/(loss) on sale of non-current assets	8,946	(4,801)
Repayments of liabilities under finance leases	0	(209)
Capital grants/contributions recognised in I&E	41,191	57,115
Other cash items which affect investing or financing activities	(1,847)	0
	48,290	52,105

15. Expenditure and Funding Analysis

Please refer to note 4 in the notes to core financial statements for the Council's expenditure and funding analysis.

Trust Funds



Trust Funds

During 2017/18, the Corporate Director Resources had financial responsibility for a number of charities. Although their financial administration is integrated with that of the Council, the charities are legally separate from it. Separate financial statements are produced for each, which are in accordance with applicable accounting standards and the Statement of Recommended Practice on Accounting by Charities, published by the Charity Commissioners.

The charities are managed and expenditure is approved in accordance with criteria set out in the governing document of each one.

The Council is the sole trustee of the following charities, the purposes of which are outlined below. Numbers in brackets are the charity registration numbers.

Llandaff War Memorial Fund (219060) – Upkeep of the war memorial at Llandaff.

Maindy Park Foundation (524137) – Recreation or other leisure-time occupation for the benefit of the inhabitants of the City of Cardiff with the object of improving the conditions of life for those inhabitants.

Cardiff Further Education Trust Fund/Craddock Wells Trust (525512) – Provision of premises for educational purposes and grants to eligible students.

Norwegian Church Preservation Trust (519831) - The Norwegian Church Preservation Trust was transferred to the County Council, under the management of the Cardiff Harbour Authority in May 2006. It is intended to continue to retain and enhance the cultural, arts programmes and the links between Wales and Norway of this important visitor attraction on the Cardiff Bay Waterfront for future generations.

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 2018 have yet to be examined. This is to be undertaken in January 2019 which is within the statutory deadlines set.

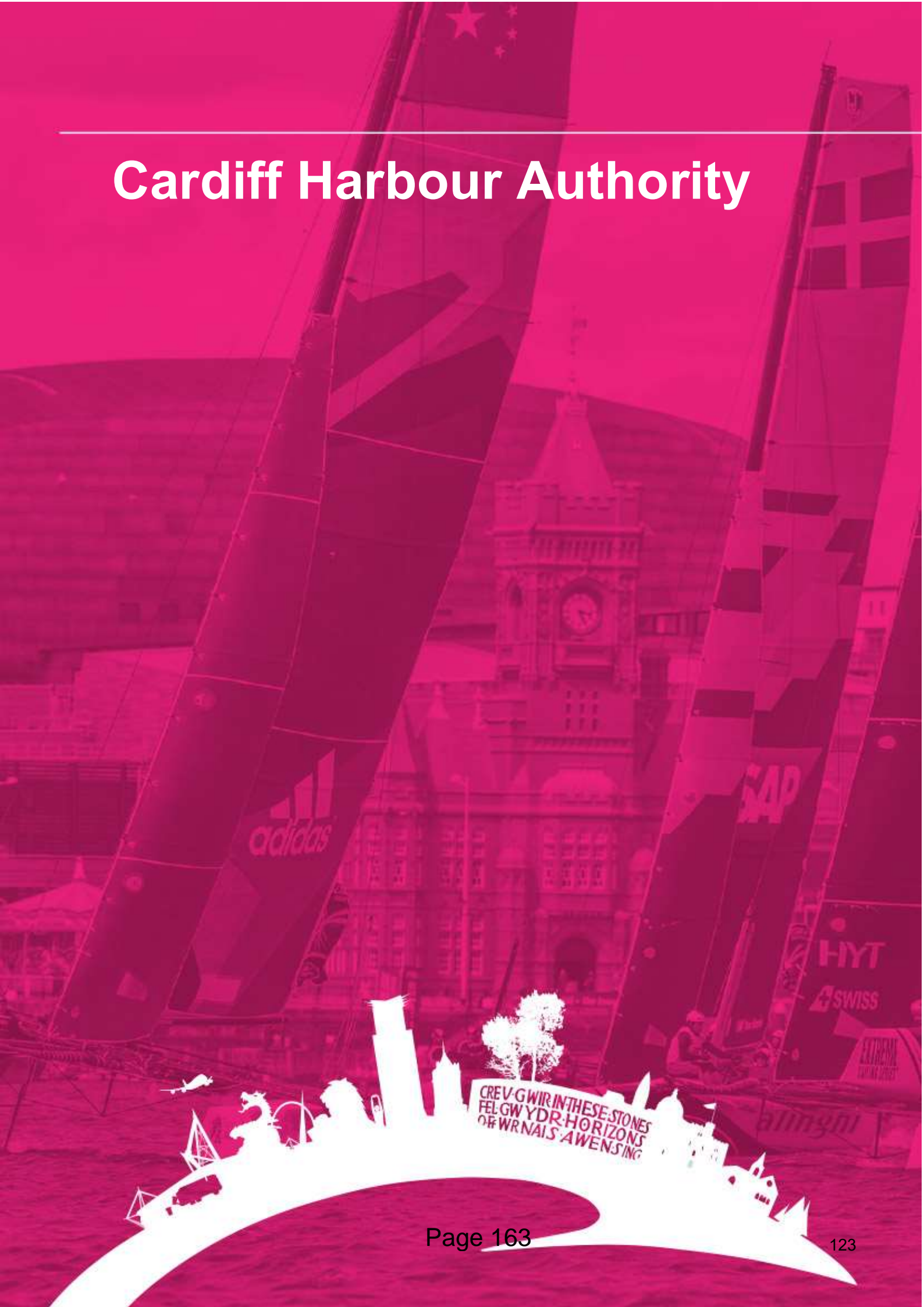
A financial summary for each fund follows. Detailed financial statements may be obtained from:

Christine Salter
Corporate Director Resources
County Hall
Cardiff
CF10 4UW

Trust Funds

	Balance as at 31 March 2017 £	Income £	Asset Revaluation £	Expenditure £	Balance as at 31 March 2018 £
General Funds					
Llandaff War Memorial Fund	1,434	5	0	(11)	1,428
Maindy Park Foundation	78,486	158	0	(11)	78,633
Norwegian Church Preservation Trust (restated)	(93,564)	79,700	0	(79,700)	(93,564)
Further Education					
Cardiff Further Education Trust/ Craddock Wells	24,659,954	130,155	(89,354)	(142,835)	24,557,920
Total funds for which the Council is sole trustee	24,646,310	210,018	(89,354)	(222,557)	24,544,417
Other funds administered by the Council					
R Fice Memorial Trust	65,417	2,289	(1,989)	(168)	65,549
The Howardian Trust	32,065	965	(80)	0	32,950
Total other funds which are administered by the Council	97,482	3,254	(2,069)	(168)	98,499
Total	24,743,792	213,272	(91,423)	(222,725)	24,642,916

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 narrative report replaces 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

Welsh Government funding for Cardiff Harbour Authority is subject to 3-year agreements. The existing agreement was scheduled to expire on 31st March 2017. The Welsh Government advised they would like an opportunity to review current arrangements and wished to extend the previous business period by twelve months, up until 31st March 2018, during which period such a review was intended to take place. This has now been deferred to 2018/19.

The impact of this arrangement was that for the financial year 2017/18, Cardiff Harbour Authority initially operated under the same budget allocation of £5.891 million as in 2016/17. However, in March 2018, Welsh Government awarded an additional asset renewal budget of £97,000 and in the same month, an additional claim for £56,000 in respect of agreed works outside of the fixed costs schedule was approved. This resulted in a total budget of £6.044 million.

The financial deficit for the year ended 31 March 2018 was £1.876 million (£2.432 million in 2016/17).

Capital expenditure incurred and funded by Harbour Grant during the year was £647,000. This forms part of an extended programme to 2017/18 for works at the harbour, barrage and surrounding environmental infrastructure. Works included harbour vessel replacement, water quality model, sluice roller replacement, aeration system compressors and playground equipment.

Key Achievements

During 2017-18 Cardiff Harbour Authority continued to work hard to meet its statutory obligations. Achievements against a Harbour Authority action plan and performance indicators are reported quarterly to the Welsh Government and are highlighted below:

- operated within a budget reduction and delivered the business plan within budget at year end
- retained Green Flag status for the Barrage and Flat Holm, and secured this for the first time for Cardiff Bay Wetlands
- achieved transition to the new ISO14001 standard as part of environmental management system
- delivered a programme of events including Extreme Sailing Series and International Food and Drink Festival
- delivered an outdoor education programme to schools in conjunction with Parks
- dredging campaigns carried out in July 2017 and January 2018
- maintained statutory water quality standards comprising over 400,000 readings.
- 265 tonnes of litter removed from the rivers and bay
- delivered community projects with Arts and Business funding in partnership with Milford Haven Port Authority, Theatre Na Nog and Wales Millennium Centre benefitting young people from the local area
- community liaison with Butetown residents concerning the end of the Property Protection Scheme
- café facility installed on the Barrage in preparation for operation by the Royal Society for the Protection of Birds from end of April 2018
- provided courses, activities and events at Cardiff International White Water Centre and Cardiff Bay Water Activity and Sailing Centre.

Guide to the Financial Statements

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

Comprehensive Income and Expenditure Statement

Provides information on how the Harbour Authority has performed throughout the year and as a result, whether or not their operations have resulted in a surplus or a deficit.

Balance Sheet

Provides a snapshot of the financial position at 31 March, showing what the Harbour Authority owns and owes.

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. 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 2017/18 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 2018 and its income and expenditure for the year ended 31 March 2018.

Christine Salter
Corporate Director Resources

Date:

Audit Report of the Auditor General to those Charged with Governance of Cardiff Harbour Authority

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Accounting Policies

In accordance with the Accounts and Audit (Wales) Regulations 2014, this Statement of Accounts summarises the Harbour Authority's transactions for the 2017/18 financial year and its financial position at 31 March 2018. 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 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 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 and Contributions - 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 - 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
- impairment losses on assets where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

The Harbour Authority does not receive 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	17-60
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 for accumulated operational surpluses which can be used to fund future expenditure commitments and as a contingency against unforeseen events. Unusable 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 been prepared exclusive of this tax.

Comprehensive Income and Expenditure Statement for the year ended 31 March 2018

2016/17 £000		2017/18 £000
	Income	
(5,533)	Government Grants	(5,598)
(290)	Capital Grants Applied	(886)
(959)	Fees and Charges	(774)
(6,782)	Total Income	(7,258)
	Expenditure	
2,736	Employees	2,864
1,317	Premises	1,364
92	Transport	76
1,652	Supplies and Services	1,559
475	Support Services	536
2,942	Capital Charges	2,735
9,214	Total Expenditure	9,134
2,432	Net Expenditure for the Year	1,876

Balance Sheet as at 31 March 2018

31 March 2017 £000		Note	31 March 2018 £000
167,278	Property, Plant and Equipment	2	165,540
56	Heritage Assets	2	56
0	Intangible Assets	2	0
167,334	Total Long-term Assets		165,596
343	Stocks and Work in Progress	3	362
30	Debtors	4	56
497	Cash		126
870	Current Assets		544
(399)	Creditors	5	(397)
(399)	Current Liabilities		(397)
167,805	Net Assets		165,743
	Reserves:		
163,217	General Reserve	1	161,155
4,588	Revaluation Reserve	1	4,588
167,805	Total Reserves		165,743

Notes to the Core Financial Statements**1. Reserves**

2016/17			2017/18	
General Reserve £000	Revaluation Reserve £000		General Reserve £000	Revaluation Reserve £000
165,649	4,588	Balance at 1 April	163,217	4,588
(2,432)	0	Movements in Reserves	(2,062)	0
163,217	4,588	Closing Balance at 31 March	161,155	4,588

Held within the General Reserve is an earmarked amount reserved for project activities and contingencies. This amount is £382,284 as at 31 March 2018 (£591,000 as at 31 March 2017).

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.

2017/18	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 2017	6,749	996	218,658	1,103	333	176	228,015	56	319
Additions	0	361	591	0	0	46	998	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
Revaluation increases /(decreases) to RR*	0	0	0	0	0	0	0	0	0
Revaluation increases /(decreases) to CIES**	0	0	0	0	0	0	0	0	0
At 31 March 2018	6,749	1,357	219,249	1,103	333	222	229,013	56	319
Depreciation									
At 1 April 2017	115	403	60,219	0	0	0	60,737	0	319
Depreciation charge	57	194	2,485	0	0	0	2,736	0	0
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 on revaluation	0	0	0	0	0	0	0	0	0
At 31 March 2018	172	597	62,704	0	0	0	63,473	0	319
Net Book Value:									
At 31 March 2018	6,577	760	156,545	1,103	333	222	165,540	56	0
At 31 March 2017	6,634	593	158,439	1,103	333	176	167,278	56	0

* RR = Revaluation Reserve

**CIES = Comprehensive Income and Expenditure Statement

Cardiff Harbour Authority

Comparative movements for 2016/17:

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
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 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

3. Stock

Movements in stock during the financial year are as follows:

	2016/17 £000	2017/18 £000
At 1 April 2017	382	343
Stock written off to the CIES	(39)	19
Balance carried forward	343	362

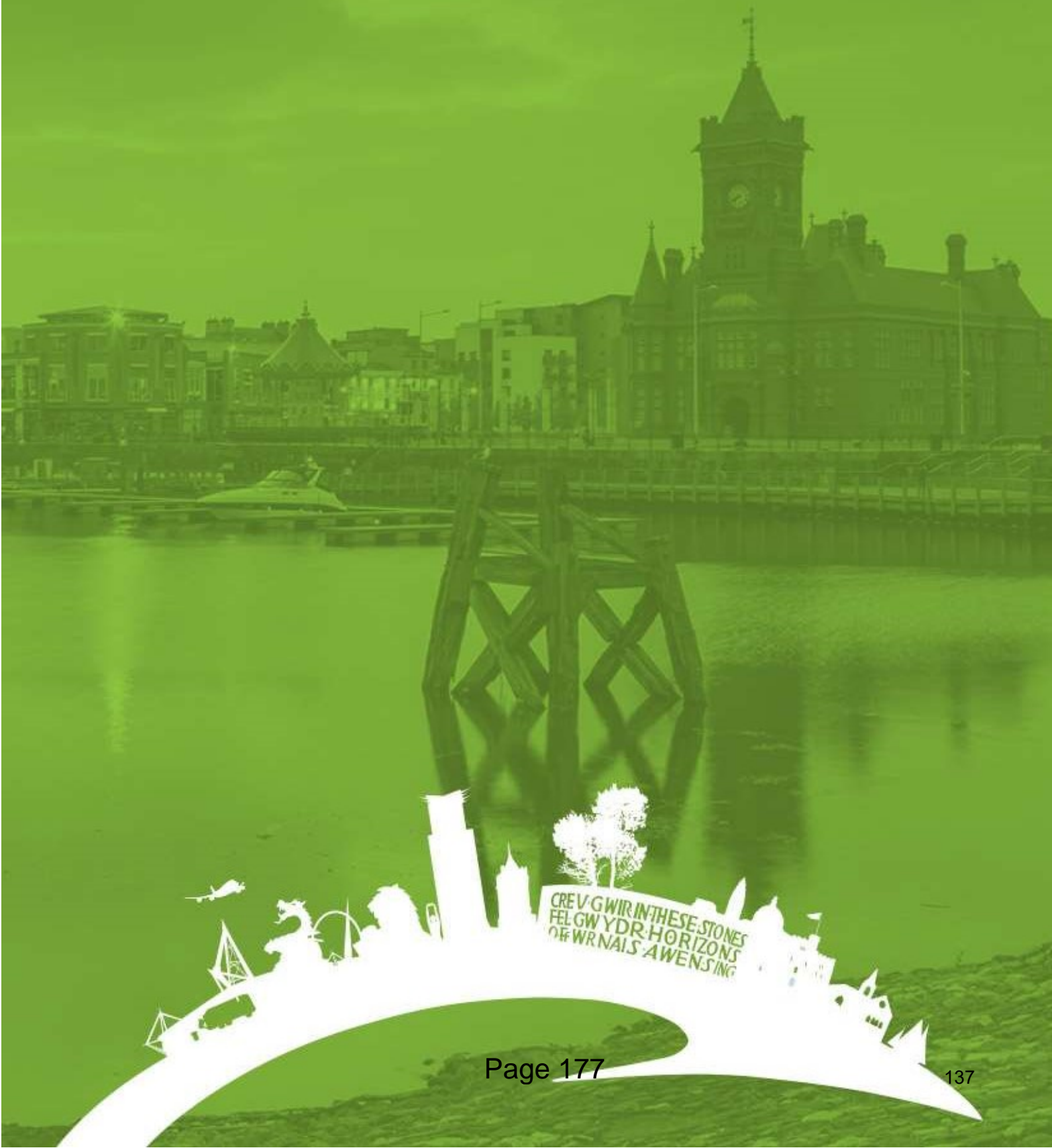
4. Debtors

	31 March 2017 £000	31 March 2018 £000
Central Government Bodies	30	56
Trade Receivables	0	0
Total	30	56

5. Creditors

	31 March 2017 £000	31 March 2018 £000
Central Government Bodies	(77)	(11)
Trade Payables	(322)	(386)
Total	(399)	(397)

Cardiff Port Health Authority



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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.

In the absence of a delegation to another body, full Council of the County Council of the City and County of Cardiff are the body that approves the accounts of the Port Health Authority.

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 2017 (£)	31 March 2018 (£)
Statement of Income and Expenditure/Receipts and Payments		
1. Balances brought forward	151,221	136,479
2. (+) Income from local taxation and/or levy	127,876	126,596
3. (+) Total other receipts	1,115	1,505
4. (-) Staff costs	129,337	124,721
5. (-) Loan interest/capital repayments	0	0
6. (-) Total other payments	14,396	19,438
7. (=) Balances carried forward	136,479	120,421
Statement of Balances		
8. (+) Debtors and stock balances	0	0
9. (+) Total cash and investments	139,810	123,230
10. (-) Creditors	3,331	2,809
11. (=) Balances carried forward	136,479	120,421
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 2018, that:

	Agreed?	
	Yes	No
1. We have put in place arrangements for: <ul style="list-style-type: none"> • effective financial management during the year; and • 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 considered the adequacy of reserves held by the body in setting the budget for 2017-18 and 2018-19 and have appropriate plans in place for the use of these reserves.	Yes	
2. When awarding grants under section 137 of the Local Government Act 1972, we have kept a separate account of such grants and considered whether or not the benefits arising from such payments are commensurate with the sums paid.	N/A	
3. The council has no obligation or intention to pay a gratuity to employees.	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 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 2018.	Approval by the Body 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 Dianne Rees, Lord Mayor
Date:	Date:

External Audit Certificate

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 2018 of Cardiff Port Health Authority.

External Auditor's Report

On the basis of our review, in our opinion, the information contained in the Annual Return is in accordance with proper practices and no matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met.

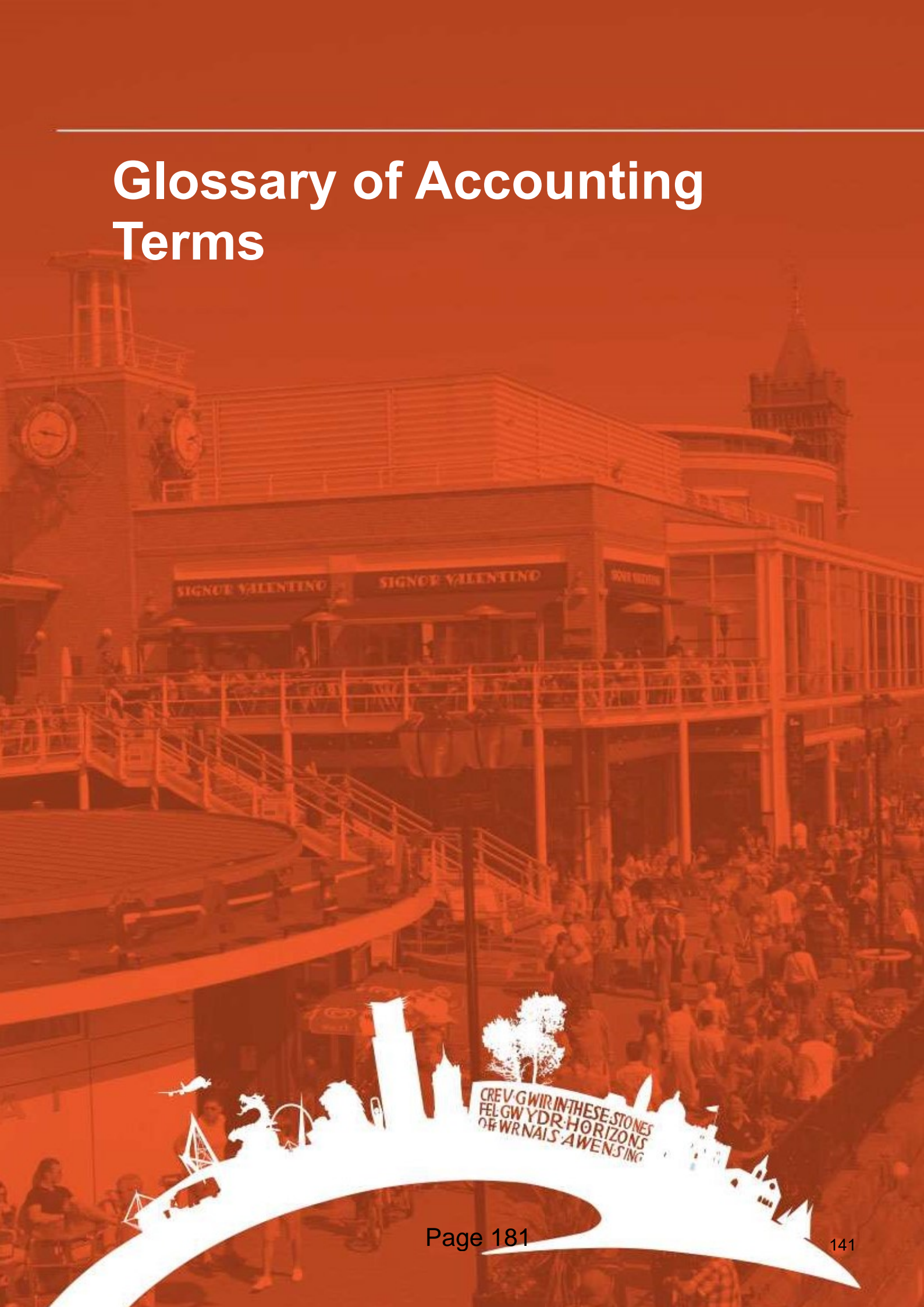
Other matters not affecting our opinion which we draw to the attention of the Body are included in our report to the Body dated XX September 2018.

External Auditor's name:	
External Auditor's signature	Date:
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.

Glossary of Accounting Terms



Glossary of Accounting Terms

Knowledge of basic accountancy terminology is assumed. However, there are certain specialist terms related to local government finance, which are described below:

Accruals Basis

The accruals principle is that income is recorded when 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

Glossary of Accounting Terms

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

Glossary of Accounting Terms

The current value of an asset reflects the economic environment prevailing for the service or function the asset is supporting at the reporting date.

Curtailment (Pensions)

For a defined benefit pension scheme an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

Debtors

These are sums of money due to the Council that have not been received at the date of the Balance Sheet.

Deferred Capital Receipts

These represent capital income still to be received after disposals have taken place.

Defined Benefit Scheme (Pensions)

This is a pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined Contribution Scheme (Pensions)

A Defined Contribution Scheme is a pension or other retirement benefit scheme into which an employer pays regular contributions as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation/Impairment/Amortisation

A charge made to the Comprehensive Income and Expenditure Statement to reflect an estimate of the use or consumption of non-current assets in the year in the provision of Council services.

De-recognition

Financial assets and liabilities will need to be removed from the Balance Sheet once performance under the contract is complete or the contract is terminated.

Direct Revenue Financing

The amount of revenue funding in the year used to pay for capital expenditure incurred.

Earmarked Reserves

Amounts set aside to be used to meet specific, known or predicted future expenditure.

External Audit

The independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Council has made proper arrangements to secure value for money in its use of resources.

Fair Value

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Finance Lease

A finance lease is a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade

Glossary of Accounting Terms

receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

Heritage Asset

A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Housing Revenue Account (HRA)

Local Authorities are required to maintain a separate account - the Housing Revenue Account - which sets out the expenditure and income arising from the provision of Council housing. Other services are charged to the Council Fund.

Impairment

A reduction in the value of assets below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in 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

Glossary of Accounting Terms

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.

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Draft Statement of Accounts 2017/18

Contents

Narrative Report	2
Actuarial Statement	3
Statement of Responsibilities	5
Audit Report	6
Fund Account	8
Net Assets Statement	9
Note to the Accounts	10
Glossary	28

Narrative Report

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 LGPS is the statutory occupational pension scheme for all local government employees (except teachers) and the regulations are determined by the UK Government.

The Council's responsibilities as manager of the Fund are discharged through the Pensions Committee which has oversight of the Fund's strategies and policies. Operational management of the Fund has been delegated to the Corporate Director Resources. The Local Pension Board assists the Council to secure compliance with the LGPS regulations and the requirements of the Pensions Regulator and to ensure the effective and efficient administration of the scheme.

Membership of the Fund continued to increase over the year. There are now over 16,000 contributing employees and more than 12,000 pensioners and dependents receiving benefits from the Fund.

The Pension Fund's assets rose by 3.2% during 2017/18, from £2.002 billion to £2.067 billion. Investment returns over the year were variable with gains in asset values achieved during the first nine months of the year being partly given up as markets became more volatile in January. Over the longer term, returns on the Fund's investments have averaged around 8% per annum.

The eight LGPS funds in Wales achieved a number of significant milestones during the year in the development of the Wales Investment Pool. In June 2017 an Inter Authority Agreement was signed by the eight administering authorities, establishing the Wales Pension Partnership (WPP). The WPP is overseen by a Joint Governance Committee (JGC), comprising the chairs of the eight Pensions Committees, and is supported by an Officer Working Group comprising the fund treasurers and investment officers. Following a joint procurement exercise overseen by the JGC, the eight authorities appointed Link Fund Solutions as the Pool Operator and an Operator Agreement with Link was signed in December 2017. Link will establish a Financial Conduct Authority approved Authorised Contractual Scheme (ACS) during 2018 to enable the eight funds to begin pooling their investments. Individual funds will continue to set their own investment strategies and asset allocations in accordance with their funding positions and liability profiles.

Cardiff Council published its Capital Ambition statement during the year which included a commitment to work with the Pensions Committee to consider divesting Council investments from fossil fuel companies. In line with the Council's Corporate Plan for 2018-2021, the Fund will develop a Climate Change Investment Policy during 2018 in consultation with its advisers and the other LGPS funds in Wales.

The Fund's key objectives continue to be to deliver an effective and efficient service to the 40,000 contributing employees, pensioners and deferred members, and to minimise the financial burden on contributing employers over the long term.

The Annual Governance Statement for Cardiff Council discloses the findings of a review of the Council's governance. It includes an Action Plan for significant governance issues identified as part of the review, to be progressed by Senior Management. This is a separate document and is included in papers for Audit Committee in draft (March and June) and final in September.

Christine Salter
Corporate Director Resources
26 June 2018

Actuarial Statement

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 million) 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 £17.4 million 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.

Actuarial Statement

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 Cardiff Council . 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, Cardiff Council, 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

Statement of Responsibilities

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

The Cardiff and Vale of Glamorgan's Pension Fund responsibilities

The Cardiff and Vale of Glamorgan Pension Fund 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 2017/18 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 Dianne Rees
Lord Mayor

Date:

The Corporate Director Resources responsibilities

The Corporate Director Resources is responsible for the preparation of the Council's financial statements in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (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 Council give a true and fair view of its income and expenditure for the financial year 2017/18 and financial position of the Cardiff and Vale of Glamorgan Pension Fund at 31 March 2018.

Christine Salter
Corporate Director Resources

Date:

Audit Report

Audit Report of the Auditor General to the Members of the Cardiff and Vale of Glamorgan Pension Fund

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Fund Account

2016/17 £000		Note	2017/18 £000
	Deadlines with members, employers and others directly involved in the fund		
	Contributions		
(61,674)	From employers	5	(65,638)
(16,862)	From employees	5	(17,675)
(3,241)	Transfers in from other pension funds		(4,934)
(1,460)	Other income (capitalised payments and interest on deficit funding)		(2,647)
(83,237)			(90,894)
	Benefits Payable		
60,659	Pensions	6	62,507
13,468	Lump sums, grants and other payments	6	14,256
	Payments to and on account of leavers		
117	Refunds of contributions		114
4,807	Transfers out to other pension funds		16,009
79,051			92,886
(4,186)	Net (additions)/withdrawals from dealings with members of the Fund		1,992
13,370	Management expenses	8	7,887
9,184	Net (additions)/withdrawals including fund management expenses		9,879
	Returns on Investment		
(19,115)	Investment income	9	(21,247)
(338,888)	Change in market value of investments	10	(53,567)
(358,003)	Net returns on investments		(74,814)
(348,819)	Net (increase)/decrease in the Fund during year		(64,935)
(1,652,859)	Opening net assets of the scheme		(2,001,678)
(2,001,678)	Closing net assets of the scheme		(2,066,613)

Net Assets Statement

2016/17 £000		Notes	2017/18 £000
1,937,128	Investments at market value	10	2,011,844
44,861	Cash and investment proceeds due	10	37,826
1,981,989	Total investment properties		2,049,670
147	UK & overseas tax		153
4,588	Contributions due from employers and deficit funding		4,716
986	Sundry debtors	14	122
1,806	Pension strain costs due within one year		2,152
7,527	Total current assets		7,143
11,154	Deficit funding (former employers)		8,922
3,222	Pension strain costs due after one year		2,794
14,376	Total non-current assets		11,716
(1,053)	Unpaid benefits		(838)
(1,161)	Sundry creditors	14	(1,078)
(2,214)	Total current liabilities		(1,916)
2,001,678	Net assets of the scheme		2,066,613

Notes to the Accounts

1. The Statement of Accounts summarises the transactions and net assets of the Fund for the financial year 2017/18. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, 2017/18 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 million, with a comparator value as at the 31 March 2013 valuation of £2.029 million.

The actuarial position is summarised in the Actuarial Statement which is included on pages 3 and 4. 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 2018 (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 2018 was £79 million (£88 million at 31 March 2017).

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 3 and 4. This estimate is based on significant variances based on changes to the underlying assumptions.

Notes to the Accounts

(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 £79 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 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 2018 by The Northern Trust Company for the benefit of the Council. Statements of holdings have been provided by Northern Trust.

Notes to the Accounts

5. Employing Bodies – Contributions

2017/18	No. of contributors at 31.03.18	Contribution rates (% of pensionable pay)	Employers £000	Employees £000	Total £000	Additional lump sum (memo) £000
Scheduled Bodies:						
Barry Town Council	21	25.0%	(105)	(26)	(131)	0
Cardiff and Vale College	382	14.6%	(1,422)	(566)	(1,988)	(149)
Cardiff City Transport	16	25.4%	(511)	(41)	(552)	(360)
Cardiff Council	10,121	23.3%	(39,310)	(10,501)	(49,811)	0
Cardiff Metropolitan University	857	14.6%	(3,710)	(1,435)	(5,145)	(645)
Cowbridge Town Council	2	25.0%	(18)	(4)	(22)	0
Dinas Powys Community Council	0	25.0%	(1)	0	(1)	0
Lisvane Community Council	1	25.0%	(3)	(1)	(4)	0
Llantwit Major Town Council	5	25.0%	(21)	(5)	(26)	0
Penarth Town Council	17	25.0%	(96)	(22)	(118)	0
Penllyn Community Council	1	25.0%	(1)	0	(1)	0
Pentyrch Community Council	4	25.0%	(13)	(3)	(16)	0
Public Services Ombudsman for Wales	1	N/A	0	(4)	(4)	0
Radyr and Morganstown Community Council	2	25.0%	(5)	(1)	(6)	0
St Davids Sixth Form College	51	14.6%	(161)	(60)	(221)	(21)
Stanwell School	86	17.2%	(207)	(64)	(271)	(19)
Vale Of Glamorgan Council	3,878	23.1%	(13,837)	(3,802)	(17,639)	(4)
Wenvoe Community Council	1	25.0%	(3)	(1)	(4)	0
Sub-total	15,446		(59,424)	(16,536)	(75,960)	
Admitted Bodies:						
A&R Cleaning	1	23.3%	(2)	0	(2)	0
Adult Learning Wales	52	25.6%	(356)	(88)	(444)	(22)
APP Clean UK - Grangetown	3	23.3%	(1)	0	(1)	0
APP Clean UK - St Teilos	3	21.5%	(4)	(1)	(5)	0
Cardiff Business Technology Centre	6	26.4%	(32)	(7)	(39)	0
Cardiff University	42	27.7%	(1,508)	(71)	(1,579)	(1,200)
Careers Wales	73	17.3%	(356)	(132)	(488)	0
Children In Wales	29	29.9%	(203)	(45)	(248)	0
Circle IT - Cowbridge	0	23.1%	(2)	(1)	(3)	0
Colleges Wales	8	21.7%	(104)	(26)	(130)	(34)
Design Commission for Wales	4	23.9%	(42)	(14)	(56)	0
Glen Cleaning - Barry Comprehensive	3	27.0%	(8)	(2)	(10)	0
Glen Cleaning - Llandough	0	23.1%	(2)	0	(2)	0
Greenwich Leisure Limited	243	18.0%	(655)	(219)	(874)	0
Mirus Wales	6	23.7%	(60)	(23)	(83)	0
National Trust	5	20.7%	(23)	(7)	(30)	0

Notes to the Accounts

2017/18	No. of contributors at 31.03.18	Contribution rates (% of pensionable pay)	Employers £000	Employees £000	Total £000	Additional lump sum (memo) £000
One Voice	2	22.2%	(27)	(8)	(35)	(7)
Play Wales	6	23.9%	(52)	(10)	(62)	(13)
National Eisteddfod of Wales	15	25.5%	(131)	(39)	(170)	0
Sport Wales	112	24.2%	(1,878)	(288)	(2,166)	(888)
Supacleen	0	22.9%	(1)	0	(1)	0
Wales & West Housing	1	26.7%	(125)	(15)	(140)	(90)
Welsh Council For Voluntary Action	68	24.7%	(642)	(143)	(785)	(190)
Sub-total	682		(6,214)	(1,139)	(7,353)	
Total	16,128		(65,638)	(17,675)	(83,313)	

Additional deficit funding

There was no additional deficit funding in 2017/18.

Comparative note for 2016/17.

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)
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 and 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)

Notes to the Accounts

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
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	50	22.3%	(268)	(77)	(345)	(6)
APP Clean UK - St Teillos	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	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 - Barry Comprehensive	3	27.0%	(8)	(1)	(9)	0
Greenwich Leisure Limited	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)
National Eisteddfod of Wales	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

6. Employing Bodies - Benefits Paid

2017/18	Retirement Pensions £000	Lump Sums on Retirement £000	Death Grants £000	Commutation Payments £000
Scheduled Bodies:				
Barry Town Council	103	0	0	0
Cardiff City Transport	2,317	444	0	0
Cardiff Council	39,968	6,522	548	298
Cardiff and Vale College	662	171	31	18

Notes to the Accounts

2017/18	Retirement Pensions	Lump Sums on Retirement	Death Grants	Commutation Payments
	£000	£000	£000	£000
Cardiff Metropolitan University	1,906	928	112	18
Cowbridge Town Council	16	11	0	0
Dinas Powys Town Council	17	18	0	0
Llantwit Major Town Council	19	0	0	0
Mary Immaculate High School	8	0	0	0
Penarth Town Council	62	0	0	0
Public Services Ombudsman for Wales	232	0	0	0
Radyr and Morganstown	0	0	0	0
Royal Welsh College of Music & Drama	78	24	0	0
S Wales Magistrates Courts	539	260	0	0
St Cyres School	57	0	0	0
St Davids Sixth Form College	71	0	0	0
Stanwell School	67	0	0	0
Vale of Glamorgan Council	11,997	2,808	510	174
Sub-total	58,119	11,186	1,201	508
Admitted Bodies:				
A&R Cleaning Lansdowne Primary	0	1	0	0
Adult Learning Wales	42	0	0	0
APP Clean UK - St Teilos	1	0	0	0
Barry College	5	6	0	0
Cardiff Bay Arts Trust	16	45	0	0
Cardiff Bay Development Corporation	494	0	0	0
Cardiff Business Technology Centre	13	0	0	0
Cardiff & Co	1	0	0	0
Cardiff Gypsy & Traveller Project	14	0	0	0
Cardiff Institute for Blind	62	0	0	0
Cardiff University	1,077	373	0	0
Careers Wales	359	23	0	0
Catholic Children's Society	2	0	0	0
Channel View Centre	5	0	0	0
Children in Wales	24	6	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	76	0	0	0
Coleg Glan Hafren	10	3	21	0
Community Relations	1	0	0	0
Design Commission for Wales	3	0	0	0
Dimensions	8	0	0	0
Glamorgan & Gwent Housing Association	66	0	0	0
Greenwich Leisure Limited	31	327	49	0
Higher Education Development Wales	3	0	0	0
Housing for Wales	221	0	0	0

Notes to the Accounts

2017/18	Retirement Pensions £000	Lump Sums on Retirement £000	Death Grants £000	Commutation Payments £000
Intervol	25	19	0	0
Land Authority for Wales	303	12	0	0
Memorial Hall	12	0	0	0
Mirus Wales (Opportunity Housing Trust)	21	15	0	0
National Eisteddfod of Wales	59	11	0	0
National Trust	23	12	0	0
Play Wales	41	94	0	0
Porthcawl Holiday Home	63	0	0	0
S E Wales Community Foundation	7	0	0	0
Sport Wales	870	66	158	0
STAR	7	0	0	0
Wales & West Housing	134	0	0	0
Wales Youth Agency	57	0	0	0
Welsh Council for Voluntary Action	189	15	105	0
Sub-total	4,388	1,028	333	0
TOTAL	62,507	12,214	1,534	508

Comparative note for 2016/17.

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 College	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:				

Notes to the Accounts

2016/17	Retirement Pensions £000	Lump Sums on Retirement £000	Death Grants £000	Commutation Payments £000
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
Glamorgan & Gwent Housing Association	59	45	0	0
Higher Education 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 of Wales	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 Community Foundation	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

Notes to the Accounts

7. Membership of the Fund

Fund membership at 31 March 2018 is as follows:

	2016/17	2017/18
Contributing employers	37	37
Contributors	15,090	16,128
Pensioners	10,846	12,757
Deferred pensioners	12,697	11,128
Total membership	38,633	40,013

8. Management Expenses

Management Expenses fully charged to the Fund are:

	2016/17 £000	2017/18 £000
Administration costs	945	835
Investment management expenses*	12,297	6,925
Oversight and governance costs	128	127
Total	13,370	7,887

*2016/17 investment management expenses are much higher, as for one of the funds all fees were included rather than just 2016/17 costs.

9. Investment Income

	2016/17 £000	2017/18 £000
UK fixed interest securities	(5,325)	(5,964)
Overseas fixed interest securities	(1,546)	(2,570)
UK equities and private equity funds	(3,808)	(3,960)
Pooled investments	(1,588)	(1,715)
Overseas equities (net of irrecoverable tax)	(4,567)	(4,652)
Property unit trust income	(2,113)	(2,207)
Interest on UK cash	(76)	(83)
Securities lending	(92)	(96)
Total	(19,115)	(21,247)

Notes to the Accounts

10. Investments at Market Value

2016/17 £000		2017/18 £000
41,541	Public Sector	76,907
140,330	Other (Pooled)	332,432
181,871	UK Fixed Interest:	409,339
96,843	Public Sector (Pooled)	143,580
96,843	Overseas Fixed Interest:	143,580
116,358	UK quoted Equities & Convertibles	116,033
212,725	Foreign quoted Equities	178,074
329,083		294,107
562,509	UK	499,108
552,195	Overseas	452,231
1,114,704	Pooled Funds	951,339
126,298	UK & Global Property (Pooled)	134,177
88,328	Private Equity	79,302
933	Derivatives: Forward Currency contracts	1,237
	Cash:	
22,863	UK	24,673
19,073	Overseas	9,739
1,993	Net investment proceeds due	2,177
1,981,989	TOTAL	2,049,670

Reconciliation in movement in investments

2017/18	Value at 31/03/17 £000	Purchases at cost £000	Sale proceeds £000	Change in market value £000	Value at 31/03/18 £000
Fixed interest securities	278,714	591,905	(308,876)	(8,824)	552,919
Equities	329,083	70,577	(117,480)	11,927	294,107
Pooled funds	1,114,705	956	(190,000)	25,678	951,339
Property unit trusts	126,298	857	0	7,022	134,177
Private equity	88,328	7,802	(25,933)	9,105	79,302
Sub-total	1,937,128	672,097	(642,289)	44,908	2,011,844
Forward currency	933	2,315,248	(2,321,678)	6,734	1,237
Total derivatives	933	2,315,248	(2,321,678)	6,734	1,237
Debtors	1,993				2,177
Managers' cash	11,698				7,683
Internal/custodian cash	30,237			1,925	26,729
Total cash	43,928			1,925	36,589
Total	1,981,989			53,567	2,049,670

Notes to the Accounts

Comparative note for 2016/17.

2016/17	Value at 31/03/16 £000	Purchase at cost £000	Sale proceeds £000	Change in market value £000	Value at 31/03/17 £000
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	6,338	(21,016)	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
Total derivatives	(2,273)	2,573,915	(2,546,860)	(23,849)	933
Debtors	1,949				1,993
Managers' cash	5,004				11,698
Internal/custodian cash	24,322			(89,186)	30,237
Total cash	31,275			(89,186)	43,928
Total	1,628,880			338,888	1,981,989

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.

Notes to the Accounts

11. Summary of manager's portfolio values

2016/17		Fund Manager	2017/18	
£000	% of Fund		£000	% of Fund
279,696	14.1	Aberdeen Asset Management	555,569	27.1
74,215	3.7	Aberdeen Emerging Markets	74,758	3.6
626,980	31.7	Blackrock Investment Management	510,767	24.9
101,741	5.1	Invesco Perpetual	95,505	4.7
81,838	4.1	J P Morgan	87,414	4.3
123,283	6.2	Majedie	121,052	5.9
113,335	5.7	Nikko	95,323	4.7
105,524	5.3	Schroder Investment Managers	86,144	4.2
229,929	11.6	State Street Global Advisers	182,895	8.9
126,298	6.4	Property	134,177	6.5
88,328	4.5	Private Equity Managers	79,302	3.9
7,960	0.4	Mesirow currency overlay & cash with custodian	2,090	0.1
22,862	1.2	Internally managed (Cash)	24,674	1.2
1,981,989	100.0	Total	2,049,670	100.0

11a. Investments exceeding 5% of net assets

Fund Manager	£000	%
BlackRock Aquila Life UK Equities Indexed Fund	316,190	15.4
BlackRock Aquila Life US Equities Indexed Fund	194,577	9.5
SSGA MPF Europe ex UK Equities Active Fund	182,895	8.9
Aberdeen Corporate Bond Fund	165,743	8.1
Aberdeen Target Return Bond Fund	111,342	5.4
Aberdeen Global Government Bond Fund	110,313	5.4

Comparative data for 2016/17:

Fund Manager	£000	%
BlackRock Aquila Life UK Equities Indexed Fund	378,930	19.1
BlackRock Aquila Life US Equities Indexed Fund	247,050	12.5
SSGA MPF Europe ex UK Equities Active Fund	229,929	11.6
Invesco Perpetual Income Fund	101,741	5.1

Notes to the Accounts

12. Financial Instruments

a) Classification of financial instruments

31/03/2017				31/03/2018		
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
278,714	0	0	Fixed interest securities	552,919	0	0
329,083	0	0	Equities	294,107	0	0
1,114,705	0	0	Pooled funds	951,339	0	0
126,298	0	0	Property unit trusts	134,177	0	0
88,328	0	0	Private equity	79,302	0	0
158,033	0	0	Derivatives	147,144	0	0
0	41,935	0	Cash	0	36,589	0
1,993	0	0	Other investments	1,237	0	0
0	21,903	0	Debtors	0	18,859	0
2,097,154	63,838	0	Total financial assets	2,160,225	55,448	0
(158,033)	0	0	Derivatives	(145,805)	0	0
0	0	0	Other investments	0	0	0
0	0	(2,214)	Creditors	0	0	(1,916)
0	0	0	Borrowings	0	0	0
(158,033)	0	(2,214)	Total financial liabilities	(145,805)	0	(1,916)
1,939,121	63,838	(2,214)	Net financial assets	2,014,420	55,448	(1,916)

b) Net gains and losses on financial instruments

31/03/2017 £000		31/03/2018 £000
352,512	Fair value through profit and loss	65,497
352,512	Total financial assets	65,497
(13,222)	Fair value through profit and loss	(12,228)
(402)	Loans and receivables	298
(13,624)	Total financial liabilities	(11,930)
338,888	Net financial assets	53,567

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.

Notes to the Accounts

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 2018	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Financial assets at fair value	1,029,921	768,444	361,860	2,160,225
Loans and receivables	55,448	0	0	55,448
Total financial assets	1,085,369	768,444	361,860	2,215,673
Financial liabilities at fair value	0	0	(145,805)	(145,805)
Financial liabilities at amortised cost	(1,916)	0	0	(1,916)
Total financial liabilities	(1,916)	0	(145,805)	(147,721)
Net financial assets	1,083,453	768,444	216,055	2,067,952

Comparative data for 2016/17:

Values as at 31 March 2017	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
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 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.

Notes to the Accounts

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 is the risk that the fair value or future cash flows 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 Asset Management, 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 31.03.2018	Change to the net assets available to pay benefits	
		+ 100bps	- 100bps
	£000	£000	£000
Cash	37,826	378	(378)
Fixed interest securities	552,919	5,529	(5,529)
Total	590,745	5,907	(5,907)

2016/17 Comparative:

Asset Type	Carrying amount as at 31.03.2017	Change to 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)

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 9.30%. A 9.30% 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:

Notes to the Accounts

Currency exposure – asset type	Asset value as at 31.03.2018	Change to net assets available to pay benefits	
		9.30%	9.30%
	£000	£000	£000
Overseas quoted securities	644,105	584,203	704,007
Total change in assets available	644,105	584,203	704,007

Comparative data for 2016/17:

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

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 31.03.2018 £000	Percentage change %	Value on increase £000	Value on Decrease £000
UK Equities	620,161	8.70%	674,115	566,207
Overseas Equities	633,697	10.50%	700,235	567,159
Total Bonds	555,569	4.70%	581,681	529,457
Cash	26,764	0.10%	26,791	26,737
Alternatives	79,302	9.00%	86,439	72,165
Property	134,177	3.90%	139,410	128,944
Total Assets	2,049,670	6.80%	2,189,048	1,910,292

Notes to the Accounts

Comparative data for 2016/17:

Asset type	Value as at 31.03.2017 £000	Percentage change %	Value on increase £000	Value on Decrease £000
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
Total Assets	1,981,989	7.34%	2,127,467	1,816,837

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 31.03.2018 was £24.673 million (£22.244 million at 31.03.2017). This was held with the following institutions:

	Rating	31.03.2017 £000	31.03.2018 £000
Money market funds			
Ignis	AAA	12,000	12,025
Blackrock	AAA	10,170	11,925
Bank current account			
Lloyds Bank	A	74	723
Total		22,244	24,673

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 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

	31.03.2017 £000	31.03.2018 £000
Miscellaneous	986	122
Debtors	986	122
Management & Custody Fees	(1,161)	(1,078)
Creditors	(1,161)	(1,078)
Total	(175)	(956)

Notes to the Accounts

15. Additional Voluntary Contributions (AVC)

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 £721,000 (£508,000 in 2016/17) and the market value of separately invested AVC's as at 31 March 2018 was £3.700 million (£3.620 million in 2016/17).

16. Commitments

As at 31 March 2018 the Fund had outstanding private equity commitments of a maximum of £47.137 million (£43.620 million at 31 March 2017).

As at 31 March 2018 the Fund had forward currency contracts amounting to £147.144 million of purchases and £145.805 million of sales, showing an unrealised gain of £1.339 million.

17. Securities Lending

At the year end the value of quoted equities on loan was £108.126 million (£44.66 million at March 2017) in exchange for which the custodian held collateral of £114.020 million (£48.26 million at March 2017). For the year ending 31 March 2018, the Fund received income of £129,000 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 11;
- 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 Cardiff Council.

20. Post Balance Sheet Events

There are no post balance sheet events to report.

Glossary

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.

Active / Passive Management

Active management is the traditional form of investment management involving a series of individual investment decisions that seek to maximise returns by exploiting price inefficiencies i.e. 'beat the market'.

Passive management is a low cost alternative where managers normally hold stocks in line with a published index, such as the FTSE All-Share, not seeking to outperform but to keep pace with the index being tracked.

Actuary

An independent consultant who advises on the long-term viability of the Fund. Every three years the Fund actuaries review the assets and liabilities of the Fund and report to the Council on the financial position and recommended employer contribution rates. This is known as the actuarial valuation.

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.

Active Member

Current employee who is contributing to a pension scheme

Admitted Body

An organisation, whose staff can become members of the Fund by virtue of an admission agreement made between the Council and the organisation. It enables contractors who take on the Council's services with employees transferring, to offer those staff continued membership of the Fund.

Asset Allocation

Apportionment of investment funds among categories of assets, such as Bonds, Equities, Cash, Property, Derivatives, and Private Equity. Asset allocation affects both risk and return.

Benchmark

A measure against which the investment policy or performance of an investment manager can be compared

Bonds

Investments, mainly in government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date but which can be traded on a recognised stock exchange in the meantime.

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.

Glossary

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.

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.

Custodian

Bank or other financial institution that keeps custody of stock certificates and other assets of a client, collects dividends and tax refunds due, and settles any purchases and sales.

DCLG

The Department for Communities and Local Government, the department of the UK Government responsible for the LGPS in England and Wales.

Debtors

These are sums of money due to the Council that have not been received at the date of the Balance Sheet.

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.

Derivative

A derivative instrument is a contract whose value is based on the performance of an underlying financial asset, index, or other investment.

Emerging Markets

Relatively new and immature stock markets for equities or bonds. Settlement and liquidity can be less reliable than in the more established 'developed' markets, and they tend to be more volatile.

Employer Contribution Rates

The percentage of the salary of employees that employers pay as a contribution towards the employees' pension.

Equities

Ordinary shares in UK and overseas companies traded on a recognised stock exchange. Shareholders have an interest in the profits of the company and may normally vote at shareholders' meetings.

Fair Value

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Glossary

Financial Assets

Financial assets are cash, equity instruments within another entity (e.g. shares) or a contractual right to receive cash or another asset from another entity (e.g. debtors) or exchange financial assets or financial liabilities under potentially favourable conditions (e.g. derivatives).

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.

Financial Liabilities

Financial assets are contractual obligations to deliver cash or another financial asset (e.g. creditors) or exchange financial assets or financial liabilities under potentially unfavourable conditions (e.g. derivatives).

Fixed Interest Securities/Bonds

Investments, especially in government stocks, with a guaranteed rate of interest. Conventional bonds have fixed rates, whilst Index Linked vary with inflation. They represent loans repayable at a stated future date, and which can be traded on a stock exchange in the meantime.

Fund of Funds

A pooled fund that invests in other pooled funds. They are able to move money between the best funds in the industry, and thereby aim to lower stakeholder risk with greater diversification than is offered by a single fund.

Impairment

A reduction in the value of assets below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in an asset's market value.

Index

A calculation of the average price of shares, bonds, or other assets in a specified market to provide an indication of the average performance and general trends in the market.

ISS

The Investment Strategy Statement which each LGPS fund is required to prepare and keep under review.

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.

LGPS

The Local Government Pension Scheme, governed by regulations issued by the Department for Communities and Local Government.

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.

Myners Principles

The six principles which a LGPS Fund must comply with:

1. Effective decision making
2. Clear objectives

Glossary

3. Risk and liabilities
4. Performance assessment
5. Responsible ownership
6. Transparency and reporting

Pension Fund

A fund built up from deductions from employees' pay, contributions from employers and investment income from which pension benefits are paid.

Pooled Funds

Pooled investment vehicles issue units to a range of investors. Unit's prices move in response to changes in the value of the underlying portfolio, and investors do not own directly the assets in the fund. The main types are: unit trusts, open-ended investment companies (OEICs), insurance linked vehicles and investment trusts.

Portfolio

A collective term for all the investments held in a fund, market or sector. A segregated portfolio is a portfolio of investments of a specific type held directly in the name of the investor e.g. Global Bonds, or a specific market e.g. UK Equities, Far East Equities.

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.

Private Equity

Investments made by specialist managers in all types of unlisted companies rather than through publicly tradable shares.

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.

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.

Return

The total gain from holding an investment, including both income and any increase or decrease in market value. Returns over periods longer than a year are usually expressed as an average annual return.

Scheme Employers

Local authorities and bodies specified in the LGPS Regulations, whose employees are entitled automatically to be members of the Fund, and Admission Bodies including voluntary, charitable and similar bodies, carrying out work of a public nature, whose staff can become members of the Fund by virtue of an admission agreement with the Council.

Scheduled Body

An organisation that has the right to become a member the Local Government Pension Scheme under the scheme regulations. Such an organisation does not need to be admitted, as its right to membership is automatic.

Glossary

Unrealised Gains / Losses

The increase or decrease in the market value of investments held by the fund since the date of their purchase. Note: values throughout these accounts are presented rounded to whole numbers. Totals in supporting tables and notes may not appear to cast, cross-cast, or exactly match to the core statements or other tables due to rounding differences.

Cardiff Council Draft Annual Governance Statement 2017/18



1. Scope of Responsibility

1. Cardiff Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, including arrangements for the management of risk.
2. The Council is responsible for the Cardiff Harbour Authority, which is subsumed in the Council. The Council is also the Administering Authority for the Cardiff and Vale of Glamorgan Pension Fund (the Pension Fund) and Cardiff Port Health Authority (CPHA), and is the Accountable Body for the Cardiff Capital Region (CCR) City Deal. The governance arrangements detailed in this Annual Governance Statement (AGS) are documented in consideration of the Council's areas of responsibility, and the extent to which the Council is charged with governance.
3. The Council has adopted the 'Delivering Good Governance in Local Government' framework, developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE). This statement explains how the Council has complied with the Governance Framework and meets the requirements of the Accounts and Audit (Wales) Regulations 2014, as amended by the Accounts and Audit (Wales) (Amendment) Regulations 2018.
4. The governance arrangements in the Council's three wholly owned subsidiary companies which traded in 2017/18, namely Cardiff City Transport Services Ltd. (Cardiff Bus) Cardiff Business Technology Centre (CBTC) and Atebion Solutions are subject to periodic review. These were not reviewed by the Council in 2017/18. The Council also has an interest in a special purpose vehicle (CSC Foundry Limited) which is governed by a Joint Committee for the CCR City Deal.

2. The Purpose of the Governance Framework

5. 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 sets out how decisions are made and the procedures which are followed through rules, codes of practice and protocols.
6. The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives but is based on an ongoing process to identify, prioritise and appropriately manage risk.
7. A draft Code of Corporate Governance (Code) has been developed this year which documents how we apply the principles of good governance (*as summarised in Section 4 of the AGS – Assessment Process and Summary*). The draft Code was reviewed by the Audit Committee in January 2018 and will be considered by the Constitution Committee following the financial year end. Once the full approval process has completed, the Code will be included in the Council's Constitution.

3. The Governance Framework

8. 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.

4. Assessment Process and Summary

9. The AGS summarises the assessment of governance against the governance framework and comprises three elements:
- 1) Statements from Senior Management, the Audit Manager and the 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.
10. 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.
11. For further information and detail, supporting information is mapped to the governance framework principles (a-g) within the AGS and followed by an open disclosure from the senior management team (SMT) of the significant governance issues affecting the organisation as summary actions to take forward and address.
12. The diagram below sets out the components of this assessment.



i) Assurance Statements

13. The following statements are made at the year-end, upon consideration of the performance information, governance disclosures and audit and regulatory report findings from assessors both internal and external to the Council.

Senior Management Statement

14. As a Senior Management Team we have self-assessed directorate and corporate governance arrangements in place during 2017/18. 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 2018, from which the Chief Executive authorised the overall position.
15. 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 and risk management.
16. The maturity assessment highlighted opportunities to enhance the discipline of partnership governance, for which there was a higher incidence of mixed application and evidence than other areas. We have also identified opportunities in some directorates to target improvements in internal controls, compliance, the prevention and detection of fraud, budget monitoring, aspects of business planning and programme and project assurance. 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 2018/19.

17. The Senior Management Team collectively own the Corporate Risk Register and have reviewed all corporate risks on a quarterly basis in 2017/18. Each Director has been proactive in their approach to 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.
18. The Senior Management Team collectively own an action plan of significant governance issues for which there has been steady progress in their management throughout 2017/18. The action plan is included in the annual governance statement 2017/18.

Audit Manager Statement

(Public Sector Internal Audit Standards (PSIAS) - 2450)

19. The PSIAS state that the “Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.” This must be based upon an objective assessment of the framework of governance, risk management and control. It must also include an evaluation of the adequacy and effectiveness of controls in responding to risks within the governance, operations and information systems.
20. This opinion has been prepared by the Audit Manager, based on the provisions of the PSIAS. In preparing and forming this opinion, assurance has been taken from a number of sources, including:
 - *Internal Audit Assignments* – work undertaken as prioritised within the annual audit plan. Each assignment is risk based to deliver added value and to maximise resources. This does include some unplanned audits, undertaken at the request of Senior Management.
 - *Selected Value For Money studies.*
 - *Discussion with Senior Managers* – relationship manager meetings are held on a quarterly basis with Directors, and the Audit Manager holds regular meetings with the Corporate Director Resources / Section 151 Officer and the Chief Executive.
 - *Consultancy* - advice and guidance offered generally or in specific matters, including the design and development of new systems, such as Procure to Pay (P2P) and Corporate Landlord.
 - *Risk & Governance* – work undertaken auditing the co-ordination of the Corporate Risk Register, the Annual Governance Statement and associated documents, and the use of these documents to inform the audit planning process. Other work has also been undertaken on areas of corporate governance (such as ethics and values and performance management).
21. Based on the programme of audit work undertaken and considered review of the key governance documents e.g. the Corporate Risk Register and Annual Governance Statement, it is considered that the application of the overall framework for control within the Council for 2017/18 is **effective with opportunity for improvement**. 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 noted that a number of audits in the Council have been given an audit opinion of “insufficient with major improvement needed” with one audit being given unsatisfactory. Work will continue to be undertaken to monitor the implementation of the recommendation and assess improvements in the controls in these areas.

Audit Committee Statement

22. Based on the evidence presented to the Audit Committee during 2017/18, it is the considered view of the Committee that the Council does have, for the most part, 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 continues to have concerns, which will be incorporated into the Committee's Work Programme for 2018/19, include:

<p>Budget Prioritisation / Control</p>	<p>The Audit Committee recognises the sustained financial pressure that the Council is under and has received reports detailing the challenges in respect to the prioritisation and control of budgets. Whilst the Committee notes that the overall financial position was projected to be balanced there were some, significant overspends projected across particular directorates. The Corporate Director Resources has reported the outturn position in each finance update at Audit Committee this year.</p> <p>The Audit Committee continues to raise concern about directorates' ability to achieve budget savings proposals put forward which will become an increasing pressing issue as the financial parameters within which the Council operate become increasingly constrained. It is positive that an increasing number of budget proposals are accompanied with detailed plans and the Committee will be interested in the level of savings achieved in 2018/19</p>
<p>Financial / Internal Control</p>	<p>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 integrate 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.</p> <p>The Committee's focus this year has been to invite each senior manager in order for them to account for their services in respect to risk management, governance and assurance of financial internal controls. In addition, the Audit Committee receives a regular list of completed audits with the assurance rating given for each. The Committee receives a list of all audit recommendations, which detail the action proposed, and whether or not the deadlines set will be met for implementation. Whilst the Audit Committee has an overall assurance of internal control we will continue to receive this information and use it in order to provide assurance that internal controls across the Council remain fit for purpose and, where not, are identified and mitigating action put in place quickly. The Committee will continue to hold 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.</p> <p>The Audit Committee has approved the 2018/19 Audit Plan and will closely monitor its progress over the year. Particular attention will be given to seeing how officers have used the revised Financial Procedure Rules and Contract Standing Orders & Procurement Rules.</p>

<p>Financial Resilience (including Treasury Management).</p>	<p>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.</p> <p>The Audit Committee has received updates on financial resilience as part of the finance updates from the Corporate Director Resources in each meeting in 2017/18. Whilst the regular reports provide 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.</p> <p>The Audit Committee will continue to look to gain assurance of sound treasury management practices and strategy. This is vital work, which will both safeguard and deliver best value from the Council's borrowing and investments. The Audit Committee has and will continue to satisfy itself that the levels and profiles of investments and borrowing throughout the year are appropriate and in line with the Treasury Management Strategy and Reports presented. This will continue to be a key area of focus going into 2018/19.</p>
<p>Schools Governance & Compliance</p>	<p>Historically, Audit Committee has raised concerns about governance and compliance matters in schools who are responsible for a greater proportion of audit reports giving concern. This trend has improved in 2017/18 in particular across the themed audits that have been carried out which sampled at least half of the schools in Cardiff. This wider sample albeit on targeted areas of internal control has provided a level of comfort but there remains more work to be done and this will continue to be a focus of Audit Committee in 2018/19.</p> <p>The Committee acknowledges that the Council is not able to set rules for schools to adhere to regarding contracting matters, albeit advice can be offered on good practice. This area of interest remains a priority of the Audit Committee. The Audit Committee continues to support the production and use of best practice guidance in schools to strengthen financial stewardship and control.</p>

ii) Governance Framework - Supporting Information

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

23. 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.

24. The Director of Governance and Legal Services is the Monitoring Officer, with 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.
25. The Standards and Ethics Committee has a responsibility to monitor and scrutinise the ethical standards of the Authority, its Members, employees and any associated providers of the Authority's services, and to report to the Council on any matters of concern. The Committee is chaired by an independent person and its role includes determining the outcome of complaints against Councillors and Co-opted Members and monitoring the Council's whistleblowing procedures. There were eight complaints raised against Members in 2017/18 of which two were from other Members, one was from an officer, and five were from members of the public. The outcomes / status of each complaint is reported to the Standards and Ethics Committee each quarter.
26. 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.
27. In May 2017, Councillor Huw Thomas was elected as the new leader of the Council and appointed a new Cabinet. In order to learn lessons from the experiences of Councillors whilst in office, prior to the election a Member Exit Survey was completed in February 2017. 61% of respondents reported that they would 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.
28. To address the matters raised in the Member Exit Survey, a HR counselling service has been made available to all Members. The survey findings were also taken into account in the development of a Member Induction Programme for new Members. A further Member Survey then took place in Autumn 2017 to seek feedback on the quality and completeness of the Member Induction, and to identify Member experiences of bullying and other unacceptable behaviours. In February 2018, the Democratic Services Committee received the findings of the survey relating to the Member induction, through which 97% of respondents rated the induction day as useful or very useful and 96% found the formal training / facilitated group training useful. Actions were identified in relation to technology support, mentoring / peer support and administrative processes, which have been considered by the Director of Governance and Legal Services for further development.
29. The Standards and Ethics Committee received analysis of the responses relating to Member conduct and behaviour in March 2018. More than half of Councillors (55%) who responded, reported that they had had no personal experience of bullying, discrimination, or other unacceptable behaviours in their roles. A similar proportion (58%) reported they had not witnessed any unacceptable behaviours, representing an improved position overall from the Member Exit Survey.
30. 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. To address this recommendation the Standards & Ethics Committee

introduced biannual Member Briefings which have continued to report on the work of the committee and underline the importance of the Cardiff Undertaking, Member conduct and behaviour.

31. An Officers' Personal Interests & Secondary Employment Policy requires staff to disclose any personal interest which actually or potentially conflicts with their duties to the Council and all secondary employment. The policy sets out how all Council employees are obliged, under the Employees' Code of Conduct, to ensure that their private interests do not conflict with their public duties, and to comply with the Council's rules on the registration and declaration of financial and non-financial interests.
32. The Council's Corporate Values focus on fairness, openness and working together. The Council supports a culture of behaviour based on these values which guide how the long term vision of the Council is put into effect, as well as how Members and Officers deliver their day to day roles. Corporate and directorate planning and personal performance and development arrangements are aligned to delivering corporate values and priorities.
33. 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 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.
34. Whilst Employee Survey responses have been positive, the response rate of 33.9% was a decrease from the 2015 response rate of 51.6%. The factors which led to the higher response rate in 2015 will be reviewed in the planning of future surveys, such as the parallel running of the survey with Chief Executive Roadshows and Ambassador participation. In order to increase the response rate further, future Employee Surveys and engagement activity will include a renewed emphasis on the vital role managers play in communicating regularly with staff and building an engaged team / workforce.
35. The Workforce Strategy and Employee Charter have been in place throughout 2017/18 and are underpinned by the Council's vision and values and aligned to the Corporate Plan:
 - The Employee Charter sets out the expectations of all staff (employees, managers and senior managers) and has formed part of the objective setting process for personal 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.
36. 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 and Corruption Policy;
 - Money Laundering Policy and Procedure;
 - ICT Security Policy;
 - Data Protection Policy & Procedure;
 - HR policies regarding investigation and discipline of staff.

37. Induction training is undertaken by 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 staff are aware of the corporate values and how they should be applied.
38. 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). There have been four whistleblowing cases reported to the Monitoring Officer in 2017/18.
39. 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 (2016).

B. Ensuring openness and comprehensive stakeholder engagement.

40. 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.
41. 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). This year, the Information Governance Team has continued to identify data sets for publication and maintain the publication of existing data sets.
42. 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.
43. 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 Committees. Throughout 2017/18 the Council has webcast Council and Planning Committee meetings and webcasting has been introduced for three Scrutiny Committee meetings to enable wider public accessibility. Papers and reports are also available on the Council's website.
44. 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.

45. 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 2017/18 budget involved 2,520 people completing a 'Changes for Cardiff' survey 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 five weeks and included eighteen community engagement events, an online questionnaire, social media promotion and hard copy questionnaires distributed across the city.
46. 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.
47. The Cardiff Public Services Board (PSB), represents a statutory partnership of public and voluntary sector organisations, chaired by the Leader of the Council to deliver the requirements of the Wellbeing of Future Generations Act 2015 and the 'What Matters' single integrated partnership strategy. This year, the strategic focus of the PSB has been the development of a statutory local Well-being Plan, in which well-being objectives have been established to support the delivery of national well-being goals. The Well-being Plan responds to the evidence set out in a Well-being Assessment and focusses on the areas of public service delivery which fundamentally require partnership working between public and community services, and the citizens of Cardiff. The Draft Well-being Plan was subject to Policy Review and Performance Scrutiny in November 2017, and 12-weeks of consultation and engagement through locality events. Final approval was given by the PSB, Full Council and statutory member organisations prior within the statutory deadline of May 3rd 2018.
48. Neighbourhood Partnerships of multi-agency staff are currently under review. Work has been scaled back this year and new arrangements are still under consideration for next year. The intention of the review is to understand how locality based partnership working and Council resources can be better aligned and managed so as to deliver person centred, joined up and complementary services in our communities.
49. The Council regularly engages in consultation with the Trade Unions and a 'Partnership for Change Agreement' was signed off in February 2015. This supports the Council's Leader, Cabinet and Trade Unions in working together to reform Council services in a cost effective manner, providing a level of certainty for staff on major issues and protecting jobs wherever possible.

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

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 2017 for the period 2017 – 2019, informed by the consultation on budget proposals for 2017/18. It sets the strategic direction and provides a framework for Directorate Delivery Plans and performance management objectives. Corporate Plan priorities were 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. Following the election of a new leader in May 2017, the 'Capital Ambition' was approved as a statement of the new administration's priorities in July 2017, which includes "commitments for Cardiff" which cover all of the Council's services. The Capital Ambition sets out how a series of principles will underpin the development of the Council in the coming years, namely: getting the basics right, digital first, putting communities front and centre, joining-up of frontline services, purposeful partnerships and a new deal for citizens. The four priorities are:
- Working for Cardiff: Making sure that all our citizens can contribute to, and benefit from, the city's success
 - Working for Wales: A successful Wales needs a successful capital city
 - Working for the Future: Managing the city's growth in a sustainable way
 - Working for Public Services: Making sure our public services are delivered efficiently, effectively and sustainably in the face of rising demand and reducing budgets.
53. In December 2017, Cabinet approved a four year Capital Ambition Delivery Programme to replace the Council's Organisational Development Programme (ODP). The establishment of the Capital Ambition Delivery Programme followed an independent review of the ODP in May 2017, which concluded that the change programme had effectively served its purpose and should allow the Council to respond and adapt to the changing operational environment. In line with the recommendations of the independent review, the new programme focusses on a smaller number of transformational programmes which are aligned to the delivery of corporate priorities and budgets. The Capital Ambition Delivery Programme is composed of two discrete components:
- Modernisation: Transformation of corporate systems and processes that support service delivery, led by the Corporate Director - Resources; and
 - Resilient Services: Transformation of front-line services, led by the Corporate Director - People and Communities.
54. 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. The Council participates in the CCR City Deal, which 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.
55. A CCR City Deal five year strategic business plan was approved by the Regional Cabinet of 10 local authority leaders in February 2018, to detail how £495 million of the funding will be used to deliver its outcomes. Two significant investments have been approved by Regional Cabinet this year. Funding of £37.9 million has been allocated to support the development of a semiconductor industry cluster in the region, which aims to leverage up to £375 million of private sector investment, and create up to 2,000 high value jobs. The Regional Cabinet has also agreed to commit £40 million in principle to support the £180 million Metro Central Development, a project to deliver a new Central Transport Interchange in Cardiff's core employment zone.

56. The Final Local Government Settlement for 2017/18 for Cardiff was received in December 2016, equating to a funding increase of 0.5%. Additional cash of £2.3 million was allocated compared with 2016/17, but the actual increase in spending power was £294,000 once new responsibilities and other differentiating year on year factors were taken into account. The Council has continued to focus on using the resources available to deliver corporate priorities within a balanced budget.
57. Consultation on the Council's 2017/18 budget proposals "Changes for Cardiff" ran from 10 November 2016 – 16 December 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. The consultation enabled members of the public to communicate their views on the budget proposals. It informed the final decisions on service changes, which focussed on delivering valued public services in the face of ongoing austerity.
58. The Council has a budget gap of £91 million for the period 2019/20 to 2021/22. The outlook over the medium term remains a matter of concern and the Budget Report 2018/19 details the challenges in respect of ongoing financial austerity, increasing financial pressures and the difficulty offsetting and realising year on year budget savings. 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.

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

59. To ensure decision makers are well informed, all decisions taken by Members are supported by written reports from officers on the legal, HR and financial implications arising from the decision. These reports are also required to outline the economic, social and environmental outcomes, the key risks and alternative courses of action which are available.
60. To support delivery of the requirements of the Well-being of Future Generations (Wales) Act 2015, the Council has developed well-being objectives and a well-being statement as part of the development of the annual Corporate Plan. This process has helped to integrate the sustainable development principle and the Act in organisational processes and decision making.
61. 'Ask Cardiff' is the Council's largest and longest running engagement activity, and since 2002 it has enabled citizens to share their views of the city and a wide variety of public services. The Corporate Plan 2017-19 has been informed by the views of over 4,000 people who took part in 'Ask Cardiff', together with the 2,520 people who took part in the 'Changes for Cardiff' budget consultation.
62. 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.
63. 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. To support robust project based decision making, the Council has developed a Business Case template using the Office of Government Commerce (OGC) "Five Case Model", as recommended by HM Treasury for use by Public Sector bodies.

64. 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 (NSI) 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 a result of the Local Government (Wales) Measure. This framework ensures that there is alignment between Performance against the Council's targets, and that objectives are reported publicly on a quarterly and annual basis.
65. The Council's Budget Strategy has developed from an incremental budgeting approach, to one where budgets are informed to a greater extent by corporate priorities and the required future shape of the organisation. The change in approach was first made to inform the 'Budget Strategy 2016/17 and the Medium Term', from which the momentum for forward planning continued in preparing the 2017/18 budget, by bringing forward the usual focus of budget strategy tasks by at least one quarter.
66. The themes for savings in the Budget Strategy for 2017/18 were aligned with general budgetary questions that formed part of the Ask Cardiff consultation, in synergy with the Council's corporate plan priorities, as follows.
- Income generation
 - Working with partners and others
 - Use of technology
 - Review of subsidies and grants
 - Internally facing proposals
 - Second / third year of proposals
 - Service reduction / redesign
67. To provide greater confidence in the delivery of savings, the 2017/18 directorate proposals were submitted, and subject to challenge to ensure clearer ownership, accuracy, feasibility, achievability and risk management.
68. 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.'*
69. 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.
70. 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.

71. 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.'

72. WAO recognised a more engaged culture, with good Member and officer commitment to attending and engaging in full Council meetings. HoHhhThey 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.

73. The Council 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. Between February and May 2017, the Wales Audit Office reviewed the Council's progress in relation to its Statement of Action. The subsequent report of this work concluded that the Council has demonstrated sufficient progress in implementing the 2016 proposals for improvement and is in the process of embedding new performance management and reporting arrangements.

74. 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.

75. Following election as Leader of the Council in May 2017, Cllr Huw Thomas formed a new Cabinet. 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's programme of strategic business change has been aligned with the priorities of the new administration through the four year Capital Ambition Delivery Programme, which uses a best practice governance approach (Project Quality Assurance (PQA)) to provide effective planning, monitoring and delivery. Governance arrangements have been put in place for the Capital Ambition Delivery Programme, which include regular updates to the Senior Management Team and quarterly updates to a Cabinet Performance and Delivery Group. An annual review of the Programme will be reported into Cabinet and Scrutiny.

77. The senior management structure of the Council has also been reviewed to align with and support the delivery of the Capital Ambition. 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 a number of Directors and Assistant Director / Chief Officer posts. A revised senior management structure was approved by Council in November 2017, which was developed within the existing senior management budget and informed by Hay Group benchmarking analysis undertaken in July 2017 which compared the management structure of Cardiff Council to other Core City Councils and other large Unitary Councils. The approved changes to the senior management model were as follows.

New Posts	Deleted Posts
<ul style="list-style-type: none"> • Corporate Director, People and Communities • Director Planning, Transport and Environment (previously Director, City Operations) • Chief Digital Officer • Assistant Director, Corporate Landlord • Assistant Director, Street Scene • Head of Democratic Services 	<ul style="list-style-type: none"> • Director of Communities, Housing and Customer Services • Director, City Operations • Assistant Director, Children's Services • Assistant Director, Commercial Services • Enterprise Architecture Operational Manager

78. The Council aims to ensure that Members and Officers have the skills, knowledge and capacity to discharge their responsibilities effectively and recognises the importance of well trained, competent people. New staff and Members attend an induction programme to introduce them to the Council and its values, objectives, policies and procedures. 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 500 staff in key management and finance skills since it commenced in 2014. Approximately 250 managers have completed an ILM level 3 qualification following participating in the programme.
79. A Member Learning and Development Programme 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. The 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 2017/18 induction programme was developed by a Member Development Steering Group as part of a Member Support and Induction Project and approved by the Democratic Services Committee. The programme was developed to include induction sessions in May 2017, a series of essential sessions in the first 12 weeks and further development and information sessions on specific topics until December 2017.
80. Performance is primarily evaluated through the Council's Personal Review process, which provides a framework for employees and managers to discuss work performance and behaviour as well as to identify learning and development needs. It enables employees to be clear about their roles, responsibilities and the behaviours expected of them whilst giving a clear understanding of how their job and efforts contribute to the Council's objectives. Member Personal Reviews are also in place to help them update their knowledge and learn new skills, where required, to be more effective in supporting their communities. The Cardiff Council Academy provides a number of learning and development programmes and courses.
81. The Council's Workforce Strategy has employee health and wellbeing as a priority. The Council continues to support the 'Time to Change' Pledge, and during 2017/18 has been recognised as a Disability Confident Employer, signed the Dying to Work Charter, is working towards being a Dementia Friendly organisation and achieving the Health Standard Silver Award. The Council continues to deliver the Employee Health and Wellbeing Strategy 2016-19 which provides a broad framework to address barriers to wellbeing and identify ways to improve employee wellbeing.
82. The Council has published an Annual Statutory Improvement Report, which provides a retrospective summary evaluation of performance for 2016/17 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 positive performance trend can be

reported as 60% of National Indicator results were better than the Wales average, compared to 48% in 2015/16. However, it is recognised that the Council will need to continue to address areas of underperformance through future planning arrangements.

83. The Wales Audit Office published an Annual Improvement Report 2016/17 in September 2017, which is a forward-looking assessment that considers the likelihood of compliance with the Council's duty to make arrangements to secure continuous improvement. The report did not raise any formal recommendations, but it made proposals for improvement, relating to good governance when determining service changes and financial planning arrangements. The report concluded that:

'Based on, and limited to the work carried out by the Wales Audit Office and relevant regulators, the Auditor General believes that the Council is likely to comply with the requirements of the Local Government Measure (2009) during 2017-18'

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

84. 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 2017/18 to provide a transparent representation of the status of corporate risks and to support a proportionate management response.
85. 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.
86. Following a strategic risk management review, a draft Risk Management Strategy and Policy has been developed by the risk management network and considered by the Audit Committee in January 2018. A process of consultation and review by the Cabinet has commenced at the financial year-end. It is anticipated that the Risk Management Strategy and Policy will be approved and operational in the second financial quarter of 2018/19.
87. Decisions are made based on reports from officers which include assessments of the legal, HR and financial implications arising from the decision. 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.
88. 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. A number of the Council's collaborative activities are governed by Joint Committees, examples include the CCR City Deal Joint (Regional) Cabinet, Wales Pension Partnership Joint Governance Committee, Prosiect Gwyrd Joint Committee, the Shared Regulatory Services Joint Committee and the Glamorgan Archives Joint Committee.

89. 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 administratively to the Council's Section 151 Officer.
90. The Internal Audit Team assesses governance as part 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. All recommendations issued by Internal Audit are reported to the Audit Committee and tracked to provide assurance that they are acted upon.
91. Performance is monitored regularly within directorates on an ongoing basis. 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.
92. 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.*
93. Effective arrangements are in place to safeguard personal data. During 2017/18, the Council has been preparing for the General Data Protection Regulation which will come into force next year. An action plan setting out the changes in legislation has provided the focus of the work from aligning policies and processes through to raising awareness. 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.
94. 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.
95. 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.

96. 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.
97. 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.
98. 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.
99. 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*.
100. To demonstrate accountability, Senior Management Assurance Statements (SMAS) are completed by each Director twice a year to self-assess performance against a set of governance, risk management and internal control statements. The overall position is reviewed and authorised by the Chief Executive following the financial year end, at which point the overall Senior Management Statement is included within section 4) *Assessment Process and Summary*. 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.
101. The SMAS and AGS Action plan of significant governance issues are reviewed biannually by SMT, Audit Committee and the Risk Management Team. The aim is to achieve openness and transparency in Council affairs and identification, communication and management of matters which require corporate attention.
102. 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.
103. 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.
104. 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.
105. 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.

106. The Council has an effective Internal Audit Service, as supported by performance information and reporting, which has been externally assessed as conforming with the the Public Sector Internal Audit Standards (PSIAS) in all material respects. The PSIAS is a central measure of the effectiveness of the Internal Audit function against the mandatory elements of the International Professional Practices Framework, for which an external assessment was completed in quarter 3 2017/18 by Rhondda Cynon Taf CBC. It offered a small number of recommendations to enhance information in the Internal Audit Charter, which have been progressed by the Audit Manager. The Internal Audit Charter enables direct access to all officers, managers and members and requires functional reporting to the Audit Committee.
107. 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

Brought Forward	Year End Position 2017/18
<p>Capacity & Decision Making</p> <p>The Council is facing unprecedented financial pressures where significant savings have had to be realised, consequently Directorates have seen a reduction in staff resources which increases the pressure on staff to have the capacity to provide professional and sound advice</p>	<p>The capacity and decision making of the Council is being developed though both a review of management structures and workforce development.</p> <p>Restructures have been agreed and appointments have been made to the following posts:</p> <ul style="list-style-type: none"> • Corporate Director People & Communities • Chief Digital Officer • Director Social Services • Further appointments will be expected during Q1 2018/19 <p>Staff development is an important area of focus through Workforce Planning. To support and upskill existing officers:</p> <ul style="list-style-type: none"> • courses are being designed by the Academy. • Financial Procedure rules and Contract Standing Orders have been reviewed during 2017/18 and have been approved by Constitution Committee. Roll out of the changes will commence in Q1 2018/19 • Themed Audits on decision Making and governance have taken place for each directorate during 2017/18 and common findings of those audits will be shared with SMT during Q1 2018/19
<p>Commissioning Capability and Capacity</p> <p>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.</p>	<p>The importance of Commissioning remains key not only in everything the Council does, but also in the success of delivering Capital Ambition.</p> <p>The Council needs to improve its understanding of Commissioning as a whole in terms of undertaking meaningful analysis to understand need and inform outcomes, redesigning service delivery around those outcomes, reviewing the performance of current services, consideration of alternative delivery models or ensuring our third party spend and related markets is appropriately managed.</p> <p>Although commissioning capability and capacity will not specifically feature in the new change programme, some elements will:</p> <ul style="list-style-type: none"> • Data analysis to understand needs will feature as part of the Digital programme • A programme of service reviews will be performed across all Directorates building on work previously undertaken which will also

	<p>consider third party spend arrangements and consideration of alternative delivery models.</p> <p>The Service Review process has now been designed and implemented, with governance established (the Service Review Steering Group, chaired by the Corporate Director – Resources) and the first reviews are now underway. Work is being done to establish data baselines for service areas and functions across the Council to ensure proper sequencing of future reviews.</p>
<p>Relevant Costs and Decision Making</p> <p>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.</p>	<p>Work is progressing to improve cost awareness in projects, with the support of finance staff.</p> <p>Investment Review Board has met regularly during the year receiving Business Cases and progress reports in respect of individual projects. The financial focus is on value for money, financial return on investment, funding identification and the capturing of financial savings.</p> <p>knowledge transfer - There is a need to ensure that there is strong knowledge transfer from both internal managers involved in project support from the external organisations that we work with. Knowledge Transfer has progressed during 2017/18 in respect in project work undertaken within the Corporate Landlord Function area. Other informal knowledge transfer work has been undertaken in other areas.</p>
<p>Partnership / Collaborative Governance</p> <p>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.</p>	<p>The required governance arrangements across key partnership and organisational development activity are being developed and considered by the corporate Senior Management Team (SMT) / Public Service Board (PSB).</p> <p><u>Corporate Partnership Working</u> The Public Services Board is now fully established with a two-tier model (the overall Public Services Board – chaired by the Leader of the Council – underpinned by the Public Services Delivery Board – chaired by the Council's Chief Executive) in place.</p> <p>Subsequent to this, two related pieces of work are happening. Firstly, the governance structures and arrangements underneath the Public Services Delivery Board have been reviewed, with changes made where necessary. The most significant example of this is the imminent recalibration of the community safety partnership arrangements for the city. This – and other changes – will ensure the PSB has the governance necessary to deliver the challenging ambitions set out in the city's Wellbeing Plan.</p> <p>The second piece of work nearing completion is the review of the Council's governance structures to enable the successful delivery of Capital Ambition. This has included the development of new groups (such as the Digital Cardiff Board, chaired by the Council's Chief Executive), the continued development of other groups (e.g. the Council's Performance Support Group) and the integration of existing partnership structures into the core business of the Council's Senior Management Team. These arrangements will give the Council's Senior Management Team the tools and assurance necessary to deliver the stretching objectives set out in the Corporate Plan and, ultimately, Capital Ambition, working in partnership with those agencies and organisations that are pivotal to the overall success of Cardiff.</p> <p><u>Directorate Partnership Working</u> At a directorate level there are a vast number of partnerships and collaborative working arrangements across a range of functions. Many of these partnership and collaborative working arrangements are our mechanism to mitigate significant risk, for example, the Welfare Reform Partnership group, is a means of coordinating activity to reduce the impact of those changes across the City. Due to the vast number and the organic way in which some arrangements have been formed there may be some</p>

	<p>where appropriate governance such as documented Terms of Reference have not been established.</p> <p>As a guiding principle, the scope and level of decision making capabilities is used to determine the level and extent of partnership / collaborative governance. Senior officers have recognised that further work is required to define and communicate the required levels of governance based on the nature and scope of different forms of collaboration to support consistency.</p>
<p>Robust and Sustainable Savings</p> <p>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).</p>	<p>Business Cases - Work is ongoing to ensure that detailed business cases, which include strong supportive financial and non-financial information, consistently underpin all savings proposals.</p> <ul style="list-style-type: none"> • Service and Digital solution reviews will begin in early Q1 in order to provide further evidence and detail to new and existing savings proposals put forward for 2018/19 and to be considered for 2019/20. • As reported in the 2018/19 Budget Report 90% of proposals were either realised or with a detailed plan in place. Further work continued in March to further reduce the value of savings proposals that did not have a plan. • 52% of 2017/18 Budget proposals have an achievability risk rating of Amber / Green or below. Work will continue in order to increase this figure during the year for 2018/19 proposals and provide further mitigations into 2019/20 saving proposals. <p>Enhanced Risk Review - An enhanced risk review was completed for capital funding requests for 2018/19 onwards to improve the supporting information provided as part of the decision making process.</p> <ul style="list-style-type: none"> • Further work is underway to consider and refine the appropriate level and breadth of risk information and analysis required to support decision makers. • Building on 2018/19 budget process, the risk assessment methodology for capital funding requests of ongoing and new schemes will be further improved and embedded into the budget strategy for 2019/20.

Significant Issues – The Cardiff and Vale of Glamorgan Pension Fund.

108. During 2017/18, the Council entered into an Inter Authority Agreement (IAA) with the other seven LGPS administering authorities in Wales to establish the Wales Pension Partnership (WPP). The WPP manages the pooling of investments for the LGPS pension funds in Wales and is overseen by a Joint Governance Committee (JGC) comprising one elected member from each authority. The JGC is supported by an Officer Working Group made up of the funds' Treasurers and Investment Officers.
109. The IAA sets out the decision making powers of the JGC and the powers reserved to the constituent authorities. Each authority retains ultimate responsibility for the management of its pension fund under the LGPS Regulations.
110. 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 2017/18	Responsible Officer
<p>Wales Pension Partnership – Wales Investment Pool.</p> <p>The eight Welsh LGPS administering authorities entered into a contract in December 2017 with Link Fund Solutions. Link and their partners Russell Investments will set up and operate the pooling vehicles required by the WPP.</p> <p>The initial pooled funds will be created during 2018/19.</p>	<p>The Cardiff and Vale of Glamorgan Pension Fund to continue to participate in the development of investment pooling arrangements through the Joint Governance Committee and the Officer Working Group.</p> <p>Developments are reported regularly to the Pensions Committee, the Investment Advisory Panel and the Local Pension Board</p>	<p>Corporate Director Resources</p>

Certification by the Leader of the Council and the Chief Executive

Councillor Huw Thomas, Leader of Cardiff Council

Date:

Paul Orders, Chief Executive

Date:

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**CARDIFF COUNCIL
CYNGOR CAERDYDD**

AUDIT COMMITTEE: 26 June 2018

SENIOR MANAGEMENT ASSURANCE STATEMENTS - 2017/18 YEAR-END

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 8.1

Reason for Report

1. The Audit Committee's Terms of Reference requires Members to review the Annual Governance Statement (AGS) prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account the internal audit opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk and internal control.
2. Specific components of the AGS reported individually to the Audit Committee are the biannual Senior Management Assurance Statements (SMAS) and the AGS Action Plan of significant governance issues, following approval by the Senior Management Team. This report provides members of the Audit Committee with these outcomes at the year-end SMT review and the associated disclosures for inclusion in the AGS 2017.18.

Background

3. Senior Management Assurance Statements (SMAS) are used to assess governance maturity in application of the 'Delivering Good Governance in Local Government' framework, developed by CIPFA / SOLACE.
4. Through the SMAS, each Director responds to 23 good governance statements using a 5-point maturity scale for their areas of responsibility ranging from 'not in place', 'limited application', 'mixed application', 'strong application' to 'embedded'. Prior to submitting their returns, each Director is required to obtain underlying assurances from their management teams to support a directorate-wide response to each statement.
5. All SMAS returns are subject to challenge, review and approval in SMT. From the SMT meeting in May 2018, the following disclosures were approved, subject to a small level of moderation:
 - The agreed overall position (Appendix A)
 - An overall 'SMT Assurance Statement' to include in the AGS (Appendix B)
 - An 'Action Plan' of Significant Governance Issues for the AGS (Appendix C)
6. The Audit Committee reviewed the mid-year SMAS position and Action Plan on 30 January 2018. The draft AGS for the financial year 2017/18 was presented to Audit Committee on 27 March 2018, containing a gap for the results of the SMAS exercise, as the review takes place following the financial year-end.

Issues

Senior Management Assurance Statements

7. The 23 assurance statements, summarised by nine categories showed an overall 'strong' application of good governance across the assurance areas. The greatest maturity was reported in respect of risk and performance management with responses of strong or greater at rates of 97% and 93% respectively.
8. The maturity assessment highlighted opportunities to enhance the discipline of partnership governance, for which there was a higher incidence of mixed application and evidence than other areas at 50%.
9. It also identified opportunities in some directorates to target improvements in internal controls, compliance, the prevention and detection of fraud, budget monitoring, aspects of business planning and programme and project assurance. These areas were assessed as strong or above at rates between 78% - 86%.

AGS Action Plan

10. Each member of the Senior Management Team contributed to an updated position against five existing significant governance issues. On review of the seven returns on 22 May 2018, SMT decided to retain the five governance issues from the prior year on the ongoing AGS Action Plan. It was considered the existing issues continue to represent the most significant governance areas that require monitoring, reporting and management at the senior level, when reflecting on the results of the SMAS.
11. The issues in the AGS Action Plan will continue to be managed and formally reviewed on a bi-annual basis in 2018/19.

Reason for Recommendation

12. To enable the Audit Committee to review and comment upon the self-assessed elements of the AGS.

Legal Implications

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

Financial Implications

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

Recommendation

15. The Audit Committee to review and comment upon the self-assessed elements of the AGS, namely the Senior Management Assurance Statements', the resulting overall 'Senior Management Statement' and 'Action Plan of Significant Governance Issues'.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
26 June 2018

The following Appendix is attached:

Appendix A - SMAS Analysis 2017/18 (Year-end)

Appendix B – SMT Assurance Statement 2017/18

Appendix C - Action Plan of Significant Governance Issues

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Senior Management Assurance Statements Analysis
2017/18 Year End

Assurance Statement Category	Not in Place	Limited Application	Mixed Application	Strong Application	Embedded	Strong +
1. Risk Management	0%	0%	3% (1) (Mid Yr. 14%)	71% (25) (Mid Yr. 77%)	26% (9) (Mid Yr. 9%)	97% (Mid Yr. 86%)
2. Partnership / Collaborative Governance	0%	0%	50% (7) (Mid Yr. 64%)	50% (7) (Mid Yr. 36%)	0%	50% (Mid Yr. 36%)
3. Compliance	0%	0%	21% (3) (Mid Yr. 21%)	71% (10) (Mid Yr. 79%)	7% (1)	78% (Mid Yr. 79%)
4. Programme and Project Assurance	0%	0%	19% (4) (Mid Yr. 19%)	81% (17) (Mid Yr. 76%)	0% (Mid Yr. 5%)	81% (Mid Yr. 81%)
5. Budget Monitoring	0%	0%	21% (3) (Mid Yr. 21%)	57% (8) (Mid Yr. 57%)	21% (3) (Mid Yr. 21%)	78% (Mid Yr. 78%)
6. Planning and Decision Making	0%	0%	19% (4) (Mid Yr. 38%)	71% (15) (Mid Yr. 62%)	10% (2)	81% (Mid Yr. 62%)
7. Internal Control Environment	0%	0%	19% (4) (Mid Yr. 9%)	76% (16) (Mid Yr. 86%)	5% (1) (Mid Yr. 5%)	81% (Mid Yr. 91%)
8. Fraud & Financial Impropriety	0%	0%	14% (1) (Mid Yr. 14%)	86% (6) (Mid Yr. 86%)	0%	86% (Mid Yr. 86%)
9. Performance Measurement & Management	0%	0%	7% (1) (Mid Yr. 14%)	79% (11) (Mid Yr. 72%)	14% (2) (Mid Yr. 14%)	93% (Mid Yr. 86%)
Totals	0%	0%	17% (28) (Mid Yr. 23%)	72% (115) (Mid Yr. 71%)	11% (18) (Mid Yr. 6%)	83% (Mid Yr. 77%)

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**Senior Management Team
Assurance Statement 2017/18.**

As a Senior Management Team, we have self-assessed directorate and corporate governance arrangements in place during 2017/18. 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 identifying, and reporting significant governance issues. The Senior Management Team reviewed all returns in May 2018, from which the Chief Executive authorised the overall position.

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 and risk management.

The maturity assessment highlighted opportunities to enhance the discipline of partnership governance, for which there was a higher incidence of mixed application and evidence than other areas. We have also identified opportunities in some directorates to target improvements in internal controls, compliance, the prevention and detection of fraud, budget monitoring, aspects of business planning and programme and project assurance. 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 2018/19.

The Senior Management Team collectively own the Corporate Risk Register and have reviewed all corporate risks on a quarterly basis in 2017/18. Each Director has been proactive in their approach to 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.

The Senior Management Team collectively own an action plan of significant governance issues for which there has been steady progress in their management throughout 2017/18. The action plan is included in the annual governance statement 2017/18.

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AGS Action Plan 2017/18

Brought Forward	Year End Position 2017/18
<p>Capacity & Decision Making</p> <p>The Council is facing unprecedented financial pressures where significant savings have had to be realised, consequently Directorates have seen a reduction in staff resources which increases the pressure on staff to have the capacity to provide professional and sound advice</p>	<p>The capacity and decision making of the Council is being developed through both a review of management structures and workforce development.</p> <p>Restructures have been agreed and appointments have been made to the following posts:</p> <ul style="list-style-type: none"> • Corporate Director People & Communities • Chief Digital Officer • Director Social Services • Further appointments will be expected during Q1 2018/19 <p>Staff development is an important area of focus through Workforce Planning. To support and upskill existing officers:</p> <ul style="list-style-type: none"> • Courses are being designed by the Academy. • Financial Procedure rules and Contract Standing Orders have been reviewed during 2017/18 and have been approved by Constitution Committee. Roll out of the changes will commence in Q1 2018/19 • Themed Audits on decision Making and governance have taken place for each directorate during 2017/18 and common findings of those audits will be shared with SMT during Q1 2018/19
<p>Commissioning Capability and Capacity</p> <p>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.</p>	<p>The importance of Commissioning remains key not only in everything the Council does, but also in the success of delivering Capital Ambition.</p> <p>The Council needs to improve its understanding of Commissioning as a whole in terms of undertaking meaningful analysis to understand need and inform outcomes, redesigning service delivery around those outcomes, reviewing the performance of current services, consideration of alternative delivery models or ensuring our third party spend and related markets is appropriately managed.</p> <p>Although commissioning capability and capacity will not specifically feature in the new change programme, some elements will:</p> <ul style="list-style-type: none"> • Data analysis to understand needs will feature as part of the Digital programme • A programme of service reviews will be performed across all Directorates building on work previously undertaken which will also consider third party spend arrangements and consideration of alternative delivery models. <p>The Service Review process has now been designed and implemented, with governance established (the Service Review Steering Group, chaired by the Corporate Director – Resources) and the first reviews are now underway. Work is being done to establish data baselines for service areas and functions across the Council to ensure proper sequencing of future reviews.</p>
<p>Relevant Costs and Decision Making</p> <p>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.</p>	<p>Work is progressing to improve cost awareness in projects, with the support of finance staff.</p> <p>Investment Review Board has met regularly during the year receiving Business Cases and progress reports in respect of individual projects. The financial focus is on value for money, financial return on investment, funding identification and the capturing of financial savings.</p> <p>Knowledge transfer - There is a need to ensure that there is strong knowledge transfer from both internal managers involved in project support from the external organisations that we work with. Knowledge Transfer has progressed during 2017/18 in respect in project work undertaken within the Corporate Landlord Function area. Other informal knowledge transfer work has been undertaken in other areas.</p>

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.

The required governance arrangements across key partnership and organisational development activity are being developed and considered by the corporate Senior Management Team (SMT) / Public Service Board (PSB).

Corporate Partnership Working

The Public Services Board is now fully established with a two-tier model (the overall Public Services Board – chaired by the Leader of the Council – underpinned by the Public Services Delivery Board – chaired by the Council's Chief Executive) in place.

Subsequent to this, two related pieces of work are happening. Firstly, the governance structures and arrangements underneath the Public Services Delivery Board have been reviewed, with changes made where necessary. The most significant example of this is the imminent recalibration of the community safety partnership arrangements for the city. This – and other changes – will ensure the PSB has the governance necessary to deliver the challenging ambitions set out in the city's Wellbeing Plan.

The second piece of work nearing completion is the review of the Council's governance structures to enable the successful delivery of Capital Ambition. This has included the development of new groups (such as the Digital Cardiff Board, chaired by the Council's Chief Executive), the continued development of other groups (e.g. the Council's Performance Support Group) and the integration of existing partnership structures into the core business of the Council's Senior Management Team. This arrangements will give the Council's Senior Management Team the tools and assurance necessary to deliver the stretching objectives set out in the Corporate Plan and, ultimately, Capital Ambition, working in partnership with those agencies and organisations that are pivotal to the overall success of Cardiff.

Directorate Partnership Working

At a directorate level, there are a vast number of partnerships and collaborative working arrangements across a range of functions. Many of these partnership and collaborative working arrangements are our mechanism to mitigate significant risk, for example, the Welfare Reform Partnership group, is a means of coordinating activity to reduce the impact of those changes across the City. Due to the vast number and the organic way in which some arrangements have been formed there may be some, where appropriate governance such as documented Terms of Reference have not been established.

As a guiding principle, the scope and level of decision making capabilities is used to determine the level and extent of partnership / collaborative governance. Senior officers have recognised that further work is required to define and communicate the required levels of governance based on the nature and scope of different forms of collaboration to support consistency.

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).

Business Cases - Work is ongoing to ensure that detailed business cases, which include strong supportive financial and non-financial information, consistently underpin all savings proposals.

- Service and Digital solution reviews will begin in early Q1 in order to provide further evidence and detail to new and existing savings proposals put forward for 2018/19 and to be considered for 2019/20.
- As reported in the 2018/19 Budget Report 90% of proposals were either realised or with a detailed plan in place. Further work continued in March to further reduce the value of savings proposals that did not have a plan.
- 52% of 2017/18 Budget proposals have an achievability risk rating of Amber / Green or below. Work will continue in order to increase this figure during the year for 2018/19 proposals and provide further mitigations into 2019/20 saving proposals.

Enhanced Risk Review - An enhanced risk review was completed for capital funding requests for 2018/19 onwards to improve the supporting information provided as part of the decision making process.

- Further work is underway to consider and refine the appropriate level and breadth of risk information and analysis required to support decision makers.
- Building on 2018/19 budget process, the risk assessment methodology for capital funding requests of ongoing and new schemes will be further improved and embedded into the budget strategy for 2019/20.

AUDIT COMMITTEE: 26 June 2018

CORPORATE RISK MANAGEMENT – QUARTER 4 2017/18**REPORT OF CORPORATE DIRECTOR RESOURCES AGENDA ITEM: 8.2**

Reason for this Report

1. To update Audit Committee on the risk management position at the end of quarter 4 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 a risk management update each financial quarter, with an opportunity to raise comments. The last Audit Committee review was on 27 March 2018, at which time the risk management position at quarter 3 2017/18 was presented.
4. Each Directorate holds a Directorate Risk Register (DRR), and the Senior Management Team (SMT) collectively own a Corporate Risk Register (CRR). The CRR records the main risks to the delivery of corporate objectives and priorities, whilst the DRRs record the key risks to the delivery of Directorate functions and priorities.
5. A risk escalation process is in place, whereby each Director is required to take ownership of all residual (current) risks rated as 'red/amber' and above on their DRR and, at a minimum, to escalate all 'red' residual risks to SMT for collective ownership and review.
6. SMT determine if any changes are required to the CRR each quarter as a result of this reporting process. The remaining escalated risks continue to be held on DRRs and reviewed by SMT each quarter until it is agreed that mitigation is sufficient for risk ownership to transfer back to the Directorate.

Issues

7. Each Director has worked with their Risk Champion(s) to undertake their quarter 4 risk management review. The Risk Management Team has also provided advice and guidance on the measurement and reporting of risks. The quarter 4 risk assessments are presented on the Corporate Risk Map (Appendix A), the Summary CRR (Appendix B) and the Detailed CRR (Appendix C).

8. The Risk Management Review process has two tiers (Directorate and Corporate) and the actions at each for quarter 4 are detailed as follows.

Directorate Risks

9. At the end of quarter 4, 343 risks were reported from DRRs. All escalated risks and requests for de-escalation were discussed and approved in SMT on 22 May 2018.
10. It was approved that 10 directorate risks would be carried forward as SMT escalated risks at the end of quarter 4.

Directorate	Resources	City Operations	Communities, Housing & Customer Services	Economic Development	Education & Lifelong Learning	Social Services	Governance & Legal Services
Directorate Risks	118	43	60	80	19	16	7
Risks at SMT Escalation Point	2	1	1 (shared)	2 (inc.1 shared)	3	1 (shared)	2 (inc.1 shared)

Corporate Risks

11. SMT collectively reviewed the escalated directorate risks and corporate risk updates from risk owners as at the end of quarter 4. In consideration of the potential impact on corporate priorities and objectives and the supporting mitigations, SMT approved the following CRR changes on 22 May 2018.
12. **Financial Resilience** – The risk has been refocused as the aggregation of two corporate risks (Budget Prioritisation and Financial Resilience), with the overall risk moving from C2 to B2. The Budget Challenge focuses on both the year coming and the medium term. As per the 2018/19 Budget Report there is a £34 million budget gap for 2019/20 and a further £57 million gap for the following two years. The risk to Financial resilience is both in respect of the forthcoming year 2019/20 and the medium term (2020/21 and beyond). As a result it is time to aggregate the two risks to Financial Resilience. This will provide further clarity and focus to the reader of the risk register and also emphasises that the Budgetary challenge is an ongoing long term risk which requires a coordinated set of risk mitigations.
13. **Fraud Bribery and Corruption** – The residual risk has been reassessed as C2 (formerly B3). The significance given to robust stewardship, a culture of accountability and zero tolerance to impropriety has been reinforced in the Council’s refreshed Fraud, Bribery and Corruption Policy. With the importance given to this area, the risk has been reassessed as having a potential significant impact on the Council, but all indications are that the potential for impropriety is isolated to a minority of areas, in which efforts are being made to strengthen the internal control environment. The assessment is and will continue to be based on management assurances and the independent work of the Internal Audit function.
14. **Schools Organisation Programme** – The risk has been refocused to the Band B phase, and the residual risk has been assessed as C1 (formerly C3). A significant proportion of Band A of the Schools Organisation Programme has been delivered to date. There is now £64million left being constructed on site and that will be complete by February 2019. Focus will now begin to switch to delivering 21st Century Schools Band B, for which the funding bid was submitted to Welsh Government in July 2017. The

Strategic Outline Case for £284m was approved in November 2017 and two Cabinet Reports in October and December outlined the priorities for this second phase of work.

15. **Performance Management** – The risk has been refocussed in quarter four to ensuring arrangements in place are embedded, applied consistently, and continue to develop in light of the evolving environment the Council operates within. Although the organisation needs to avoid complacency (and does), the Council is no longer in a situation where clear warnings about performance, and the approach to managing it, have been issued by external regulators. Instead, the work done over the last few years has improved the Council's approach to performance management, and that has led to improved performance in many key areas. While the Council faces performance challenges, namely how to continue to improve service provision with reducing finances and demographic growth, the nature of this challenge has shifted dramatically since Performance Management was originally included on the Corporate Risk Register.

Reason for recommendation

16. To enable the Audit Committee to monitor and consider the quarter 4 risk management position 2017/18.

Legal Implications

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

Financial Implications

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

Recommendation

19. 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

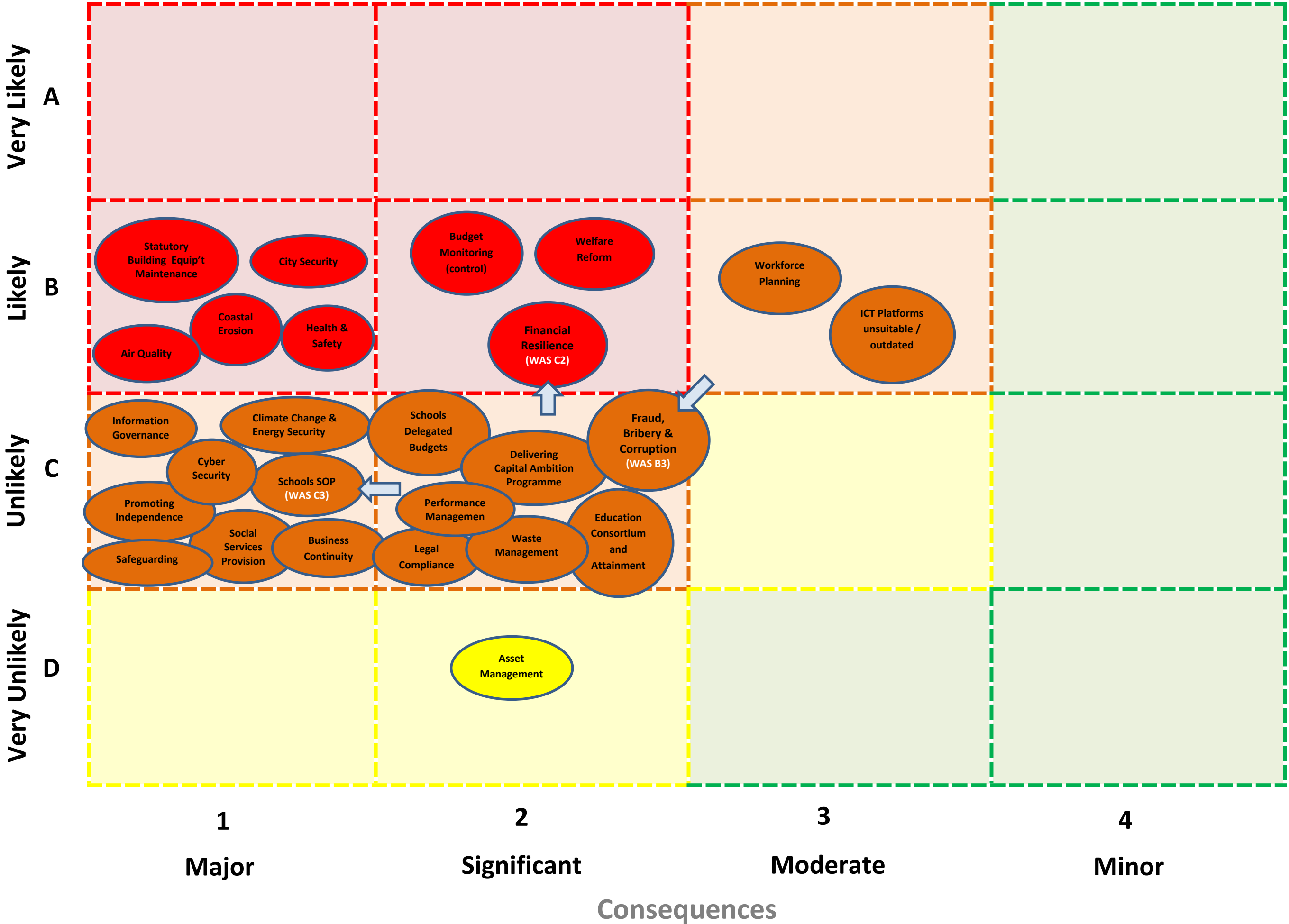
The following Appendices are attached:

Appendix A - Corporate Risk Map	- Q4 2017/18
Appendix B - Summary Corporate Risk Register	- Q4 2017/18
Appendix C - Detailed Corporate Risk Register	- Q4 2017/18

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Corporate Risk Register – 2017/18 (Quarter 4 Position)

Likelihood
Page 261



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Risk Description	Inherent Risk	Residual Risk	Risk Owner	Cabinet Member
EVENT DRIVEN RISKS				
<p>City Security</p> <p>Major security-related incident in the city as a result of international or domestic terrorism.</p>	High Priority A1	High Priority B1	Christine Salter (Joseph Reay) Andrew Gregory	Councillor Huw Thomas Leader.
<p>Welfare Reform</p> <p>That the Council cannot meet its statutory obligations with the increased demands and reduced budgets placed upon it by the Welfare Reform including: Universal Credit, further reduction in Benefit Cap, size restrictions for social tenants, removal of automatic entitlement to housing costs for under 21s and changes to funded for supported housing. Lack of information, short timescales for implementation and the large number of citizens affected makes these changes a significant risk.</p>	High Priority A2	High Priority B2	Sarah McGill (Jane Thomas)	Councillor Lynda Thorne Housing & Communities.
<p>Cyber Security</p> <p>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.</p> <p>The principal external threat groups to information systems are categorised by HM Government as cyber criminals, states and state-sponsored, terrorists, hackers and script kiddies.</p>	High Priority A1	Medium Priority (Red/Amber) C1	Christine Salter (Phil Bear)	Councillor Christopher Weaver Finance Modernisation and Performance
<p>Waste Management</p> <p>Failure to achieve targets for Landfill allowance, specifically for Biodegradable Municipal Waste and WG statutory Recycling Targets. Ineffective delivery of recycling targets and residual waste treatment. Failure to comply with EU recycling waste directive.</p>	High Priority B1	Medium Priority (Red/Amber) C2	Neil Hanratty (Tara King)	Councillor Michael Michael Clean Streets, Recycling and Environment.
<p>Schools Organisation Programme (Band B)</p> <p>Very large scale Capital Programme – Band B (£284m) with tight timescales for delivery, in context of very rapidly growing primary age school population.</p>	High Priority B1	Medium Priority (Red/Amber) C1	Nick Batchelar (Janine Nightingale)	Councillor Sarah Merry Deputy Leader & Education, Employment & Skills
<p>Business Continuity</p> <p>Large scale incident/loss affecting the delivery of services.</p> <p>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 management structure, used in response to internal incidents and external emergencies, also fails in response to an incident</p>	High Priority B1	Medium Priority (Red/Amber) C1	Christine Salter	Councillor Huw Thomas Leader
ONGOING RISKS				
<p>Non completion of Statutory Building Equipment maintenance</p> <p>Currently statutory obligations testing is not organised consistently or a centrally managed process across the Council, partly due to a lack of understanding on who is responsible for arranging the testing and any remedial works identified. Consequently, there is a risk that the required testing and remedial works resulting 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.</p>	High Priority A1	High Priority B1	Neil Hanratty (Tara King)	Councillor Russell Goodway, Investment & Development
<p>Air Quality</p> <p>Poor air quality is the most significant environmental determinant of health.</p> <p>UK Government has placed the improvement of Air Quality very high on their agenda and it has been made clear that they consider the responsibility for addressing the issue is at the door of Local Authorities.</p>	High Priority A1	High Priority B1	Andrew Gregory (Gary Brown)	Councillor Caro Wild, Strategic Planning & Transport.
<p>Education Consortium & Attainment</p> <p>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.</p>	High Priority B1	Medium Priority (Red/Amber) C2	Nick Batchelar (Angela Kent)	Councillor Sarah Merry, Deputy Leader & Education, Employment & Skills
<p>ICT Platforms Unsuitable/ Outdated</p> <p>The ICT platforms (desktop, software, network, servers, and telephones) will not be able to support the technologies required by the corporate change programme and deliver effective service to the council, or will not provide a reliable service due to age and condition of equipment and systems.</p>	High Priority A2	Medium Priority (Red/Amber) B3	Christine Salter (Phil Bear)	Councillor Christopher Weaver Finance Modernisation and Performance.
<p>Safeguarding</p> <p>Systemic failure in the effectiveness of the Council's safeguarding arrangements together with other statutory safeguarding partners.</p>	High Priority B1	Medium Priority (Red/Amber) C1	Sarah McGill & Davina Fiore	Councillor Susan Elsmore Social Care, Health & Well-being Councillor Graham Hinchey Children & Families. Councillor Christopher Weaver Finance Modernisation and Performance.
<p>Financial Resilience</p> <p>Failure to deliver a balanced annual budget and a fully informed Medium Term Financial Plan which would significantly weaken the financial resilience of the Council.</p> <p>The current outlook is that there is a Budget Gap of £91 million for the period 2019/20 to 2021/22.</p>	High Priority A1	High Priority B2	Christine Salter (Ian Allwood)	Councillor Christopher Weaver Finance Modernisation and Performance.
<p>Budget Monitoring (Control)</p> <p>Failure to achieve the budget set, inclusive of budgeted spend and savings across Directorates, with increased use of emergency finance measures and the drawdown of reserves.</p>	High Priority A1	High Priority B2	Christine Salter (Allan Evans)	Councillor Christopher Weaver Finance Modernisation and Performance.
<p>Performance Management</p> <p>After considerable progress in both developing the way the organisation manages performance and in actual performance improvement, there is a need to focus on ensuring Performance Management practices are mature, embedded and consistently applied as the organisation looks to continue improving outcomes in the face of significant financial pressures.</p>	High Priority B2	Medium Priority (Red/Amber) C2	Christine Salter (Joe Reay)	Councillor Christopher Weaver Finance Modernisation and Performance.
<p>Health and Safety</p> <p>Ineffective compliance of health and safety through poor application and embedding of the 'Framework for Managing Health and Safety in Cardiff Council.</p>	High Priority A1	High Priority B1	Christine Salter (Donna Jones)	Councillor Christopher Weaver Finance Modernisation and Performance.

<p><u>Climate Change & Energy Security</u></p> <p>Un-preparedness to the effects of climate change due to lack of future proofing for key (social and civil) infrastructure and business development, and inability to secure consistent energy supply due to rising energy costs and insecurity of energy supply.</p>	High Priority B1	Medium Priority (Red/Amber) C1	Andrew Gregory	Councillor Michael Michael Clean Streets, Recycling and Environment.
<p><u>Coastal Erosion</u></p> <p>Breach of current defences resulting in widespread flooding.</p>	High Priority B1	High Priority B1	Andrew Gregory	Councillor Michael Michael Clean Streets, Recycling and Environment
<p><u>Information Governance</u></p> <p>Information handled inappropriately leaves the Council exposed to intervention and financial penalties issued by the Information Commissioner (ICO). This includes information held by Cardiff Schools.</p>	High Priority A1	Medium Priority (Red/Amber) C1	Christine Salter (Vivienne Pearson)	Councillor Christopher Weaver Finance Modernisation and Performance..
<p><u>Social Services – Provision</u></p> <p>Failure to provide robust and adequate social services in the context of increasing costs and limited resources.</p>	High Priority B1	Medium Priority (Red/Amber) C1	Sarah McGill	Councillor Susan Elsmore Social Care, Health & Well-being Councillor Graham Hinchey, Children & Families
<p><u>Promoting Independence</u></p> <p>Failure to sustain an effective whole system approach that enables adults with significant health needs to remain in, or return to, their own homes and reduces the need for / length of hospital stays.</p>	High Priority B1	Medium Priority (Red/Amber) C1	Sarah McGill	Councillor Susan Elsmore Social Care, Health & Well-being
<p><u>Delivering Capital Ambition Programme</u></p> <p>Projects within the Programme fail to deliver the change required to ensure the implementation of the Administration's agenda and to refocus services to meet the challenges faced by the Council and the city's wider public services.</p>	High Priority B1	Medium Priority (Red/Amber) C2	Christine Salter (Dean Thomas)	Councillor Christopher Weaver Finance Modernisation and Performance.
<p><u>Legal Compliance</u></p> <p>Changes in services and staff roles across the Council resulting in:</p> <ul style="list-style-type: none"> - 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: <p>In each case leading to increased risk of challenges.</p> <p>Reduction and changes in front-line services, discretionary and statutory, will lead to increased risks of challenge from users and other stakeholders affected.</p>	High Priority B2	Medium Priority (Red/Amber) C2	Davina Fiore	Councillor Huw Thomas, Leader.
<p><u>Education – Schools Delegated Budgets</u></p> <p>Secondary Schools with deficit budgets do not deliver agreed deficit recovery plans, impacting on the overall budgets for all schools.</p>	High Priority A2	Medium Priority (Red/Amber) C2	Nick Batchelar (Neil Hardee)	Councillor Sarah Merry Deputy Leader & Education, Employment & Skills
<p><u>Fraud, Bribery and Corruption</u></p> <p>Fraud, financial impropriety or improper business practices increase as internal controls are weakened as resources become severely stretched.</p>	High Priority B2	Medium Priority (Red/Amber) C2	Christine Salter (Ian Allwood)	Councillor Christopher Weaver Finance Modernisation and Performance.
<p><u>Asset Management</u></p> <p>Ensure effective operation of the Council's Asset Management Board to achieve effective strategic oversight and identified savings.</p>	High Priority B2	Medium Priority (Amber/Green) D2	Neil Hanratty	Councillor Russell Goodway, Investment & Development
<p><u>Workforce Planning</u></p> <p>Importance of forecasting and planning to build capability and capacity for the future is not fully recognised and embedded.</p>	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										
<p>City Security</p> <p>Major security-related incident in the city as a result of international or domestic terrorism.</p>	<p>Service Delivery / Reputation / Legal / Financial / Health & Safety / Financial / Partnership / Community & Environment / Stakeholders</p> <p>Potential for:</p> <ul style="list-style-type: none"> Large numbers 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	<ul style="list-style-type: none"> All existing identified high risk; crowded places have been formally assessed. Some crowded places have an extremely limited and in some cases 'third party managed' access control process to operate them; providing little/no challenge. 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. As the above shows, the work done in the city to address security concerns has been predominantly focused on the provision of physical assets to mitigate against the threat of hostile vehicles. Although this area remains important, a more holistic approach is needed to develop the city's response to and management of a wider range of potential threats. 	B	1	High Priority	<ul style="list-style-type: none"> The CONTEST Protect/Prepare Group will continue to monitor and review the city's Hostile Vehicle Mitigation 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 identify external funding sources/opportunities from Welsh Government and UK Central Government to conclude scheme and appropriately mitigate the risk. £1m of work to enhance the city's HVM scheme (match-funded by Welsh Government and Cardiff Council) to be completed by Spring 2018. Progress is on track to meet this target. 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. A holistic security strategy for the city is being developed through the city's CONTEST partnership mechanisms. This strategy will extend the perspective of the city's security beyond hostile vehicle mitigation to incorporate a range of security measures, including the continuing development and agglomeration of the city's CCTV and the deployment of new technological solutions Once the strategy has been completed it will provide a suite of costed business cases that will allow the continued incremental development of the city's security provision This in turn will allow partners to be more responsive to emerging funding opportunities 	<p>Christine Salter (Joseph Reay)</p> <p>&</p> <p>Andrew Gregory</p> <p>Councillor Huw Thomas, Leader.</p>
<p>Welfare Reform</p> <p>That the Council cannot meet its statutory obligations with the increased demands and reduced budgets placed upon it by the Welfare Reform including: Universal Credit, further reduction in Benefit Cap, size restrictions for social tenants, removal of automatic entitlement to housing costs for under 21s and changes to funded for supported housing. Lack of information, short timescales for implementation and the large number of citizens affected makes these changes a significant risk.</p>	<ul style="list-style-type: none"> Private landlords stop renting to benefit claimants Social housing rents become unaffordable to some claimants, in particular those 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	<ul style="list-style-type: none"> 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. The Welfare Liaison team within the housing service is in place 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. 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 Advice Hub in Central Library is providing comprehensive advice services for those affected by Welfare Reform and this is being rolled out across the city in Community Hubs and foodbanks . 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	<ul style="list-style-type: none"> 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. Rent arrears procedure has been reviewed to include a more preventative and flexible approach and more assistance for more vulnerable tenants. 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 18/19 will continue focusing on the most vulnerable individuals or helping people with the transition into work. The detailed information about the removal of automatic entitlement for under 21s is now known and procedures and guidance are being reviewed as appropriate Sub group in place to consider the impact of changes on Supported and temporary accommodation. Following the roll out of Full Service Universal Credit at the end of February, the Action Plan will be continually reviewed as more information is known. Meetings have taken place with private landlords and stakeholders to find out how the council can help support them. Facilities in Hubs have been reviewed to take a more "digital support" approach to customer service. On line HB form should be in place shortly to support this new approach. 	<p>Sarah McGill (Jane Thomas)</p> <p>Councillor Lynda Thorne, Housing & Communities.</p>

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
<p>Cyber Security</p> <p>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.</p> <p>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.</p>	<p>Reputational / Legal / Financial / Stakeholder / Service Delivery / Health & safety</p> <p>The intent of cyber attackers includes, but is not limited to:</p> <ul style="list-style-type: none"> financial fraud; information theft or misuse, activist causes to render computer systems intolerable and to disrupt critical infrastructure and vital services. <p>The impact of a cyber-attack / incident has the potential to involve the realisation of the risks associated with:</p> <ul style="list-style-type: none"> 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. <p>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.</p>	A	1	High Priority	<ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> 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 and support for improvements agreed at the meeting. Risks monitored and escalated via Information Security Board as well as directorate management meetings and Senior Management Team (SMT) As part to improving user education and awareness Information Asset Owners receive compliance reports relating to Bob's Business Data Protection training (this is going to change as when we use Active Directory there is not the ability to report in this way) Privacy Impact Assessments which include Cloud Impact Assessments are in place 	C	1	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> 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 Information Governance Seminars will be held for each Directorate during April and May 2018. To ensure strong ICT security, monitoring and cloud security controls: <ul style="list-style-type: none"> 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 be reviewed to ensure compliance with the requirements of the General Data Protection Regulation (GDPR) 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: <ul style="list-style-type: none"> Effective governance and management. Resource, risk appetite and outcomes required. Education of business systems owners in risk and management of cloud based services. 	<p>Christine Salter (Phil Bear)</p> <p>Councillor Christopher Weaver, Finance Modernisation and Performance.</p>
<p>Waste Management</p> <p>Failure to achieve targets for Landfill allowance, specifically for Biodegradable Municipal Waste and WG statutory Recycling Targets. Ineffective delivery of recycling targets and residual waste treatment. Failure to comply with EU recycling waste directive.</p>	<p>Reputational / Financial / Stakeholder / Service delivery / Legal / Environmental / Community</p> <ul style="list-style-type: none"> 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 2017/18), 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	<ul style="list-style-type: none"> 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. <p>Risk of Fines</p> <ul style="list-style-type: none"> 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. <p>Contracts / Projects</p>	C	2	Medium Priority (Red/Amber)	<p>Policy / Strategy</p> <ul style="list-style-type: none"> The next Recycling Strategy is being developed and will be presented to Cabinet in May, this will seek to address in year financial pressures regarding glass quality and market costs through separate collections as well as other measures to improve recycling performance in 2018/19 onwards. The changes will be subject to consultation and Welsh Government discussions, regarding the Blueprint and Environment Bill. <p>Risk of Fines</p> <ul style="list-style-type: none"> Ensure correct recording of waste tonnages from Neighbourhood Services to ensure exclusion of Non MSW waste that was not previously counted towards the targets. <p>Contracts / Projects</p> <ul style="list-style-type: none"> implementation & training for the new In-Cab and tachograph system have commenced. <p>Prosiect Gwyrdd</p> <ul style="list-style-type: none"> 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. <p>Cardiff Organic Waste Treatment Contract</p> <ul style="list-style-type: none"> Continued management of the contract to ensure treatment and diversion of residual waste in line with the contracted positions. Working in partnership with our contractor 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. <p>Household & Commercial Waste Collections</p> <ul style="list-style-type: none"> Set and achieve new commercial recycling opportunities for new materials and new income opportunities – targeting 	<p>Neil Hanratty (Tara King)</p> <p>Councillor Michael Michael, Clean Streets, Recycling and Environment.</p>

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
					<ul style="list-style-type: none"> Several Contracts have been put in place for additional materials to be recycled from the HWRC's. 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, skip hire, mattress and carpet recycling schemes are all underway. New HWRC delivery model is underway. The new Lamby Way HWRC has been officially launched. New free reuse and recycling bulky collection services strategy 2016. The new reuse partner has been announced and launched in December. British Heart Foundation provide a network of shops, free home collection and reuse facilities and outlets across Cardiff. 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 windows. Recycling Waste Management focus on pre-sort high quality recycling and removing the reliance on post sorting of waste. Tracking market prices weekly and monthly. Impact of the Chinese market of global prices has seen a reduction in UK based prices for the same of recyclables. <p>Prosiect Gwyrdd</p> <ul style="list-style-type: none"> Financial Close occurred December 2013 Viridor are the appointed contractor which commenced Sept 2015. Removes risk of failing biodegradable waste limit to landfill. <p>Cardiff Organic Waste Treatment Project</p> <ul style="list-style-type: none"> 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. The Council has secured an additional £250K of a one off income stream to support the transition of Kelda to Dwr Cymru Welsh Water as the new contracting company for the treatment of food and green waste for both the Vale of Glamorgan Council and Cardiff Council. <p>Household & Commercial Waste Collections</p> <ul style="list-style-type: none"> 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). <p>Collaboration work</p> <ul style="list-style-type: none"> Working and engaging with Welsh Government on legal and policy changes. 				<ul style="list-style-type: none"> 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 stream is the best option. Further steps will be developed to assure compliance with the WG blue print. New domestic and commercial skip hire service is now available. <p>MRF</p> <ul style="list-style-type: none"> Complete procurement and installation of Auto Sorter for mixed plastics and fibre products e.g. paper and cardboard. Contract award completed and installation to take place in quarter 1. Arranged for Glass trial to reduce our current cost per tonne. The glass trial recycling yield was > 70% which represents better value to the authority as currently paying £60 per tonne with a 65% recycling yield. 	

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
<p>Schools Organisation Programme (Band B)</p> <p>Very large scale Capital Programme – Band B (£284m) with tight timescales for delivery, in context of very rapidly growing primary age school population.</p>	<p>Reputational / Legal / Financial / Social / Stakeholder / Health & safety.</p> <ul style="list-style-type: none"> Insufficient secondary places in some central area of the City. Insufficient places in ALN settings across the City, leading to costly placement in out of county & private settings. School Buildings that are not suitable for teaching and learning Further degeneration of school buildings & rise in assert management backlog Three category “D” condition buildings, that are classed as end of life failing & being closed with hundreds of displaced students across the City. Reducing educational standards. Risk that insufficient capacity in team to deliver the very large programme. 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	<ul style="list-style-type: none"> 21st Century Schools Band B funding bid was submitted to Welsh Government in July 2017 and the Strategic Outline Case for £284m was approved in November 2017. Two Cabinet Reports in October and December 2018 outlined the priorities for this second phase of funding. Robust governance model, in line with Corporate Landlord being agreed. Arup report commissioned to look at Governance & capacity issues within the SOP team, will report on recommendations to Cabinet in May 2018. Head Teachers & Chairs of Governors of those schools involved in Band B briefed on process and timescales. Band B Delivery Group and School Development group formed internally to look corporately at issues including legal title, highways & transportation and planning. Technical feasibility and design work underway with assistance from Mott McDonald and Stride Treglown architects. Finance preparing the capital profiles for submission to Welsh Government and to monitor draw down and spends. Strategic Estates Department commissioned to achieve capital receipts of £25m to assist in funding the capital programme. Developing an enhanced asset management regime for the three “D” category High Schools, Fitzalan, Cantonian and Willows, in order to ensure that they remain as safe teaching and learning environments until such time as the buildings are replaced. Developing a robust procurement strategy for this large scale programme. 	C	1	Medium Priority (Red/Amber)	<p>All risks are being monitored and reported to Band B Delivery Group.</p> <p>Formal Governance via a Schools Programme Board and Project Boards, being established.</p> <p>Strengthening of the capacity of the SOP team critical to ensuring effective delivery of the programme. This includes ensuring that corporate colleagues in departments including legal, strategic estates, ICT, planning and highways and transportation are available.</p> <p>Continued active dialogue with Welsh Government and other professional parties to support progress and development.</p> <p>Prioritise population data development to support accurate projections and forecasts for existing resident populations and to support effective s106 negotiations going forward.</p> <p>Ensure consistent monitoring and reporting of all risks to Schools Programme Board.</p>	<p>Nick Batchelar</p> <p>(Janine Nightingale)</p> <p>Councillor Sarah Merry, Deputy Leader & Education, Employment & Skills</p>
<p>Business Continuity</p> <p>Large scale incident/loss affecting the delivery of services.</p> <p>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 management structure, used in response to internal incidents and external emergencies, also fails in response to an incident</p>	<p>Reputational / Legal / Financial / Stakeholder / Service delivery / Health & safety</p> <ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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. 48 % 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 23 % 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 	C	1	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> 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. The Emergency Management Unit propose enhancing our wider Business Continuity and Resilience work through the development of a separate but council hosted and developed EVAC Cardiff website, building on the strength of our existing EVAC Cardiff work which will support our main resilience work streams, building on the success of the EVAC Cardiff APP. This will compliment our existing work with partner agencies in this area and aims to support the wider public in being more aware and empowered around their own and their communities resilience. This work should be complete by end of Quarter 2 2018/2019. 	<p>Christine Salter</p> <p>Councillor Huw Thomas, Leader.</p>

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
					<p>provide them with the support, evidence, and guidance needed to allow them to review this risk.</p> <ul style="list-style-type: none"> 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. The Corporate Incident Management structure which is a critical piece of our business continuity work was successfully implemented during the Uefa Cup Final in 2017. The Corporate Incident Management structure and many individual team Business Continuity Plans were tested in the two extreme snow events of March 2018, the value of the incident management structure and the business continuity work was recognised in the outcomes of the structured debrief following the two snow incidents. 					
ONGOING RISKS										
<p>Non completion of Statutory Building Equipment maintenance</p> <p>Currently statutory obligations testing is not organised consistently or a centrally managed process across the Council, partly due to a lack of understanding on who is responsible for arranging the testing and any remedial works identified. Consequently, there is a risk that the required testing and remedial works resulting may not be undertaken and completed correctly.</p> <p>Also, a complete up-to-date accurate register of all statutory obligations testing requirements does not exist.</p> <p>Furthermore, there is no embedded technology in use consistently to manage the statutory obligations work or the storing of relevant statutory obligation documentation.</p>	<p>Potential consequences:</p> <ul style="list-style-type: none"> 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	<p>CONTRACTOR</p> <ul style="list-style-type: none"> Statutory Planned Preventative Maintenance (PPM) undertaken by competent contractor. Consequential remedial work identified on test certificates. Improved statutory maintenance contracting arrangements in place in Qtr 1 inc. use of SFG 20 as specification for statutory obligations testing and new risk based specification for legionella management supported by RAMIS. FM competent person(s) review all test certificates, remedial work captured and communicated to client as necessary/applicable. <p>RAMIS IT Software</p> <ul style="list-style-type: none"> RAMIS Statutory PPM Compliance software system procured and commissioned, replacing spreadsheet system previously used; Staff training has commenced Property Portfolio uploaded to the system, Access for Technical Officers and contractors arranged in Qtr 3. Rollout of the system commenced in Qtr 3 along with Building Managers Training. Recruitment of Implementation Officer, Management and administration of the system moved to H&S to provide a central governance system for statutory maintenance. The process of programming RAMIS system with PPM notification frequencies, remedial action alerts and approval hierarchy will commence in 2018. RAMIS anticipated to go live in May 2018 <p>Compliance Audits</p> <ul style="list-style-type: none"> School compliance audits completed in Qtr 3 Gap analysis completed and rectification follow up. Spreadsheet database established to record status of statutory PPM compliance across whole Council estate Desktop audit of compliance completed March 2017 to improve understanding of the current level of statutory compliance. On-site audits of schools buildings completed. Above actions have generated the most up-to-date, accurate and holistic view of the corporate property portfolio PPM data to date. Ongoing cycle of gathering and updating PPM data has improved the organisations FM compliance & stewardship. <p>Statutory Obligation Compliance</p> <ul style="list-style-type: none"> 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 dealt with appropriately and immediately by contractor undertaking electrical works. PPM Certificates held centrally, readily available computer access (being transferred to RAMIS). Spreadsheet database recording property holdings and the status of statutory obligation compliance across entire Council estate integrated into RAMIS. On-site audits of schools buildings is now complete and RAMIS system updated with information. As a result of the audits, appropriate statutory PPM is now arranged where these issues were previously unidentified; All Council directorates have completed desktop building equipment and statutory maintenance audits of all non-domestic buildings for which they are the duty holder or have control over. RAMIS updated with audit information which permits benchmarking of compliance against 5 main PPM functions; Gas boilers Fire (all aspects) Legionella Fixed electrical systems 	B	1	High Priority	<p>Strengthen monitoring and supervision of contractors undertaking statutory PPM and works;</p> <p>Complete installation of RAMIS:-</p> <p>Upload of all current statutory certs via. FTP transfer.</p> <p>Continued rollout of the system of in 18/19</p> <p>In respect of schools, the following documentation is to be completed in Qtr 1 18/19:</p> <ul style="list-style-type: none"> Occupancy agreement between the Council and Headteacher/Governing Body to detail roles and responsibilities in law for management and maintenance of school premises. The Occupancy Agreement will be accompanied by a permission to undertake work protocol to seek the Council's permission to make changes to building fabric/services etc. This will be in place for Qtr 1. <p>Continue with Statutory Compliance Audits on Corporate Estate to review current compliance position – target completion Qtr1 18/19</p> <p>Continue to commission investigations / work to complete required compliance testing (and works required) in respect of 'gaps' in compliance status identified through the audits across the estate.</p> <p>Implement new In house Statutory Obligations Team to manage the undertaking of the statutory obligations surveys/work across the Council.</p> <p>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 This is being progressed through the proposed Corporate Landlord Programme.</p> <p>Undertake appropriate training to ensure that all Council building Duty Holders have a clear understanding of their statutory obligations compliance responsibilities (by end 17/18)</p> <p>Continue with the conditions surveys of the non-domestic buildings (complete 18/19).</p> <p>Introduce new technology to assist in improving the scheduling, commissioning, monitoring and auditing of statutory obligations work – award of contract scheduled for Qtr 1 18/19.</p>	<p>Neil Hanratty (Tara King)</p> <p>Councillor Russell Goodway, Investment & Development</p>

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
					<ul style="list-style-type: none"> Asbestos The audit programme has enabled reporting on PPM compliance using category or service area filter, which enables measurement of compliance and effective allocation of available resources. <p>Corporate Landlord Programme</p> <ul style="list-style-type: none"> Corporate Landlord Model Programme Brief approved by the Programme Board – objective 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 2017/18. Development of the new corporate management structure to deliver a corporate Landlord role and delivery programme is ongoing. <p>HSE</p> <ul style="list-style-type: none"> HSE concerns regarding work undertaken by Allianz (company appointed by Council Insurers) have been addressed. <p>Health & Safety Model</p> <ul style="list-style-type: none"> Corporate Health & Safety restructure approved, advisers appointed who will support directorates and independently 'police' statutory obligations compliance across the building estate. <p>Landlord / Occupancy Agreement</p> <ul style="list-style-type: none"> Work commenced on the draft Landlord/Occupancy Agreement template, expected full roll out in by April 2018. This will set out principle occupant and landlord permissions responsibilities and Permission for Works arrangements required <p>Schools Building Maintenance</p> <ul style="list-style-type: none"> Updated handbook detailing roles and responsibilities for safe management and maintenance of school premises, plant and equipment has been issued to schools for consultation <p>Conditions Survey of Non Domestic Buildings</p> <ul style="list-style-type: none"> This work has commenced with priority school buildings and will continue for the remainder of 2017/18 and into 2018/19. <p>Client Liaison Officers</p> <ul style="list-style-type: none"> Client Liaison Officers appointed in quarter 3 with the remit to build and promote positive relationship with schools and other customers/clients, in particular the management/commissioning of statutory PPM. 					
<p>Air Quality</p> <p>Poor air quality is the most significant environmental determinant of health.</p> <p>UK Government has placed the improvement of Air Quality very high on their agenda and it has been made clear that they consider the responsibility for addressing the issue is at the door of Local Authorities.</p>	<p>Cardiff does not comply with legal standards of NO2, and the primary source of the pollution is road transport emissions, particularly diesel vehicle emissions.</p> <p>Cardiff currently falls short of the required limits and although improvements are being seen, non-compliance of the legal limits is projected beyond 2020.</p> <p>The UK and devolved Governments have a legal obligations to achieve nitrogen dioxide (NO2) annual average limit value (40ug/m3 AA) as set out in the EU Ambient Air Quality Directive (2008/50/EC) in the shortest possible time, and their continued failure to meet this has been subject to a number of legal challenges.</p>	A	1	High Priority	<p>Monitoring - Cardiff have 4 existing declared 4 Air Quality Management Areas (AQMA's) all as a result of elevated NO2 concentrations resulting from road traffic emissions.</p> <p>Development of a Clean Air Strategy:</p> <p>A multi-sectorial approach is needed to develop and effectively implement long term policies and strategies that reduce risks of air pollution to health and hence the development of a Clean Air Strategy.</p> <p>The strategic measures to address the air quality issues in Cardiff that will be detailed in the Clean Air Strategy can be summarised as follows:</p> <ul style="list-style-type: none"> LDP Policies adhered to (KP18, EN13), Develop and finalise relevant SPG to improve AQA, additional relevant SPGs Transport strategy- reducing congestion, Car clubs, 20mph zones, influencing behavioural change Active Travel Improvements - increase Cycling and Walking. Public Transport Improvements - Buses, Metro, Trains, school travel plans, influencing behavioural change Increase EV infrastructure, alt fuels (H2), fleet changes (CCC to lead), industry change, influence behavioural change. Non idling zones, parking permit reform, taxi policy review. Full investigation and feasibility study of potential mitigation measures including the implementation and management of a Clean Air Zone (funding dependant) <ul style="list-style-type: none"> Working Group in place and meeting regularly. Meetings have taken place with WG and DEFRA and will assist with development of strategy. Funding to undertake a full feasibility study into the potential mitigation measures, including a Clean Air Zone, is being pursued with WG. Effective communications strategy, focus on promoting and marketing the wider health and environmental benefits of tackling air quality - inclusive of green paper development 	B	1	High Priority	<p>Following the receipt of the Formal Direction from Welsh Government, received on 09th March 2018 but signed by the Minister on 14th February 2018, a Cabinet Report titled Air Quality – Welsh Government Direction was submitted and approved by Cabinet on 28th March 2018.</p> <p>The initial proposal setting out the case for change was submitted to Welsh Government on the 28th March 2018 to meet the requirement to submit before the 31st March 2018. This included the identification of governance, associated resource requirements, the scope of work, procurement approach, indicative costing's and timeline.</p> <p>Under this Direction, we now need to provide:</p> <p>An initial plan identifying, exploring, analysing and developing options for measures which your local authority will need to implement to deliver compliance in the shortest possible time, with indicative costs for those options by 30 September 2018 .</p> <p>The Final Plan will need to identify in detail the preferred option for delivering compliance in the shortest possible time, including a full business case setting out value for money considerations and implementation arrangements and timings. The deadline for this is intended to be as soon as possible and by 30 June 2019 at the latest.</p>	<p>Andrew Gregory (Gary Brown)</p> <p>Councillor Caro Wild, Strategic Planning & Transport.</p>

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
					<ul style="list-style-type: none"> An officers working group has made progress on developing the Clean Air Strategy and work is focusing on finalising strategic measures that the Council needs to implement to improve air quality in Cardiff. The strategy will set out specific action plans to implement these measures and will develop a set of performance measurements to demonstrate the effectiveness of the strategy. An additional Working Group which now includes members of the Cabinet and Senior Management has been established to help develop and steer the Strategy. Following full feasibility study (funding dependant) a decision will be made and a full business case produced for the introduction of mitigation actions to improve air quality in the shortest possible time. <p>During January 2018 Welsh Government agreed a Legally Binding Consent Order with Client Earth and although this doesn't entirely remove the judicial influence, essentially WG have agreed to implement measures within very specific timescales.</p> <p>A meeting took place between the WG Minister the Leader, Cabinet Member and Senior Officers from both parties on 1st Feb 2018. It was confirmed that WG will be issuing a Direction on Cardiff Council to provide:</p> <ul style="list-style-type: none"> An initial proposal setting out the case for change by 31 March. This will involve identifying governance and associated resource requirements, the scope of work, procurement approach, indicative costing's and timeline. An initial plan identifying, exploring, analysing and developing options for measures which your local authority will need to implement to deliver compliance in the shortest possible time, with indicative costs for those options by 30 September 2018 . The Final Plan will need to identify in detail the preferred option for delivering compliance in the shortest possible time, including a full business case setting out value for money considerations and implementation arrangements and timings. The deadline for this is intended to be as soon as possible and by 30 June 2019 at the latest. <p>Funding mechanisms were discussed, along with the requirements for frameworks, procurement arrangements and specifications. Assurance was provided that this would be forthcoming with the Direction which is expected mid to late February.</p>					
<p>Education Consortium & Attainment</p> <p>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.</p>	<p>Reputational / Legal / Financial.</p> <ul style="list-style-type: none"> Budget implications. Educational standards falling behind other LA's. Potential impact on Estyn judgement for LA. Intervention from WG 	B	1	High Priority	<p>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.</p> <p>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.</p> <p>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 calendared with the Assistant Director and the Senior Challenge Advisers, Primary and Secondary.</p> <p>There is a strong working relationship between the local authority and the regional consortium. The local authority has moderated the outcomes of categorisation, in partnership with the regional consortium. 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.</p> <p>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".</p>	C	2	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> There will continue to be a regular interface with the Senior Primary and Secondary Challenge Advisers for Cardiff. The AD is participating in interviews to secure the recruitment of a replacement for the Secondary and Special Challenge Advisers on the 27.04.2018. All parties are waiting for WG to clarify the key performance indicators that will be used to judge progress for KS2,4 and 5. Currently this situation is unclear and is a threat to all stakeholders. Cardiff has continued to make good progress in securing positive outcomes for Estyn inspections. However, a review of the inspectorate in Wales is currently underway. This is likely to be published in May/June 2018. 	<p>Nick Batchelar (Angela Kent)</p> <p>Councillor Sarah Merry, Deputy Leader & Education, Employment & Skills</p>
<p>ICT Platforms Unsuitable/ Outdated</p> <p>The ICT platforms (desktop, software, network, servers, and telephones) will not be able to support the technologies required by the corporate change</p>	<p>Reputational / Financial / Stakeholder / Service delivery.</p> <ul style="list-style-type: none"> 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. 	A	2	High Priority	<ul style="list-style-type: none"> 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). 	B	3	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> Development of lifecycle monitoring and clearer customer engagement. Pilot leasing scheme within schools to be considered for corporate desktop estate. Breakdown of costs to remediate to be generated and reviewed. To include workstation replacement costs, supporting network infrastructure and server infrastructure. 	<p>Christine Salter (Phil Bear)</p> <p>Councillor Christopher</p>

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
programme and deliver effective service to the council, or will not provide a reliable service due to age and condition of equipment and systems.	<ul style="list-style-type: none"> Potential for income losses from revenue collection impacts. Unable to meet delivery deadlines on both business as usual and transformation projects. 				<ul style="list-style-type: none"> 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 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. Completed 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 2018-20. Completed migration of VM infrastructure over to Pure Storage. Completed migration of users from old remote access service to new solution. 					Weaver, Finance Modernisation and Performance.
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 <ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Embedding the 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. Raising profile of Adult Sexual Exploitation (ASE) in Adult Services in line with the Child Sexual Exploitation (CSE) Strategy. 	C	1	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> Training staff in relation to Adult Protection Orders. Draft Annual Plan for Regional Adults / Childrens Safeguarding Board. Review of Adult Protection procedures. 	Sarah McGill & Davina Fiore Councillor Susan Elsmore, Social Care, Health & Well-being Councillor Graham Hinchey, Children & Families. Councillor Christopher Weaver, Finance Modernisation and Performance.
Financial Resilience Failure to deliver a balanced annual budget and a fully informed Medium Term Financial Plan which would significantly weaken the financial resilience of the Council. The current outlook is that there is a Budget Gap of £91 million for the period 2019/20 to 2021/22.	Reputational / Financial / Legal / Service delivery / Stakeholder <ul style="list-style-type: none"> 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 that Medium Term Savings are not identified in a coherent, strategic way which impacts on service delivery. 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. 	A	1	High Priority	2018/19 and Medium Term <ul style="list-style-type: none"> 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 2018/19 and will be a key part of the assurance for 2019/20 and future planning. 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 are and will take place during 2017/18 in order to inform the 2018/19 budget position. The final 2018/19 Budget was approved in February 2018 and was underpinned by Directorate Savings of £14.296 m savings. The MTFP set out in the July 2017 Budget Strategy Report was reviewed for the 2018/19 Budget Report and now highlights an estimated Budget Reduction Requirement of £91.403m for the medium term (2019/20-2021/22) Work has already commenced in considering potential savings for 2019/20 which will be further developed through the first half of 2018/19. There are also outline proposals for 2020/21. Close working with Policy team in respect of alignment with Corporate Plan and duties under Wellbeing of Future Generations Act. Chief Digital Officer appointed and need for a digital roadmap to inform the 2019/20 budget proposals Service Reviews commencing in order to identify savings. The Council regularly reports in relation to its financial performance and monitoring. 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. 	B	2	High Priority	2019/20 and Medium Term <ul style="list-style-type: none"> Continue the work that has commenced in respect of developing proposals for 2019/20, 2020/21 and the Medium Term. This will include alignment with the Digital Board, Service Review board and Senior Management Team. Budget work will also need to link in with the demands of the Wellbeing of Future Generations Act as well as building on further work to ensure greater visibility of engagement with Cardiff citizens through events and the Ask Cardiff Survey. Ensuring closer alignment with objectives of the Corporate Plan and the Capital Ambition Delivery Team 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. Continue to refresh assumptions at key stages as relevant information becomes available.. 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 deliver. The key focus is due diligence, challenge and development of detailed plans but with an emphasis and accountability to the directorate which proposed the saving. Savings documentation has also been reviewed and developed with the aim of ensuring consideration and capture of key factors relating to savings proposals. 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 	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
	<ul style="list-style-type: none"> Additional obligations such as Wellbeing of Future Generations Act leading to Council failing in statutory duty. 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. 				<ul style="list-style-type: none"> 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 timescales 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. 				Programme.	
<p>Budget Monitoring (Control)</p> <p>Failure to achieve the budget set, inclusive of budgeted spend and savings across Directorates, with increased use of emergency finance measures and the drawdown of reserves.</p>	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 2017/18 in 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. The balance of any 2015/16, 2016/17 or 2017/18 savings targets were discussed as part of the budget process and a limited amount were written off. The majority of these proposals were deemed to be achievable going forward by the respective Director. The 2016/17 and 2017/18 savings proposals will be monitored as part of the 2018/19 budget process SMT discussed those overspend areas (not as a result of saving proposals not being delivered) of 2017/18 in order to provide assurance of mitigations in place for 2018/19 	B	2	High Priority	<ul style="list-style-type: none"> The balance of any 2016/17 or 2017/18 savings targets designated as not being achievable have been provisionally allocated and will continue to be reviewed as the 2018/19 Continue regular review and challenge sessions in order to provide assurance of financial monitoring position during the year. 	Christine Salter (Allan Evans) Councillor Christopher Weaver, Finance Modernisation and Performance.
<p>Performance Management</p> <p>After considerable progress in both developing the way the organisation manages performance and in actual performance improvement, there is a need to focus on ensuring Performance Management practices are mature, embedded and consistently applied as the organisation looks to continue improving outcomes in the face of significant financial pressures.</p>	<p>Reputational / Service delivery / Stakeholder</p> <ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 established 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 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 endorsed by SMT 	C	2	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> Ongoing work continues to launch and embed the PMF, work has been undertaken with Comms to align the PMF with the Capital Ambition Branding New governance structures have been put in place to ensure Performance Management continues to be embedded across the organisation, including regular meetings of SMT to look at Assurance matters, and the formation of a Cabinet-level group that will look at performance holistically. 	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
					<ul style="list-style-type: none"> 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 Discussions have commenced with key representatives to further develop the self-assessment process which will contribute to the development of the Corporate Plan. Service Level scorecards have been developed across the Council and combine planning and reporting elements. These Scorecards are 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. A Members training session regarding the Performance Management Framework was developed and carried out at the end of the September The Performance Management Framework and Strategy has been finalised. A soft launch has taken place via the Corporate Performance Team's Public SharePoint Page and will be officially launched in Quarter 3 The Framework will ensure greater effectiveness of planning and reporting, with clearer accountabilities and enhanced 'line of sight'. A cascading matrix system of reporting has been developed through DDPs, Service Plan Scorecard and the reporting framework to demonstrate the golden thread. The high level Performance Management Framework documents are available on the Performance Team's Public SharePoint page The Self-assessment process from 2016-17 has been built on and is being rolled out in September 2017. The outputs from this will be used to develop the Corporate Plan and the Directorate Delivery Plans. 					
<p>Health and Safety</p> <p>Ineffective compliance of health and safety through poor application and embedding of the 'Framework for Managing Health and Safety in Cardiff Council.</p>	<p>Reputational / Legal / Financial / Service delivery</p> <ul style="list-style-type: none"> Fatalities Serious injuries Prosecution – fines for body corporate and/ or fines/imprisonment for individual Claims 	A	1	High Priority	<ul style="list-style-type: none"> H&S Manager and 3 additional H&S Officers appointed in Qtr 4. To re-staff the Corporate Health and Safety Team, officers to take up post in 18/19 Qtr. 1. Health and Safety Support Service for schools has taken longer than expected to approve due to lengthy consultation process. Approval provided in Qtr. 4. Adverts to be placed for 12 H&S Officers providing support to all Cardiff schools in 18/19 Qtr 1. Schools have been assessed on their current H&S standards, building condition etc. and their support package agreed which will commence in September 2018. Key areas of improvement will be:- <ul style="list-style-type: none"> Asbestos Management Fire Safety Electrical Safety Gas Safety Legionella Control Responsibility for Implementation of RAMIS transferred to H&S in September 2017 and is currently being rolled out to all corporate buildings and schools. RAMIS4Schools has been made available to all schools and holds all up to date H&S information specific to Education/schools. Quality of Risk Assessments across the Council is varied and improvements are required in consistency and quality in some areas, particularly those relating to high risk activities. Due to the lack of resources general health and safety audits have not been undertaken in the last Qtr. however a number of reports have been provided in relation to schools sites and other high risk issues. Review of Health and Safety Policy and Guidance, 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	<ul style="list-style-type: none"> Health and Safety Team to establish key priorities for support in Service area's, to improve standards to H&S compliance across the Council. Corporate H&S Objectives issued for 18/19. Health and Safety Support Service for Schools to be established from September 2018, with officers to be appointed and trained in readiness for the start of term. Funding agreed and budgets transferred, HR recruitment process to be completed ASAP. Implementation of RAMIS Statutory Maintenance system in schools will be held up until H&S school support officers are in place, due to the resource required to implement the system in schools. Education Compliance work has now been merged into Health and Safety to ensure a co-ordinated approach to all compliance issues in schools. RAMIS Live which manages Statutory Maintenance is being rolled out to all building managers by the end of July 2018, along with building management training. Compliance statistics on high risk disciplines are reported to SMT on a bi-monthly basis, minimum of 80% compliance to be achieved by September 2018. More work required from duty holders in order to achieve this target H&S to work with statutory maintenance contractors to ensure they upload statutory reports and close down reactive tasks on RAMIS, therefore reducing the administration burden on duty holders. Fire Risk Assessments for schools are being undertaken via. RAMIS. One full time Fire Safety Officer has been recruited via. Citrix to support Fire Risk Assessments in schools, which are a high priority in response to post Grenfell WG requirements. Building Control Officers have been trained to support with use of RAMIS for risk assessment of Corporate Buildings to upload the assessment findings and remedial tasks. FRA's still to be uploaded for Corporate Buildings. Expertise required internally on asbestos to reduce the reliance on external specialist contractors, improving quality and reducing costs. This will also permit improved asbestos management across the Council, including incident 	<p>Christine Salter (Donna Jones)</p> <p>Councillor Christopher Weaver, Finance Modernisation and Performance.</p>

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
									investigation, advice on asbestos removal works, as well as developing in-house staff competency to deal with low level asbestos works. Report to be submitted to SMT on the options available for improved management of asbestos in Council premises, seeking agreement on the way forward.	
<p>Climate Change & Energy Security</p> <p>Un-preparedness to the effects of climate change due to lack of future proofing for key (social and civil) infrastructure and business development, and inability to secure consistent energy supply due to rising energy costs and insecurity of energy supply.</p>	<p>Reputational / Financial / Stakeholder / Service delivery / Legal / Partnership / Community / Health & Safety</p> <p>Climate change will result in more intense and frequent rainfall events causing flooding, impacting:</p> <ul style="list-style-type: none"> • 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 cost of insurance; • Break up of community and social cohesion; • Blight of land and development. <p>SHORT TERM RISKS</p> <p>Climate change is noted to already be affecting the frequency and intensity of rainfall events, making storm events flashier and increasing the rainfall volume. Our existing drainage network has not been designed to accommodate this increase in rainfall and in the short term, there will be an increase in flood events from urban drainage systems.</p> <p>LONG TERM RISKS</p> <p>The influence of climate change will increase in the future and continue to have a growing influence on rainfall intensity and frequency. The urban drainage network in Cardiff will increasingly underperform and not be able to accommodate the increase in surface water runoff response time and volume from storm events. Storms will become flashier and carry higher rainfall.</p> <p>Poor management of new development will exacerbate the potential flood risk by not reflecting natural drainage catchments and by not dealing with rainfall at source.</p> <p>Fluvial Flooding</p> <p>There are 3 main rivers impacting the City - whilst main rivers are the responsibility of Natural Resource Wales, and as a Local Flood Authority we are not responsible for them, the affects of climate change will result in more flooding i.e. the same short term and long term risks will apply in relation to fluvial flooding.</p> <p>Increased summer temperatures:</p> <ul style="list-style-type: none"> • 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. <p>Inconsistent energy supply and cost:</p> <ul style="list-style-type: none"> • 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	<p>Emergency Management Unit</p> <p>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.</p> <ul style="list-style-type: none"> • 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 <p>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.</p> <p>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/</p> <p>Energy Management Unit</p> <ul style="list-style-type: none"> • 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. <p>Flood management</p> <p>"Local Flood Risk Management Strategy</p> <p>A Local Flood Risk Management Strategy was produced as a requirement of the Flood and Water Management Act 2010 in accordance with WG's Flood & Coastal Risk Strategy guidance. The LFRMS integrates; the PFRA, a coastal protection strategy, stakeholder communications and sets a clear corporate approach to flood management.</p> <p>Flood Risk Management Plan</p> <p>In 2013, as a requirement of the Flood Risk Regulations 2009, the Environment Agency, working with Natural Resources Wales and Lead Local Flood</p>	C	1	Medium Priority (Red/Amber)	<p>Emergency Management Unit</p> <ul style="list-style-type: none"> • 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 <p>Energy Management Unit</p> <ul style="list-style-type: none"> • 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. • Increase Council renewables. Renewables should provide storage solutions for energy that could be utilised at times when grid supply is at risk, or when it is economically advantageous. <p>Flood Management Planning</p> <ul style="list-style-type: none"> • Atkins have completed the Surface Water SPG and it is with CCC officers for review. Consideration of the document for release in conjunction with Schedule 3 of the Flood and Water Management Act 2010 is to be considered. • Data collation for monitoring flood risk indicators ongoing and on target for completion to feed into the next LDP AMR and wider processes. • Capital bid for flood defence works successful confirming Cardiff Council's 25% match funding. Formal application for funding and approval from WG to be submitted in the next month. <p>Sustainable Development Unit</p> <ul style="list-style-type: none"> • Climate Change is referenced in the Well-Being Assessment and an action included in the draft 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. 	<p>Andrew Gregory</p> <p>Councillor Michael Michael, Clean Streets, Recycling and Environment.</p>

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					<p>Authorities, produced the updated Flood Map for Surface Water (uFMfSW). The maps identify the risk, extent, velocity and hazard posed to Cardiff for a series of rainfall events.</p> <p>These maps have been used to inform the Flood Risk Management Plans, which Cardiff have produced as a requirement of the Flood Risk Regulations 2009. The plan sets out how Cardiff Council will over the next six years manage flooding so that the communities most at risk and the environment benefit the most. The plan does this by:</p> <ul style="list-style-type: none"> • 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. <p><i>Planning</i></p> <p>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. TAN15 of Planning Policy Wales requires the consideration of climate change by increasing the rainfall depth. This allows new development to take future impacts of climate change into account in the design process.</p> <p><i>Retrofit of SuDS</i></p> <p>Retrofit of Sustainable Drainage to remove surface water from piped systems and control surface water at source through schemes such as Greener Grangetown. Consideration needs to be given to potential locations where sustainable drainage retrofit can be considered and to communicate with Dwr Cymru Welsh Water to obtain support for such schemes to prevent the overloading of hydraulic systems. been identified and tested to collect data relating to the flood risk indicators.</p> <p><i>Sustainable Development Unit</i></p> <p>The Council has signed up to both the Compact of Mayors and the Covenant of Mayors. Reporting year 2 data submitted for the Compact of Mayors Carbon Disclosure Project and a Monitoring Emissions Inventory for the Covenant of Mayors Sustainable Energy Action Plan.</p>					
<p>Coastal Erosion</p> <p>Breach of current defences resulting in widespread flooding.</p>	<p>Health & Safety/ Service Delivery / Reputation / Legal / Financial /Community & Environment /</p> <p>The coastal defences across Cardiff's foreshore are in very poor condition and erosion is already taking place at a rapid rate. The area concerned is the Rover Way foreshore to Lamby Way and the risks to the authority are:</p> <ul style="list-style-type: none"> • Continued coastal erosion along the coast threatening the Rover Way Traveller site and critical infrastructure including Rover Way and the Rover Way/Lamby Way roundabout; • Erosion to two decommissioned land fill sites, with risk of releasing landfill material into the Severn Estuary and having significant environmental impacts; • Flood risk to 1,116 residential and 72 non-residential properties over 100 years, including risk to life, property, infrastructure and services. <p>N.B. the predicted rates of erosion threaten the Rover Way Travellers Site and the adjacent electrical substation <u>within 5 years</u>, and further release of large volumes of unknown tip material from the Frag Tip into the Seven Estuary.</p>	B	1	High Priority	<ul style="list-style-type: none"> • There are no current controls in place to mitigate the flooding and coastal erosion risk. • The current adhoc defences along the area are in a very poor condition. • The necessary works are holistic and cannot be phased, therefore the residual risk rate cannot be lowered until the completed construction of the coastal defence scheme in its entirety. • An Outline Business Case (OBC) has been submitted to Welsh Government for review as part of the WG Coastal Risk Management Programme that provides a funding mechanism for 75% of onward capital costs. • A 25% capital matchfunding bid for 18/19 has been submitted. • A Cabinet Office Forward Plan was submitted for March 2018 Cabinet Meeting for funding approval. <p>The total costs associated with the design, Early Contractor Engagement and construction phases have been estimated at £10.9M (WG 75% funding = £8.2M and CCC 25% funding = £2.7M)</p>	B	1	High Priority	<ul style="list-style-type: none"> • A 25% capital matchfunding bid for 18/19 has been approved • Formal application for WG funding and approval to be submitted in the next month. <p>The total costs associated with the design, Early Contractor Engagement and construction phases have been estimated at £10.9M (WG 75% funding = £8.2M and CCC 25% funding = £2.7M)</p> <p>Subject to securing this funding, current project timeframes run between 2018 and 2021, with proposed actions as follows:</p> <ul style="list-style-type: none"> • Tender process for detailed design to determine the exact scheme • Tender process for construction of works • Construction of coastal defences 	<p>Andrew Gregory</p> <p>Councillor Michael Michael, Clean Streets, Recycling and Environment</p>
<p>Information Governance</p> <p>Information handled inappropriately leaves the Council exposed to intervention and financial penalties issued by the Information Commissioner (ICO). This includes</p>	<p>Reputational / Financial / Legal / Service delivery / Stakeholder</p> <ul style="list-style-type: none"> • Leads to the Information Commissioner issuing notices of non-compliance • These could consist of: • a Stop Now Order which would mean that no 	A	1	High Priority	<ul style="list-style-type: none"> • 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 	C	1	Medium Priority (Red/Amber)	<p>1) Completion of the GDPR Implementation Plan (6 months)</p> <p>2) Improve the IG Training compliance to meet the target of 100% (3 months)</p>	<p>Christine Salter</p> <p>(Vivienne Pearson)</p>

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information held by Cardiff Schools.	<p>personal data could be processed by the Council in its entirety</p> <ul style="list-style-type: none"> 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 				<p>and reported to Information Security Board, SIRO.</p> <ul style="list-style-type: none"> 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 for 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 governance to feed into corporate risk status The Digitalisation of Paper Records Strategy and associated business process changes is in place A Corporate external storage contract is in place to improve processes and financial spend on storage of paper records externally The Council's Data Processing Agreement template has been updated to ensure that this remains compliant with the requirements of the Data Protection Act GDPR Implementation Plan is in place and a GDPR Implementation Group has oversight of progress and will escalate issues to the Operational Manager Information Governance and Risk Management and the Council's SIRO. 					Councillor Christopher Weaver, Finance Modernisation and Performance.
<p>Social Services – Provision</p> <p>Failure to provide robust and adequate social services in the context of increasing costs and limited resources.</p>	<p>Reputational / Community / Legal / Financial / Stakeholders / Service delivery</p> <p>Quality and range of services and interventions compromised, e.g.:</p> <ul style="list-style-type: none"> 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	<p>Strategic service improvement governance arrangements including:</p> <ul style="list-style-type: none"> 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. Disability Futures Programme in place to transform futures for disabled children. Community Resource Team moved to 7 day working. Director has commissioned the Institute of Public Care (IPC) to facilitate strategic development as follows: <ul style="list-style-type: none"> Develop outreach Community Resource Team services. Support the development of an Older People's Housing Strategy. Redesign of Day Opportunities for Learning Disabilities to include capital programme. Development of a Reablement Strategy. Comprehensive Integrated Care Fund (ICF) funded interventions designed to strengthen domiciliary care capacity in place. Workforce augmented as a consequence of funded pressures and additional posts. Financial 5-10 year analysis of growth and pressures completed. Key strategies to promote independence, manage demand and enhance prevention in place as follows: <ul style="list-style-type: none"> Early Help Strategy (for children). Multi-Agency Safeguarding Hub (MASH). Child Sexual Exploitation (CSE) Strategy Adolescent Resource Centre. Signs of Safety. Asset Based Approaches in Adult Services. Enhanced First Point of Contact with Communities & Housing Directorate. 	C	1	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> Implementation of strategic review facilitated by the Institute of Public Care with a view to agreeing a 5-10 year Financial Strategy for adult social care. Inter-agency, city wide preventative strategy for children under development to include: <ul style="list-style-type: none"> Further enhancement of the Early Help Strategy. Pilot locality initiative with third sector partners. Extension of Signs of Safety. Linking to realignment of Families First programme. CSE Strategy to be reviewed to incorporate wider exploitation issues and young adults. 	<p>Sarah McGill</p> <p>Councillor Susan Elsmore, Social Care, Health & Well-being</p> <p>Councillor Graham Hinchey, Children & Families.</p>

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
<p>Promoting Independence</p> <p>Failure to sustain an effective whole system approach that enables adults with significant health needs to remain in, or return to, their own homes and reduces the need for / length of hospital stays.</p>	<p>Reputational / Legal / Financial / Community / Stakeholders / Service delivery</p> <ul style="list-style-type: none"> Increase in Delayed Transfers of Care (DToC). Poorer outcomes for adults. Potential ministerial intervention incurring significant reputational and political risk. 	B	1	High Priority	<ul style="list-style-type: none"> 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. Winter Pressures Planning undertaken for 2017/18. 	C	1	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> Wales Audit Office (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 with Institute of Public care (IPC). Strategic review of Matrix (Adam) and Proactis commissioning platform under way with a view to considering new arrangements. Review of Community Resource Teams. Implementation of Strengths Based Approach. 	<p>Sarah McGill</p> <p>Councillor Susan Elsmore, Social Care, Health & Well-being</p>
<p>Delivering Capital Ambition Programme</p> <p>Projects within the Programme fail to deliver the change required to ensure the implementation of the Administration's agenda and to refocus services to meet the challenges faced by the Council and the city's wider public services.</p>	<ul style="list-style-type: none"> Failure to deliver the Administration's Capital Ambition statement. Failure to respond to the key financial and organisational challenges that dominate the medium term planning horizon of the Council. Vital services will not be protected if we fail to find more efficient ways of working. Reputational impact if services do not meet increasing customer expectations. Public services are not delivered efficiently or effectively and fail to deliver joined up services to the public. Lack of a programme management approach to the delivery of these significant projects will result in lack of governance and failure to report project progress to relevant stakeholders in a timely manner. 	B	1	High Priority	<ul style="list-style-type: none"> Governance arrangements established and led by the Chief Executive. The Modernisation component of the Capital Ambition Delivery Programme is led by the Corporate Director Resources; and the Resilient Services component is led by the Corporate Director People and Communities. Disciplined approach, where risk assessment forms an integral part of the approach to change. Programmes and projects initiated with dedicated resources. Experienced gained by managing programmes and projects over a number of years, building on lessons learned. An extensive training programme for the Capital Ambition Delivery Team has been rolled during 2017/18 to ensure both project management and business analyst's skills and knowledge are enhanced. 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. SMT acts as the Sponsoring Group and receives regular updates on programme and project progress. All Programme Briefs are submitted to SMT for discussion prior to them being signed off at the relevant programme board. Cabinet report dated 14th December 2017, approved the Delivering Capital Ambition Programme. The Cabinet Performance and Delivery Group has been established and will receive Programme updates on a quarterly basis. The Capital Ambition Delivery Programme (CADP) supersedes and replaces the Organisational Development Programme that had been in place since May 2014. 	C	2	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> All programme briefs for the CADP have been reviewed by SMT. They have/will now be reviewed and then signed off by the relevant Programme Board. Each project within the CADP will have a project brief developed by the end of Q1 18/19. All projects within the CADP will be captured on the Council's PPPM database. The current Organisational Development Programme will be closed down with programme closure reports being developed during Q1 18/19. A criteria for how projects will be accepted into the CADP will be developed with SMT and/or the relevant Programme Board. Governance arrangements will be reviewed to ensure the projects within the CADP are managed effectively. The Organisational Development Team has been renamed the Capital Ambition Delivery Team, to reflect the new delivery programme for the Council. A new Programme Manager's post was recruited into in May 18. 	<p>Christine Salter</p> <p>(Dean Thomas)</p> <p>Councillor Christopher Weaver, Finance Modernisation and Performance.</p>
<p>Legal Compliance</p> <p>Changes in services and staff roles across the Council resulting in:</p> <ul style="list-style-type: none"> 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: <p>In each case leading to increased risk of challenges.</p> <p>Reduction and changes in front-line services, discretionary and statutory, will lead to increased risks of challenge from users and other stakeholders affected.</p>	<p>Reputational / Legal / Financial / Service delivery</p> <ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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)	<ul style="list-style-type: none"> 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. 	<p>Davina Fiore</p> <p>Councillor Huw Thomas, Leader.</p>

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
<p>Education – Schools Delegated Budgets</p> <p>Secondary Schools with deficit budgets do not deliver agreed deficit recovery plans, impacting on the overall budgets for all schools.</p>	<p>Reputational / Legal / Financial.</p> <ul style="list-style-type: none"> Budget implications. Reducing educational standards. Intervention from WG 	A	2	High Priority	<ul style="list-style-type: none"> The 2018/2019 delegated budget allocations were issued to schools in early March 2018 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 previously 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 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 2018/19 school budget letters and the 2018/19 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 17/18 have been identified as requiring meeting with S151 officer and senior education officers. These meetings will place in April and early May. The Council has also introduced an increased level of scrutiny of school curriculum plans through support identified with the Central South Consortium. 	C	2	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> 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 2018/19 and beyond. Following consultation with the School Budget Forum an audit of budget impact on individual schools was undertaken during the Summer Term 2017. Unfortunately the response rate was not sufficient enough to identify any further specific impacts or trends arising from the schools budget settlement. The audit will be undertaken again for the 2018/19 settlement during the Summer term. Developing the medium term budget strategy for 2019/20 and providing early notification to budget forum and individual schools of likely impact of said strategy. 	<p>Nick Batchelar (Neil Hardee)</p> <p>Councillor Sarah Merry, Deputy Leader & Education, Employment & Skills</p>
<p>Fraud, Bribery and Corruption</p> <p>Fraud, financial impropriety or improper business practices increase as internal controls are weakened as resources become severely stretched.</p>	<p>Reputational / Financial / Legal / Service delivery / Stakeholder</p> <ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 	C	2	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> Look at raising profile of Fraud awareness and ensuring that consequences of weak controls in place are fully understood across the organisation. Publishise the Fraud Bribery Corruption Policy with awareness and education sessions. 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. 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 1 2018/19. Measure the effectiveness of fighting fraud and corruption against the CIPFA strategy by the end of Q2 2018/19. 	<p>Christine Salter (Ian Allwood)</p> <p>Councillor Christopher Weaver, Finance Modernisation and Performance.</p>

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
					<ul style="list-style-type: none"> three 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. Undertake a skills assessment of the investigation team and invest in training as appropriate. Delivery of Cardiff Manager Programme 					
<p>Asset Management</p> <p>Ensure effective operation of the Council's Asset Management Board to achieve effective strategic oversight and identified savings.</p>	<p>Reputational / Legal / Financial / Health & Safety / Stakeholders</p> <ul style="list-style-type: none"> Poor use of assets / VFM. Lost opportunity for capital receipts. Increased maintenance. Prosecutions / fines. 	B	2	High Priority	<ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> 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. Investment Review Board approved a business case to procure a software system to hold appropriate asset management information. Investment Estate Manager recruited. The Corporate Land and Property Management Plan (CLPMP) for 2018/19 was published in Q4. 	D	2	Medium Priority (Amber/Green)	<ul style="list-style-type: none"> Asset Management Software System - Following instruction from Investment Review Board (IRB), a detailed business case relating to the acquisition and implementation of a new property Asset System has been compiled as part of the Corporate Landlord Programme. The business case will be presented back to IRB in May for final approval, after which implementation will commence immediately.. Investment Strategy action plan reviewed and assets RAG rated. Progressing priority actions resulting in an improved capital and revenue position. Rental income has increased and progress is being made to analyse the net yield of the estate. The Council remains on track to meet the targets defined in the 5 year Corporate Property Strategy (2015-2020). The Corporate Land and Property Management Plan (CLPMP) results for 2017/18 show that the targets for GIA, Revenue, maintenance backlog reduction and capital receipts were not achieved in year. Delays in completing a number of key transactions has resulted in slippage. All of these transactions are being processed and will complete early in 18/19 rather than 17/18. On track for 5 year strategy. 	<p>Neil Hanratty</p> <p>Councillor Russell Goodway, Investment & Development.</p>
<p>Workforce Planning</p> <p>Importance of forecasting and planning to build capability and capacity for the future is not fully recognised and embedded.</p>	<p>Reputational / Financial / Stakeholder / Service delivery</p> <ul style="list-style-type: none"> 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 	B	2	High Priority	<ul style="list-style-type: none"> 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 	B	3	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> Renewed Workforce strategy for 2018-2021 due to be presented to Cabinet June 2018 Revised toolkit to be presented to SMT in April 2018, and then rolled out across the Council during May and June 2018 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 	<p>Christine Salter</p> <p>(Philip Lenz)</p> <p>Councillor Christopher Weaver, Finance Modernisation and Performance</p>

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
	communities to which services are delivered.				<p>Technical areas to inform the key skills required for the Directorate going forward.</p> <ul style="list-style-type: none"> • 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 being 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 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. • Feedback from pilots has been received and allowed for the toolkit to be reviewed. • Full rollout of Workforce planning toolkit to take place in 2018/19. 				<p>the training and development of current employees</p> <ul style="list-style-type: none"> • 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 • An IT solution to be sourced during 2018/19 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. 	

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**CARDIFF COUNCIL
CYNGOR CAERDYDD****AUDIT COMMITTEE: 26 June 2018****DRAFT AUDIT COMMITTEE ANNUAL REPORT 2017/18****REPORT OF CORPORATE DIRECTOR RESOURCES AGENDA ITEM: 8.3****Reason for this Report**

1. The Audit Committee's Terms of Reference requires Members to report to Council on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of the governance, risk management and internal control frameworks.
2. To consider and approve the Audit Committee's Annual Report for 2017/18.

Background

3. The Council's Constitution requires that all Committees report annually to Council on their activities over the past year.
4. This Committee meets five times every year and receives a wide range of information to meet the responsibilities, as set out in the Committee's Terms of Reference. The Audit Committee Annual Report is prepared based on the evidence presented to the Committee throughout the year. It allows Committee Members the opportunity to provide their views on the key messages considered appropriate to report.
5. The final report is to be approved at the June meeting of Committee and the Chair then attends Council to present the report in September 2018.

Issues

6. The Audit Committee Annual Report has been prepared following a review of meeting agendas and minutes for 2017/18. Members of the Audit Committee have contributed to the production of this report.
7. The report sets out the role of the Committee and the work that it has done during the year 2017/18. The report highlights the value the Audit Committee has had from the number of directors that have attended and provided a commentary on the key internal control, governance and risks areas of their respective areas of responsibility. Looking forward, the Committee will continue to have Director led items as a key part of the work programme for 2018/19.
8. Contained within the annual report is the opinion of the Audit Committee which sets out that the Council does have, for the most part, sound financial controls and governance arrangements in place. In considering that opinion, audit committee will continue to

receive regular reports during 2018/19 in respect of Budget Prioritisation / Control, Financial / Internal Control, Financial Resilience and School Governance & Compliance. Further detail on the opinion of the Audit Committee can be found in Section 8 of the report.

9. The Appendices of the annual report set out the members of the Audit Committee for the year 2017/18 and also its Self-Assessment and the subsequent Action Plan produced. This plan will be monitored and reported on at future committee meetings.

Legal Implications

10. There are no legal implications arising directly from the contents of this report.

Financial Implications

11. The annual report of the audit committee sets out the work it has delivered during the year. There are no financial implications arising from the contents of this report.

Recommendation

12. To approve the Audit Committee's Annual Report for 2017/18 and delegate to the Head of Finance to make any minor amendments required.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES

The following Appendix is attached:

Appendix A - Draft Audit Committee Annual Report 2017-18

Audit Committee Annual Report 2017/18



Cardiff Council

Contents

	Page
1. Foreword by Ian Arundale, Chairperson of the Committee	3
2. The Role of the Audit Committee	4
3. Our Work in 2017/18	6
4. Standard Items	6
5. One-off Items	9
6. Audit Committee Self-Assessment	11
7. Key Observations 2017/18	11
8. Opinion of the Audit Committee 2017/18	11
9. Looking Ahead to 2018/19	13
10. Audit Committee Membership 2017/18	13
11. Attendance in 2017/18	14
12. Audit Committee Contacts	14
13. Annex 1 - Audit Committee's Self-Assessment - Action Plan March 2018	15
14. Annex 2 - Audit Committee Self-Assessment - Results March 2018	16
15. Annex 3 - Audit Committee Member Profiles	19

1. Foreword by Ian Arundale, Chairperson of the Committee

I am pleased to present this report, which provides an overview of the Audit Committee's work in the municipal year 2017/18. Since taking the role of Chairperson in June 2015, I have been well supported by the strong teamwork of the Audit Committee, and I am very grateful to Deputy Chairperson Hugh Thomas for chairing two Audit Committee meetings in 2017/18.

This year saw changes in the Audit Committee membership due to the Council elections in May 2017. We have already felt the benefits of the knowledge, expertise and keen interest of our new members through their contributions to Audit Committee meetings.

I wish to record my thanks to all Elected Members and the Independent Lay Members who have served on the Committee this year. The year began with six Councillors joining the Audit Committee four of which were new to the Audit Committee. All Councillor Members of the Audit Committee received Induction training prior to their first attendance at Audit Committee. Members from across the political groups have come together in an effective way in our five meetings this year. It is also encouraging to report well-attended meetings, given how busy members are in fulfilling other roles and responsibilities.

Throughout the year Audit Committee has continued to receive highly valued professional support from Accountancy, External Audit (Wales Audit Office), Internal Audit, Risk Management and Treasury Management. Additionally, we have invited officers to attend Committee to respond to concerns raised by Members or identified through various Committee reports, such as those from internal and external audit.

We have reviewed our work programme at each Committee meeting, taking account of changing risks and priorities through the reports and information we receive from Members, Officers, external stakeholders and other Committees of the Council. Our Work Programme has been busy this year with a wide range of matters brought before the Committee.

We held a self-assessment workshop for the Audit Committee in March 2018, where we reviewed our performance against the best practice CIPFA framework. The assessment gave the Committee an opportunity to reflect on the first year of working together identifying both our achievements and areas for improvement and attention against a robust framework. Some areas of improvement have been identified which are reported in an action plan appended to this report which looks to engage Audit Committee with stakeholders and partners through the development of a Communication Plan, network engagement with other Audit Committees and building on the knowledge and skills we currently have within the Committee.

We acknowledge our broad and important role and have reflected on the effectiveness of governance, risk management and control in providing an overall assurance opinion and informing the Council's Annual Governance Statement 2017/18.

This year has seen members of the Senior Management Team coming to Committee and providing a full overview of their areas of responsibility in respect to their approaches to governance, risk and internal controls. Whilst, welcomed by Audit Committee we continue to emphasise the need for the Council to ensure that it fulfils its responsibilities and ensures that robust arrangements are in place for effective governance, risk management and control. These components being essential to excellent delivery of Public services.

Looking forward to 2018/19, the financial challenges facing the Council and public services will continue through reduced funding and increasing demand for services and ever improving performance. Within this context, the importance of an effective Audit Committee remains critical.

2. The Role of the Audit Committee

The Audit Committee's role is to increase public confidence in the objectivity and fairness of financial and other reporting and provide independent assurance over governance, risk management and control processes.

The Local Government (Wales) Measure 2011 requires a Local Authority to have a Committee to:

- review and scrutinise the authority's financial affairs
- make reports and recommendations in relation to the authority's financial affairs
- review and assess the risk management, internal control and corporate governance arrangements of the authority
- make reports and recommendations to the authority on the adequacy and effectiveness of those arrangements
- oversee the authority's internal and external audit arrangements, and review the financial statements prepared by the authority.

The Measure also requires Councils to have Lay Members in their Audit Committees. The Council has determined that the membership of its Audit Committee would be twelve Members (eight Elected Members and four Independent Lay Members), which meets the requirement of the Measure and the proposals in the draft Local Government (Wales) Bill.

The Terms of Reference of the Committee for 2017/18 was as follows:

Governance, Risk & Control

- To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
- To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account the internal audit opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control.
- To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- To consider the Council's framework of assurance and ensure that it adequately addresses the risk and priorities of the Council.
- To monitor the effective development and operation of risk management in the Council.
- To monitor progress in addressing risk-related issues reported to the Committee.
- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
- To monitor the counter-fraud strategy, actions and resources.

Internal Audit

- To approve the Internal Audit Charter.
- To approve the risk-based internal audit plan, containing internal audit's resource requirements, the approach to using other sources of assurances and any work required to place reliance upon those other sources.
- To approve significant changes to the risk-based internal audit plan, including audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- To approve significant interim changes to the risk based internal audit plan and resource requirements.
- To make appropriate enquiries of both management and the audit manager to determine if there are any inappropriate scope or resource limitations.
- To consider reports from the Audit Manager on Internal Audit's performance during the year. These will include:
 - Updates on the work of internal audit including key findings, issues of concern and action in hand because of internal audit work
 - Regular reports on the results of the Quality Assurance and Improvement Programme
 - Reports on instances where the internal audit function does not conform to the PSIAS and Local Government Application Note considering whether the non- conformance is significant enough that it must be included in the Annual Governance Statement.
- The opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control together with a summary of the work supporting the opinion – these will assist the committee in reviewing the Annual Governance Statement.
- To consider summaries of specific internal audit reports as requested.
- To receive reports outlining the action taken where the Audit Manager has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- To contribute to the Quality Assurance and Improvement Programme and in particular the external quality assessment of internal audit that takes place at least once every five years.
- To consider a report on the effectiveness of internal audit to support the Annual governance Statement, where required to do so by the Accounts and Audit Regulations.
- To support the development of effective communication with the audit manager.

External Audit

- To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- To consider specific reports as agreed with the external auditors.
- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To commission work from internal and external audit.
- To advise and recommend on the effectiveness of relationships between external and internal audit and other inspector agencies or relevant bodies.

Financial Reporting

- To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
- To seek assurances that the Council has complied with the Treasury Management Strategy and Practices by demonstrating effective control of the associated risks and pursuing optimum performance consistent with those risks.

Accountability Arrangements

To report to Council on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of the governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.

- To report to Council on an annual basis on the Committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- To raise the profile of probity generally within the Council and to report on matters of concern to the individual Cabinet Member, relevant Scrutiny Committee, Cabinet or to Council as necessary and appropriate.
- To work in synergy with the Scrutiny Committees of the Council and liaise with other Council Committees as and when appropriate to avoid duplication in work programmes.

Training & Development

- To attend relevant training session in accordance with the Member Development Programme including specialist training tailored for Members of the Audit Committee e.g. treasury management.

3. Our Work in 2017/18

The Audit Committee receives regular reports in relation to standard agenda themes and receives reports of interest based on risk, governance or internal control issues. Each aspect is reported on below.

4. Standard Items

4.1 Finance

The Corporate Director Resources (Section 151 Officer) has provided financial updates at every meeting outlining the budget strategy, financial resilience and the Council's overall financial position. This is to provide Committee Members with an overview of the financial standing of the Council. It has provided a regular opportunity to raise questions on the budget and general finance matters during a period of ongoing unprecedented financial pressure.

The Audit Committee has noted the challenges facing the Council in respect to its budget strategy for both the year hence and the medium term.

The Committee has received and had the opportunity to comment on key finance reports in 2017/18, including:

- Draft Statement of Accounts 2016/17 and Audit Report

- Cardiff & Vale of Glamorgan Pension Fund Statement of Accounts 2016/17 and Audit Report
- Treasury Management reports and updates
- Financial Resilience updates and snapshots
- Draft Statement of Accounts/Annual Governance Statement 2017/18.

As reported in 2016/17, the Audit Committee continued to express concern about significant overspends and unrealised savings targets in the Social Services Directorate. The Director of Social Services attended Committee in January 2018 in order to provide an update on the challenges facing the directorate as well as providing a full overview of the assurance control environment.

4.2 Governance and Risk Management

The Audit Committee has formed a view on the Council's governance, risk management and internal control arrangements taking into account the information presented by the Corporate Director Resources (Section 151 Officer), the Wales Audit Office (WAO), the Audit Manager, Risk Management Team and other officers of the Council.

The Audit Committee plays a key role in contributing to and challenging the contents to be included in the Annual Governance Statement (AGS). The AGS is an important governance disclosure document and forms part of the Statement of Accounts. The Audit Committee considered and approved the AGS as part of the Statement of Accounts 2016/17 in June 2017 and September 2017.

The Committee has had early involvement in the draft AGS 2017/18, in which the 'Opinion of the Audit Committee' (section 8) will be disclosed.

The Committee has received and had the opportunity to comment on the following governance and risk management disclosures:

- June 2017 – Corporate Risk Register Year-End Position 2016/17
- June 2017 – Senior Management Statement Review Year End 2016/17
- September 2017 – Progress on Implementation of the Statement of Actions
- November 2017 – Corporate Risk Register Mid – Year Position 2017/18
- January 2018 - Senior Management Assurance Statement Mid-Year Responses 2017/18
- January 2018 - Mid-year AGS Action Plan of significant governance issues
- March 2018 – Corporate Risk Register Q3 Update
- March 2018 - Draft AGS 2017/18.

We are pleased that the Chief Executive disclosures have continued in 2017/18 and the Committee will welcome the Chief Executive at our June 2018 meeting.

The Audit Committee welcomed the opportunity to comment on the Draft Code of Corporate Governance in January 2018 prior to its approval at Constitution Committee and Council. This code focuses on how principles of good governance are applied, how governance is assessed and how the assessment is used.

The Committee also had the opportunity to provide early comment on a draft Risk Management Strategy and Policy that will be put forward to Cabinet in summer 2018. The Committee was very keen for Risk Management to be communicated to officers and stakeholders in a way that engaged participation. Subsequently, the Committee was pleased to receive a summary version of the Policy and Strategy that communicated the core principles in simple language.

The Committee has been informed of the approaches being taken in respect to risk and governance.

4.3 Treasury Management

The Treasury Management Strategy approved by the Council, sets out the role Committee Members have to fulfil in this area.

Over the past twelve months, the Committee has received reports on the Treasury Management Annual Report, Mid-Year Report 2016/17, Treasury Management Strategy 2017/18 and the Treasury Performance and Practices Reports.

Through the treasury management reports and updates in each Committee meeting, Members have taken the opportunity to scrutinise and challenge the approach adopted and decisions taken. This is a complex area, and the Committee believes that it has added value by probing and scrutinising strategies, reports and data provided.

4.4 External Audit (Wales Audit Office)

The Committee places reliance on the work of the Wales Audit Office (WAO) as the Council's external auditors. The Committee has received key documents throughout the year:

- Cardiff Regulatory Programme Letter 2017-18;
- Audit of Financial Statements for Cardiff Council 2016/17;
- Audit of Financial Statements Report – Cardiff & Vale of Glamorgan Pension Fund 2016/17.

The Audit Committee has received regular updates from WAO and this was led by Matthew Coe (Audit Manager) and continued by Phil Pugh when Matthew left his role as Audit Manager.

Additionally Audit Committee Members receive a number of other national and regional reports and studies from WAO in each meeting, with the key findings and messages communicated.

4.5 Internal Audit

The Committee continues to place reliance on the work of the Council's in-house Internal Audit Team. The Audit Committee approved the Internal Audit Charter on an annual basis in both March 2017 and March 2018. The Committee also approved the 2017/18 Internal Audit Plan and monitored its progress receiving revisions to the plan throughout the year. The Committee welcomed 80% completion of the Audit Plan by 31 March 2018 and it forms a good baseline for measuring performance in the future. The Committee has also approved the 2018/19 Audit Plan in March 2018. The Committee received the following key documents during the year:

- Internal Audit Quarterly Progress Reports
- Internal Audit Recommendation Tracker
- Internal Audit Annual Report
- Changes to key documents / policies.

The Management arrangements introduced in March 2016, where the Head of Finance has acted as Internal Audit Manager has continued throughout 2017/18. The Head of Finance has provided all necessary updates to Audit Committee, supported by two Group Auditors. The Audit Manager provides a functional reporting role to the Audit Committee and an administrative reporting role to the Corporate Director Resources. The Committee remains assured that the reporting safeguards are in place and remove the Head of Finance from involvement in the audits of the finance function.

Contained within the 2017/18 Audit Plan were four themed audits targeted to gain assurance in each directorate across the Council. The themed audits were Commissioning & Procurement, Effective Decision Making, Governance and Payroll. In addition, an Income audit was carried out across a wide sample of schools. The Audit Committee received a summary of recommendations against each directorate.

An overview of all issued audit reports has been provided to the Audit Committee but emphasis has been on recommendations particularly in respect of those rated as Red or Red / Amber. This year has seen the Audit Committee provided with detail of all audit recommendations and the associated management response and an update as to when the actions have been completed or remain due. This detail has been useful in providing assurance to the Committee that recommendations are acted upon and it is right that this Committee is used as an escalation point where actions are not progressed in sufficient time.

Internal Audit is required to be subject to an external review every five years in order to conform to the mandatory Public Sector Internal Audit standards. The Audit Manager of Rhondda Cynon Taf Council carried out this review during 2017/18. The Audit Committee received a presentation and a report in March 2018, which provided assurance that the Internal Audit function conformed to the standards. The Committee was informed that the Audit Manager for Cardiff Council had undertaken a PSIAS review for Swansea Council during 2017/18.

The Audit Committee also welcomed the opportunity to comment on the Council's revised draft Financial Procedure Rules and Contract Standing Orders & Procurement Rules prior to approval at Constitution Committee.

The Committee will receive a full year overview of audit work completed, and key messages, when the Internal Audit Annual Report is presented to the June 2018 meeting of the Audit Committee. This report will provide the Audit Manager's opinion on the Council's overall position in relation to risk, governance and internal control.

5. One-off Items

The Committee welcomed an initiative this year where each Director presents a summary overview of their areas of responsibility in respect to control, governance and risk

5.1 Education & Lifelong Learning

The Director of Education attended Audit Committee in September 2017 to report on School Governance and Financial Deficits.

It was reported that 13 schools (6 primary, 6 secondary and 1 Special) carried forward deficit balances into the financial year 2017/18, but each school and governing body had a Medium Term Financial Plan (MTFP) to balance the budget and finance officer support. In September 2017, the Director of Education provided assurance that every school in deficit had achieved a balanced in-year budget with no further increases in planned deficits. This matter continues to be monitored through the corporate risk register mechanism. Audit Committee showed a particular interest in that the number of schools holding balances in excess of £100,000, was the same as the number with a deficit. The Committee will continue to monitor the control of surplus balances in order to be satisfied that value for money principles are being upheld.

School governance has also continued to be highlighted as an area for improvement through the results of the internal audits undertaken and a Control Risk Self-Assessment (CRSA) audit process. Audit Committee continues to monitor the results of internal audit reports, together with the effectiveness of interventions where they have been required to improve financial management and governance. Where significant governance issues arise, then the Committee will consider asking that individual school to attend. The Committee continued to monitor progress against recommendations for those reported in the previous year.

5.2 City Operations

The Director of City Operations attended Audit Committee in November 2017 in order to report on the governance, management of risk and internal controls within the directorate. The Committee discussed contract monitoring arrangements in respect to the leisure contract undertaken by Greenwich Leisure Limited (GLL) and will look to ensure that the Council is taking active steps to monitor GLL's performance in discharging its contract going forward. Advice given to the Committee was that mitigations were in place to preserve the transport infrastructure estate.

5.3 Social Services

The Director of Social Services attended the Committee in January 2018 and summarised the directorate's management and mitigation against Directorate and Corporate Risks, an overview of the assurances set out in the Senior Management Assurance statement and details of the monitoring and implementation of recommendations made in reports received from Internal Audit. The Director set out the number of measures to identify risks for management attention. The Committee received assurance that the Directorate has a uniform Risk management structure that enables clear visibility of potential matters at all levels of the directorate.

The Director assured the Committee that the directorate management team take ownership of, and are responsible for, delivering actions against internal audit recommendations. There was great value placed on the Relationship Manager meetings held between the Group Auditor and the Director. The focus of challenge was primarily in respect to the timescales for implementation rather than the audit recommendations.

The Committee also noted that the director was retiring at the end of March 2018 and, whilst thanking him for all his efforts, expressed interest in the transitional arrangements to the new leadership structure. The Committee will be interested in ensuring that the new arrangements look to retain the strong governance arrangements in place and build on them going forward. The Committee expressed its gratitude and appreciation for his service to the Council.

5.4 Economic Development (incl. Commercial Services)

The Director of Economic Development attended the Committee in March 2018, and summarised the approach taken to managing governance and internal control within the directorate.

The Committee was advised that the Directorate has developed a clear structure and process for managing and monitoring its strategic and operational risks that are related to its responsibilities and commitments. Service risk registers have been developed across all teams with a focus on prompt risk identification.

The Directorate Management Team is actively engaged in a review of the Directorate Senior Management Assurance Statement. Overall, there is a strong application of governance and controls across the directorate with an improved position in terms of risk identification and management following the development of service risk registers for all teams across the directorate.

Many of the services within the directorate are income generating and the Committee was provided with an overview on how value for money is delivered with a focus on developing contracts and customer retention.

The Committee reviewed the audits completed in respect to the directorate and gained assurance that recommendations were implemented in a prompt and timely manner. The Committee probed the Director of Economic Development and Assistant Director, Commercial Services to gain assurance that Health & Safety is managed effectively and sought and gained assurance in how non-compliance issues were reported. The Committee fully appreciated the amount of work that has been undertaken over the last year in respect to assets and buildings (including schools) but also noted there was a lot more work to do and will look for an update during 2018/19.

The Committee enquired about the governance structures in place across the community when the city hosts large events. The Committee was informed that a stakeholder group was at the centre of the governance structure with representatives from business and the community, and that meetings were held both before and after each event.

5.5 Charging for Service and Generating Income

In September 2017, the Committee received a report from the Head of Finance outlining Cardiff's position against the All Wales position as outlined in the Wales Audit Office (WAO) study 'Charging for Services and Generating Income by Local Authorities'.

The Committee considered Cardiff performance against the All Wales average and looked to understand the reasons for the performance of some of the key indicators. The Committee wanted to understand the cost of generating income and considered whether some services had reached a level of income that could not be increased. The Committee noted that increasing income is not the only option available with the recent example of the transfer of leisure facilities to Greenwich Leisure Limited. The Committee determined that an annual report is to be presented each September to reflect this important line of enquiry.

6. Audit Committee Self-Assessment

In March 2018, Audit Committee held a self-assessment workshop, where a review of performance is held against a best practice CIPFA framework. A new version of the best practice CIPFA framework was due to be published in the autumn of 2017 but there had been delays, so the decision was taken to hold the self-assessment against the old framework. The new Framework has now been published and any key amendments will be reflected upon and updated by the Committee in June 2018.

The March 2018 assessment involved a review of good practice and effectiveness, as well as a progress review against the Audit Committee 2016/17 assessment. The assessment highlighted progress in defining the role and the terms of reference of the Audit Committee, regular review of the internal audit functions and a wider set of presentations from directors. The 2018 assessment provided Audit Committee with a good level of assurance in the delivery of its core role and function. The assessment results and the action plan of eight improvement actions are appended to this report.

The key areas of attention are looking for ways to engage Audit Committee with stakeholders and partners through the development of a Communication Plan, network engagement with other Audit Committees and building on the knowledge and skills we currently have within the Committee. The Committee is keen to have webcasting of meetings in order to communicate the importance of the work programme that we are undertaking.

As set out in the action plan for the self-assessment, the Committee is committed to its own development both as individual members and as a collective. Progress against the action plan will be presented to Audit Committee during the year.

7. Key Observations 2017/18

With the support of the Wales Audit Office, Internal Audit and other Council Officers, a Work Programme was developed setting out the priorities for the year. This centred on delivering the Audit Committee terms of reference with a focus on the significant risks and challenges facing the Council.

The Committee has concentrated on getting a detailed overview of directorates in order to inform future work programme. The Committee's line of enquiry was to gather assurance that there is a consistency of approach across directorates in response to the challenges of maintaining controls, displaying good governance and managing risks. This has enhanced the Committee's understanding of the services provided and the challenges faced. In addition, the Committee has had the opportunity to challenge and discuss actions taken in response to both External and Internal Audit Reports. It is recognised that the Council has continued to face severe financial challenges with an ongoing need to realise efficiencies and implement new service delivery approaches. It is vital that good governance is maintained. The Committee will continue to support the Council as it responds to these challenges.

8. Opinion of the Audit Committee for 2017/18

Based on the evidence presented to the Audit Committee during 2017/18, it is the considered view of the Committee that the Council does have, for the most part, 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 continues to have concerns, which will be incorporated into the Committee's Work Programme for 2018/19, include:

8.1 Budget Prioritisation / Control

The Audit Committee recognises the sustained financial pressure that the Council is under and has received reports detailing the challenges in respect to the prioritisation and control of budgets. Whilst the Committee notes that the overall financial position was projected to be balanced, there were some significant overspends projected across particular directorates. The Corporate Director Resources has reported the outturn position in each finance update at Audit Committee this year.

The Audit Committee continues to raise concern about directorates' ability to achieve budget savings proposals put forward, which will become an increasingly pressing issue as the financial parameters within which the Council operate become further constrained. It is positive that an increasing number of budget proposals are accompanied with detailed plans and the Committee will be interested in the level of savings achieved in 2018/19.

8.2 Financial / Internal Control

The continuing reduction in resources, together with a growing population and greater demand for public services, mean that the Council is facing significant challenges in how it delivers services in the future. A key enabler for meeting severe financial pressures is reforming and redesigning services. There is a clear need to ensure strong internal controls integrate 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.

The Committee's focus this year has been to invite each Director to account for their services in respect to risk management, governance and assurance of financial internal controls. In addition, the Audit Committee receives a regular list of completed audits with the assurance rating given for each. The Committee receives a list of all audit recommendations, which detail the action proposed, and whether or not the deadlines set will be met for implementation. Whilst the Audit Committee has an overall assurance of internal control we will continue to receive this information and use it in order to provide assurance that internal controls across the Council remain fit for purpose and, where not, are identified and mitigating action put in place quickly. The Committee will continue to hold 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.

The Audit Committee has approved the 2018/19 Audit Plan and will closely monitor its progress over the year. Particular attention will be given to seeing how officers have used the revised Financial Procedure Rules and Contract Standing Orders & Procurement Rules.

8.3 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 2017/18. Whilst the regular reports provide 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.

The Audit Committee will continue to look to gain assurance of sound treasury management practices and strategy. This is vital work, which will both safeguard and deliver best value from the Council's borrowing and investments. The Audit Committee has and will continue to satisfy itself that the levels and profiles of investments and borrowing throughout the year are appropriate and in line with the Treasury Management Practices, Strategy and Reports presented. This will continue to be a key area of focus going into 2018/19.

8.4 Schools Governance & Compliance

Historically, Audit Committee has raised concerns about governance and compliance matters in schools, which are responsible for a greater proportion of audit reports giving concern. This trend has improved in 2017/18 in particular across the themed audits that have been carried out, which sampled at least half of the schools in Cardiff. This wider sample, albeit on targeted areas of internal control, has provided a level of comfort but there remains more work to be done and this will continue to be a focus of Audit Committee in 2018/19.

The Committee acknowledges that the Council is not able to set rules for schools to adhere to regarding contracting matters, albeit advice can be offered on good practice. This area of interest remains a priority of the Audit Committee. The Audit Committee continues to support the production and use of best practice guidance in schools to strengthen financial stewardship and control.

9. Looking ahead to 2018/19

During the forthcoming municipal year, the Committee will continue to be guided by the Corporate Director Resources, the Audit Manager and the Internal and External Audit teams.

The Audit Committee's programme of work will continue to be aligned to delivering its terms of reference effectively. This will include monitoring the management of the existing matters highlighted in the 'Opinion of the Audit Committee 2017/18' as well any new issues, which require our attention.

The Committee's Work Programme will continue to ensure that its contribution to governance, risk management and control are maximised.

10. Audit Committee Membership 2017/18

The Committee consists of four Independent Lay Members and eight Non Executive Councillors, elected by Council (detailed in Annex 3). Independent members are appointed for no more than two administrative terms with Council Members reappointed annually.

The Committee is serviced by Council Officers, principally the Corporate Director Resources (Section 151 Officer), and the Audit Manager. Representatives from the WAO also attend Audit Committee meetings.

The Audit Committee met on 5 occasions throughout the municipal period 2017/18 on the following dates: 20 June 2017; 18 September 2017; 28 November 2017; 30 January 2018 and 27 March 2018.

11. Attendance in 2017/18

Attendance 2017/18	Possible	Actual
Independent Lay Members		
Ian Arundale (Chairperson)	5	3
Hugh Thomas (Deputy Chairperson)	5	5
David Price	5	5
Gavin McArthur	5	4
Non-Executive Councillors		
Councillor Phil Bale (appointed 29.06.17)	4	4
Councillor Jayne Cowan	5	5
Councillor Stephen Cunnah	5	4
Councillor Nigel Howells	5	4
Councillor Chris Lay (appointed 20.07.17)	4	4
Councillor Mary McGarry	5	4
Councillor Dianne Rees	5	5
Councillor Kanaya Singh (appointed 29.06.17)	4	4

All Councillor members received induction training prior to attending Audit Committee.

The Head of Finance provided an overview of the Committee's remit in line with the Committee's Terms of Reference. The Principal Auditor (Risk & Governance) provided an overview on governance and risk management, and the Operational Manager, Capital & Treasury, provided specialist training around the Committee's Treasury Management role.

12. Audit Committee Contacts

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Audit Committee Self-Assessment Action Plan

March 2018

Ref	Action	Target Date
1.	<p>Communications Plan</p> <p>Develop a Communications Plan for the Audit Committee.</p>	June 2018
2.	<p>Terms of Reference</p> <p>Consider modifying the Audit Committee terms of reference to be up to date with the best practice CIPFA template.</p>	June 2018
3.	<p>'Wider Functions' Review</p> <p>Review the 'wider functions' of an Audit Committee from the revised CIPFA guidance.</p>	January 2019
4.	<p>Audit Committee Induction</p> <p>Provide new Audit Committee Members with the best practice CIPFA guidance on the role of Audit Committees as part of the induction process.</p>	March 2018 - onwards
5.	<p>Chair's External Engagement</p> <p>Consider the external engagement activities available to the Chair of the Audit Committee to discuss assurance themes and emerging issues on a regional basis.</p>	September 2018
6.	<p>Knowledge and Skills Assessment</p> <p>Trial the CIPFA 'Audit Committee Members – Knowledge and Skills Framework'.</p>	January 2019
7.	<p>Assurance Map</p> <p>Consider the Internal Audit 'Assurance Map' as part of the Internal Audit Progress Report item.</p>	June 2018
8.	<p>Value for Money Assurance</p> <p>Audit Committee to be proactive in seeking assurance on value for money when Directors attend committee meetings.</p>	March 2018

Audit Committee Self-Assessment Results

March 2018

A) Self-Assessment of 'Effectiveness'

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

Areas the Audit Committee can add value by supporting improvement		Overall Assessment
1.	Promoting the principles of good governance and their application to decision making.	3
2.	Contributing to the development of an effective control environment.	4
3.	Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	3.5
4.	Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	3
5.	Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence.	4
6.	Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.	2
7.	Supporting the development of robust arrangements for ensuring value for money.	3
8.	Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	4
9.	Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.	3




B) Self-assessment of 'Good Practice'

Good practice questions		Yes	Partly	No
Audit committee purpose and governance				
1	Does the authority have a dedicated audit committee?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Does the audit committee report directly to full council? (Applicable to local government only.)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Is the role and purpose of the audit committee understood and accepted across the authority?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Are there arrangements to hold the committee to account for its performance operating satisfactorily?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?			
	• good governance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• assurance framework	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• internal audit	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• external audit	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• financial reporting	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• risk management	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• value for money or best value	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• counter-fraud and corruption.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11	Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Good practice questions		Yes	Partly	No
Membership and support				
12	<p>Has an effective audit committee structure and composition of the committee been selected?</p> <p>This should include:</p> <ul style="list-style-type: none"> • separation from the executive • an appropriate mix of knowledge and skills among the membership • a size of committee that is not unwieldy • where independent members are used, that they have been appointed using an appropriate process. 	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13	Does the chair of the committee have appropriate knowledge and skills?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14	Are arrangements in place to support the committee with briefings and training?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
16	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17	Is adequate secretariat and administrative support to the committee provided?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19	Has the committee evaluated whether and how it is adding value to the organisation?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20	Does the committee have an action plan to improve any areas of weakness?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Audit Committee Member Profiles

Current Membership

 <p>Ian Arundale (Chair) (Independent Lay Member)</p>	<p>Ian Arundale is a self-employed Law Enforcement and Security Consultant. He was a police officer for 32 years serving in South Wales, West Mercia and Dyfed-Powys Police Forces rising to the rank of Chief Constable.</p> <p>Ian was the UK lead on behalf of the Association of Chief Police Officers (ACPO) for 'Armed Policing' policy and practice and chaired the UK 'Conflict Management' portfolio.</p> <p>He works internationally and has recently assisted police forces and organisations in the USA and New Zealand.</p> <p>Ian holds a diploma in Applied Criminology from Cambridge University, an MSc (Econ) degree in Criminology and Criminal Justice from Cardiff University and a BA (Hons) degree in Police Studies. He is a Fulbright Fellow and a graduate of the Prime Ministers 'Top Management' programme.</p> <p>In addition to his role with work with Cardiff Council, he is also a member of the Discipline Committee of the Royal College of Veterinary Surgeons and a board member of the International Law Enforcement Forum (ILEF). He was awarded the Queens Police Medal (QPM) in 2011.</p>
 <p>Hugh Thomas (Deputy Chair) (Independent Lay Member)</p>	<p>Hugh Thomas, a retired Solicitor, pursued a Local Government career for forty years culminating in his being Chief Executive of Mid Glamorgan County Council (the largest local authority in Wales) for fifteen years. During this time, he served as Clerk to the South Wales Police Authority and Honorary Secretary of the Assembly of Welsh Counties. He retired in 1995.</p> <p>He has since chaired a number of public bodies and national voluntary organisations including those in the health and higher education sectors. He was Vice Chairman and Chair of the Audit Committee of the Wales Centre for Health. He was also a non-Executive Director of Welsh Water. He served as Chairman of The Regulatory Board for Wales 2010 – 2016.</p> <p>Currently, he is serving a second term as one of the fifteen Trustees of The National Library of Wales.</p>
 <p>David Price (Independent Lay Member)</p>	<p>David Price is a strategic planner and policy specialist in the UK education and knowledge exchange sector with executive-level experience.</p> <p>Educated at the universities of Sheffield and Newcastle-Upon-Tyne and at schools in the UK and abroad, David is a graduate of the Leadership Foundation for Higher Education's Top Management Programme.</p> <p>He has worked for two non-governmental public bodies and three universities, acted as a critical friend to educational agency sponsored initiatives, provided consultancy services and taught in secondary schools.</p> <p>David's professional interests focus on the development and creative use of performance systems, business intelligence, risk management, regulation and governance.</p>



Gavin McArthur
(Independent Lay Member)

Gavin McArthur is an experienced internal audit and governance professional and qualified accountant. He is currently a senior audit manager for the Halfords Group. Prior to this, he was Head of Governance and Assurance for the Ministry of Justice Estates Directorate. He has also held senior management roles in internal audit functions in local and central government. His professional experience and expertise lie in the fields of internal control, risk management, governance, internal audit, business case review, and performance management.

Following a degree in Geological Sciences from Birmingham University, Gavin qualified as a CIPFA accountant with Coventry City Council where he undertook a range of financial management and accounting roles, including audit.

A keen sportsman, who played semi-professional football, Gavin has coaching qualifications in rugby, goalkeeping and strength and conditioning. He currently coaches at a local rugby club and for a university football team, and is an experienced Tai chi practitioner.



Cllr Phil Bale
(Labour & Co-operative Councillor)

Serving the **Llanishen** Ward

Terms of Office: 03/05/2012 - 08/05/2017
08/05/2017 -

Serving on the following committees:

[Audit Committee](#)
[Council](#)



Cllr Jayne Cowan
(Conservative)

Serving the **Rhiwbina** Ward

Terms of Office: 03/05/2012 –

Serving on the following committees:

[Audit Committee](#)
[Council](#)
[Employment Conditions Committee](#)
[Glamorgan Archives Joint Committee](#) (Chairperson)



Cllr Stephen Cunnah
(Labour)

Serving the **Canton** Ward






Term of Office: 08/05/2017 –

Serving on the following committees:

[Appointment Committee](#)
[Audit Committee](#)
[Council](#)
[Glamorgan Archives Joint Committee](#)
[Policy Review and Performance Scrutiny Committee](#)
[Standards & Ethics Committee](#)

Outside Bodies:

[Chapter \(Cardiff\) Limited](#)

 <p>Cllr Nigel Howells (Liberal Democrats)</p>	<p>Serving the Adamsdown Ward.</p> <p>Term of Office: 03/05/2012 - 08/05/2017 08/05/2017 -</p> <p>Serving on the following committees: Audit Committee Council Economy & Culture Scrutiny Committee (Chair) Pensions Committee</p>
 <p>Cllr Chris Lay (Labour)</p>	<p>Serving the Trowbridge Ward.</p> <p>Term of Office: 08/05/2017 -</p> <p>Serving on the following committees: Audit Committee Council Environmental Scrutiny Committee Planning Committee</p> <p>Outside Bodies: Cardiff Bus</p>
 <p>Cllr Mary McGarry (Labour)</p>	<p>Serving the Plasnewydd Ward.</p> <p>Term of Office: 03/05/2012 –</p> <p>Serving on the following committees: Appointment Committee Audit Committee Community & Adult Services Scrutiny Committee (Chair) Council</p> <p>Outside Bodies: Cardiff Action for the Single Homeless (Huggard Centre) Standing Advisory Council for Religious Education (SACRE)</p>
 <p>Cllr Dianne Rees (Deputy Leader of the Conservative Group)</p>	<p>Serving the Pontprennau & Old St Mellons Ward.</p> <p>Term of Office: 03/05/2012 - 08/05/2017 08/05/2017 - 25/05/2018</p> <p>Serving on the following committees: Audit Committee Council Local Authority Governor Panel</p>
 <p>Cllr Kanaya Singh (Labour)</p>	<p>Serving the Riverside Ward.</p> <p>Term of Office: 08/05/2017 -</p> <p>Serving on the following committees: Audit Committee Children and Young People Scrutiny Committee Council</p>

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AUDIT COMMITTEE: 26 JUNE 2018

**AUDIT COMMITTEE SELF-ASSESSMENT 2017/18
ACTION PLAN AND FEEDBACK**

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 8.4

Reason for this Report

1. The Audit Committee is required to report to Council annually on its performance in relation to the terms of reference and the effectiveness in meeting its purpose. The Audit Committee Self-Assessment on the 27 March 2018 represents the 2017/18 review.
2. The Audit Committee Annual Report to Council will contain the results of the Audit Committee Self-Assessment. It will be considered as part of Audit Committee agenda item 8.2.

Background

3. The Audit Committee Self-Assessment was conducted in a workshop format, applying methodology from the CIPFA, 'Audit Committees – Practical Guidance for Local Authorities and Police, 2013'.
4. The workshop comprised assessments of good practice, effectiveness and a follow up of the 2016/17 action plan. Officers from Internal Audit, Governance and Risk Management and the Wales Audit Office facilitated the workshop.
5. CIPFA have published an incremental update to their guidance following the Self-Assessment workshop. The updated wording is included in bold text within the appended assessments to assist Audit Committee in concluding the review.

Issues

6. The Audit Committee Self-Assessment reported a positive overall position from the reviews of 'good practice' and 'effectiveness'. The assessment results and existing action plan review have been used to develop eight areas for improvement, in Appendix A.

Review of Good Practice

7. The assessment of good practice is included in Appendix B. It includes the assessed scores from the Audit Committee workshop, of which:
 - Seventeen areas were assessed as 'fully in place'
 - Two areas were assessed as 'partly in place'
 - One area, was assessed as 'not in place'
 - Five areas are new, and have not been assessed to date (in bold text).
8. The area reported as 'not in place', related to the commended approach to assessing the Audit Committee against the CIPFA knowledge and skills framework.

9. The areas reported as 'partly in place', were in recognition of opportunities to communicate the role, purpose and work of the Audit Committee more widely, and to consider the full range of potential roles of the Audit Committee going forward.

Review of Effectiveness

10. The assessment of Audit Committee effectiveness used a 5-point rating scale, ranging from 'no evidence', to 'clear evidence' of the work and support of Audit Committee to delivering improvement in a range of areas. The full assessment key and results are included in Appendix C.
11. Of the nine areas reviewed:
- Three areas were assessed at point 4, with clear evidence from some sources of the effective support for improvements
 - One area was assessed at point 2, reflecting the need to review governance and assurance in major projects and programmes and performance management
 - Five areas were assessed as having mixed experience and evidence of Audit Committee support.
 - There were no new assessment areas in the refreshed CIPFA guidance.
12. The Review has identified aspirational development opportunities for the financial year 2018/19 in the Audit Committee Action Plan.

Reason for recommendation

13. To enable the Audit Committee to approve an Action Plan for Audit Committee development.

Legal Implications

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

Financial Implications

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

Recommendation

16. Audit Committee to approve the Audit Committee Action Plan, reflecting on the results of the Self-Assessment workshop, and the CIPFA guidance update.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES

The following Appendices are attached:

Appendix A - Audit Committee Self-Assessment Action Plan
Appendix B - Good Practice Assessment, March 2018
Appendix C - Assessment of Effectiveness, March 2018

Audit Committee Self-Assessment Action Plan

March 2018

Ref	Action	Target Date
1.	<p>Communications Plan</p> <p>Develop a Communications Plan for the Audit Committee.</p>	June 2018
2.	<p>Terms of Reference</p> <p>Consider modifying the Audit Committee terms of reference to be up to date with the best practice CIPFA template.</p>	June 2018
3.	<p>'Wider Functions' Review</p> <p>Review the 'wider functions' of an Audit Committee from the revised CIPFA guidance.</p>	January 2019
4.	<p>Audit Committee Induction</p> <p>Provide new Audit Committee Members with the best practice CIPFA guidance on the role of Audit Committees as part of the induction process.</p>	March 2018 - onwards
5.	<p>Chair's External Engagement</p> <p>Consider the external engagement activities available to the Chair of the Audit Committee to discuss assurance themes and emerging issues on a regional basis.</p>	September 2018
6.	<p>Knowledge and Skills Assessment</p> <p>Trial the CIPFA 'Audit Committee Members – Knowledge and Skills Framework'.</p>	January 2019
7.	<p>Assurance Map</p> <p>Consider the Internal Audit 'Assurance Map' as part of the Internal Audit Progress Report item.</p>	June 2018
8.	<p>Value for Money Assurance</p> <p>Audit Committee to be proactive in seeking assurance on value for money when Directors attend committee meetings.</p>	March 2018

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Good Practice Assessment March 2018

Good practice questions		Yes	Partly	No	Improvement Actions
Audit committee purpose and governance					
1	Does the authority have a dedicated audit committee?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
2	Does the audit committee report directly to full council? (Applicable to local government only.)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
4	Is the role and purpose of the audit committee understood and accepted across the authority?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	1. Communications Plan.
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
6	Are there arrangements to hold the committee to account for its performance operating satisfactorily?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Functions of the Committee					
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?				2. Terms of Reference.
	• good governance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	• assurance framework , including partnerships and collaboration arrangements	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	• internal audit	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	• external audit	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	• financial reporting	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	• risk management	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	• value for money or best value	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	• counter-fraud and corruption	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
• Supporting the Ethical Framework	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
9	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	3. 'Wider Functions' review. 4. Audit Committee Induction.
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
11	Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Membership and support					

12	<p>Has an effective audit committee structure and composition of the committee been selected?</p> <p>This should include:</p> <ul style="list-style-type: none"> • separation from the executive • an appropriate mix of knowledge and skills among the membership • a size of committee that is not unwieldy ▪ where independent members are used, that they have been appointed using an appropriate process. consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement) 	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
13	Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council or the PCC and chief constable as appropriate for the organisation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
14	Does the chair of the committee have appropriate knowledge and skills?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5. Chair's External engagement.
15	Are arrangements in place to support the committee with briefings and training?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
16	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	6. Knowledge and Skills Assessment.
17	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
18	Is adequate secretariat and administrative support to the committee provided?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Effectiveness of the Committee					
19	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
20	Are meetings effective with a good level of discussion and engagement from all the members?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
21	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
22	Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
23	Has the committee evaluated whether and how it is adding value to the organisation?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
24	Does the committee have an action plan to improve any areas of weakness?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
25	Does the committee publish an annual report to account for its performance and explain its work?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Assessment of Audit Committee Effectiveness.

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

Areas the Audit Committee can add value (by supporting improvement)		Overall Assessment	Improvement Actions
1.	<p>Promoting the principles of good governance and their application to decision making.</p> <p>Examples</p> <ul style="list-style-type: none"> ▪ Supporting the development of a local code of governance. ▪ Providing robust review of the AGS and the assurances underpinning it. ▪ Working with key members/governors/PCC and chief constable to improve their understanding of the AGS and their contribution to it. ▪ Supporting reviews/audits of governance arrangements. ▪ Participating in self-assessments of governance arrangements. ▪ Working with partner audit committees to review governance arrangements in partnerships. 	3	1. Communications Plan.
2.	<p>Contributing to the development of an effective control environment.</p> <p>Examples</p> <ul style="list-style-type: none"> ▪ Actively monitoring the implementation of recommendations from auditors. ▪ Encouraging ownership of the internal control framework by appropriate managers. ▪ Raising significant concerns over controls with appropriate senior managers. 	4	

	<ul style="list-style-type: none"> ▪ Reviewing risk management arrangements and their effectiveness, e.g. risk management benchmarking. ▪ Monitoring improvements ▪ Holding risk owners to account for major/strategic risks 		
3.	<p>Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.</p> <p>Examples</p> <ul style="list-style-type: none"> ▪ Reviewing risk management arrangements and their effectiveness, e.g. risk management benchmarking. ▪ Monitoring improvements ▪ Holding risk owners to account for major/strategic risks 	3.5	
4.	<p>Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.</p> <p>Examples</p> <ul style="list-style-type: none"> ▪ Specifying its assurance needs, identifying gaps or overlaps in assurance ▪ Seeking to streamline assurance gathering and reporting ▪ Reviewing the effectiveness of assurance providers, e.g. internal audit, risk management, external audit 	3	7. Assurance Map.
5.	<p>Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence.</p> <p>Examples</p> <ul style="list-style-type: none"> ▪ Reviewing the audit charter and functional reporting arrangements. ▪ Assessing the effectiveness of internal audit arrangements, providing constructive challenge and supporting improvements. ▪ Actively supporting the quality assurance and improvement programme of internal audit 	4	
6.	<p>Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.</p> <p>Examples</p> <ul style="list-style-type: none"> ▪ Reviewing how the governance arrangements support the achievement of sustainable outcomes. ▪ Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place. ▪ Reviewing the effectiveness of performance management arrangements 	2	7. Assurance Map

7.	<p>Supporting the development of robust arrangements for ensuring value for money.</p> <p>Examples</p> <ul style="list-style-type: none"> ▪ Ensuring that assurance on value for money arrangements is included in the assurances received by the audit committee. ▪ Considering how performance in value for money is evaluated as part of the AGS. 	3	8. Value for Money assurance.
8.	<p>Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.</p> <p>Examples</p> <ul style="list-style-type: none"> ▪ Reviewing arrangements against the standards set out in CIPFA's <i>Managing the Risk of Fraud (Red Book 2) the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)</i> ▪ Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks. ▪ Assessing the effectiveness of ethical governance arrangements for both staff and governors. 	4	
9.	<p>Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.</p> <p>Examples</p> <ul style="list-style-type: none"> ▪ Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English. ▪ Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encourages greater transparency ▪ Publishing an annual report from the committee. 	3	1. Communications Plan.

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Cardiff Council

Audit Committee Update – June 2018

Performance Audit work

2017-18 performance audit work	Scope	Status
Performance Audit	Checks Council compliance with Local Government Measure (Wales) 2009 requirement to set improvement objectives.	Certificate issued September 2017
Improvement Plan Audit	Checks Council compliance with Local Government Measure (Wales) 2009 requirement to publish a self-assessment of performance in the previous year by 31 October.	Certificate issued November 2017
Annual Improvement Report (AIR)	Annual report summarising the audit work undertaken in the last year which also includes a summary of the key findings from reports issued by 'relevant regulators'	Planning
WFG Year one commentary	Year one commentary on WFG/Baseline Gather evidence on how the 44 bodies are beginning to respond to the requirements of the WFG Act and identify examples of notable emerging practice. There was no local report, the baseline informed a commentary published summer 2018.	Complete. Link to our published national report.
Overview and Scrutiny – Fit for the Future	This review examined the impact of the WFG Act on the work of scrutiny committees including PSB scrutiny, facilitating improvement and sharing of good practice.	Fieldwork complete. Draft report issued to Council.

2017-18 performance audit work	Scope	Status
Service User Review	To gather evidence and insight into the extent to which services respond to the needs and expectations of service users both in their design and delivery.	Reporting. This work focused on the Council's housing tenants and supplemented the WHQS review below. It included a telephone survey of a sample of the Council's housing tenants.
Digital transformation workshops	The purpose of this review is to assist the Council in understanding and addressing current challenges in implementing its digital change programme with the aim of supporting the development of corporate ownership and action that promotes positive practices. Implementation of this review will bring the opportunity to refine current arrangements in the Council by promoting what is working well, identifying any barriers to change and developing local improvement opportunities.	Workshops held with sample of staff. Verbal feedback provided to Chief Digital Officer. Arrangements being made to feedback to senior management team.
Housing/WHQS Local Project	To determine whether the Council has effective arrangements in place to enable it to engage with residents in meeting the WHQS by 2022.	Fieldwork complete. Drafting report.
Digital Risk	An overview of the level of digital risk the Council faces. The diagnostic will be used by the Wales Audit Office to identify 'potential' digital risks and issues at the Council. Potential risks identified will be used to focus auditors on areas where further, more specific Information management and technology related performance work might be needed.	Fieldwork being arranged.

2018-19 performance audit work	Scope	Status
Improvement Plan audit	Checks Council compliance with Local Government Measure (Wales) 2009 requirement to publish a self-assessment of performance in the previous year by 31 October.	Certificate issued to Council May 2018
Performance Plan audit	Checks Council compliance with Local Government Measure (Wales) 2009 requirement to set improvement objectives.	Not started. Due October/November 2018
Annual Improvement Report (AIR)	Annual report summarising the audit work undertaken in the last year which also includes a summary of the key findings from reports issued by ‘relevant regulators’	Not started. Likely timescales June/July 2019
Environmental health	Review of the arrangements the Council has put in place to deliver environmental health services building on the study previously undertaken by the Auditor General as part of the ‘delivering with less’ themed studies.	Planning
Leisure services	Review of the arrangements the Council has put in place to deliver leisure services building on the ‘study previously undertaken by the Auditor General as part of the ‘delivering with less’ themed studies.	Planning
Corporate safeguarding arrangements	Review of the effectiveness of corporate safeguarding arrangements building on the study previously undertaken by the Auditor General in this area.	Planning
Delivering Capital Ambition	Ongoing review and monitoring of the Council’s change programme.	Planning
Assurance and risk assessment	Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources.	Planning
Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations	Examination of the extent to which the Council has acted in accordance with the sustainable development principles when taking steps to meet the following wellbeing objective:	Planning

	Cardiff has a high quality city environment where population growth and transport needs are managed sustainably	
2016-17 Local Government Studies	Scope	Status
Improving wellbeing through housing adaptations	We reviewed how adaptations prevent access to and speed up discharge from hospitals. The work looked at how health use adaptations to underpin their activity as well as how efficient and effective organisations are at procuring and delivering adaptations work.	Report published February 2018. Link to our published report. Cardiff was not selected to take part in the detailed fieldwork of this study
Strategic commissioning of learning disability services by local authorities	Fieldwork focused on both the corporate approach to strategic commissioning but also use findings from the tracer area to understand how effective operational arrangements are. We worked with CSSIW and SSIA and built on recent national inspection and support work on learning disabilities.	Report published May 2018. Link to our published report. Cardiff was selected to take part in the detailed fieldwork of this study.
How local government manages demand - Homelessness services	The study focused on homelessness in local authorities using the recent prevention duties placed on local authorities to judge how demand for services is managed.	Report published January 2018. Cardiff was not a fieldwork site. Link to our published report.

2017-18 Local Government Studies	Scope	Status
<p>Services to rural communities</p>	<p>The study will focus on whether local government uses its resources to deliver services that meet the needs of rural communities today and in the longer term.</p>	<p>In progress. Cardiff has not been selected to take part in the detailed fieldwork of this study.</p>
<p>Using data effectively</p>	<p>This study will seek to identify whether councils’ corporate management arrangements for managing and using data are leading to better decision making in the use of resources.</p> <p>The study will collect information from all councils in Wales.</p> <p>A short survey was issued to the following respondents across all councils in Wales</p> <ol style="list-style-type: none"> 1. corporate management teams 2. ICT Managers 3. Information Officers 4. Policy Officers 5. Operational Managers 6. and Elected Members <p>The survey closed on 15th December. Face-to-face or telephone interviews with officers undertaken.</p>	<p>In progress.</p>

2018-19 Local Government Studies	Scope	Status
<p>First point of contact assessments under the Social Services and Well-being (Wales) Act 2014</p>	<p>The Welsh Government introduced the Social Services and Well-being (Wales) Act 2014 (the 2014 Act), which focuses on reforming and simplifying the law relating to social services. The 2014 Act introduced new duties for local authorities, local health boards and other public bodies and covers adults, children and their carers, and came into force on 6 April 2016. The study will review first point of contact and assessments for adult social care.</p> <p>Detailed fieldwork in five local authorities. We are planning to undertake fieldwork in Cardiff City Council, Denbighshire County Council, Merthyr Tydfil County Borough Council, Pembrokeshire County Council and Carmarthenshire County Council</p>	<p>Project set up</p>
<p>Tackling violence against women, domestic abuse and sexual violence</p>	<p>In 2015 the Welsh Government passed the Violence against Women, Domestic Abuse and Sexual Violence (Wales) Act (the 2015 Act). The overarching objective of the 2015 Act is to improve the Public Sector response to violence against women, domestic abuse and sexual violence; provide a strategic focus on these issues; and ensure consistent consideration of preventative, protective and supportive mechanisms in the delivery of services. The review will focus on determining whether local authorities and their partners are effectively working together to prevent gender-based violence and domestic abuse, and protecting all of the people involved.</p> <p>Our fieldwork sites are Swansea City and County Council, Conwy County Borough Council, Flintshire County Council, Rhondda Cynon Taff County Borough Council, South Wales Police and South Wales Fire and Rescue Authority</p>	<p>Project set up</p>
<p>Planning Services: Improving the wellbeing of Wales</p>	<p>Planning services are an important part of the democratic jigsaw that allows the detailed consideration of proposals to improve the economic</p>	<p>Project set up</p>

prospects of the nation. Good planning decisions can have a positive impact on the wellbeing of people and places. Poor planning decisions can have a detrimental impact on people’s wellbeing and can stifle economic development. This study will provide independent assurance that planning authorities are supporting sustainable development and delivering for the future long-term wellbeing of their communities and for Wales

We are planning to undertake fieldwork in Bridgend County Borough Council, Gwynedd County Council, Newport City Council, Torfaen County Borough Council and Ceredigion County Council.

Page 323

National Studies	Update and link to report
Waste management	Recycling module (clearance); waste prevention and waste treatment infrastructure modules (drafting)
NHS Wales informatics services	Published 10 January 2018. Link to published report
Access to public services with the support of specialist interpretation and translation	Published 25 April 2018. Link to published report
Early intervention and public behaviour change	Drafting
Welsh Government business finance	Drafting (phase 1)
Primary care	Published April 2018. Link to published report
Youth services	Fieldwork
Rural Development Programme 2014-2020	Drafting
European Structural Funds Programme 2014-2020	Drafting
Integrated Care Fund	Fieldwork

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AUDIT COMMITTEE: 26 JUNE 2018

**TREASURY PERFORMANCE REPORT – POSITION AT 31 MAY
2018**

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 10.1

Appendix 1 and 2 of this report is not for publication as it contains exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972.

Reason for this Report

1. The Audit Committee Terms of Reference sets out their responsibility for undertaking scrutiny of the accounting, audit and commercial issues in relation to the Council's Treasury Management Strategy and practices.
2. This report has been prepared to provide Audit Committee Members with performance information and a position statement on Treasury Management as at 31 May 2018.
3. The report includes examples of benchmarking information that compares the Council's maturity profile of borrowing over set periods with that of other authorities where available.

Background

4. Appendix 1 provides the Committee with position statements on investments and borrowing at 31 May 2018. There is deemed to be little change for Audit Committee to note since the previous position statement for 28 February 2018 received by Audit Committee in March 2018.

Performance

5. At 31 May 2018, investments total £99.3 million. The budgeted level of interest receivable from treasury investments is £275,000 with this forecast for the year to be updated at Month 4 Budget Monitoring.
6. Borrowing is £692.8 million, with the average rate being 4.64%. The total interest forecast to be payable is shown as that initially budgeted, £32.4 million.
7. The budgeted level of internal borrowing at 31 March 2019 is £80 million. The projections for this and interest will be updated at Month 4 Monitoring to reflect assumptions re external borrowing planned to be undertaken in

2018/19. If borrowing is not undertaken or taken later in the year, then the value of interest expense will be less than budgeted.

Investments

8. 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.
9. 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 2018 by a colour coding which indicates the perceived strength of the organisation.
10. 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.
11. 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

12. Since the February 2018 performance report, £0.5 million of Salix loans have been repaid.
13. As set out in the Council's Treasury Management Strategy for 2018/19, further external borrowing is required in 2018/19, with initial estimates that the borrowing requirement would be £80 million i.e. the difference between the closing Capital Finance Requirement and the level of external borrowing with no new borrowing at 31 March 2019.
14. The timing and quantum of any new external borrowing will be considered in conjunction with the Council's treasury advisors, having regard to forecasts for interest rates and performance in delivering the capital programme. Updates would be provided in future reports to Committee.
15. Committee have previously raised concerns about the maturity profile of the Council's debt particularly in relation to a spike in the long term. The difficulty in repaying debt due to financial penalties currently in place by

PWLB have been previously noted. Whilst there are risks in comparing with other local authorities, Appendix 2 shows some benchmarking undertaken comparing maturity profiles of debt over different periods. This shows, that the Council's profile within bands of years is not too dissimilar to those used in comparison.

Reason for Report

16. To provide Audit Committee Members with a performance position statement at 31 May 2018.

Legal Implications

17. No direct legal implications arise from this report.

Financial Implications

18. Treasury management activities undertaken by the Council are governed by a range of policies, codes of practice and legislation. This report and appendices indicates the treasury management position at one point in time and makes a number of assumptions in forecasts which will be updated in future reports. The report provides a tool for indicating to Members the treasury position. Future reports will highlight main changes since this report.

RECOMMENDATIONS

19. That the Treasury Performance Report for 31 May 2018 be noted.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
20 June 2018

The following appendix is attached

Appendix 1 – Statement of investments as at 31 May 2018

Appendix 2 – Maturity profile of borrowing - Benchmarking

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

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

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AUDIT COMMITTEE: 26 JUNE 2018

INTERNAL AUDIT ANNUAL REPORT 2017-18

REPORT OF THE HEAD OF FINANCE

AGENDA ITEM: 11.1

Reason for this Report

1. The Audit Committee's new Terms of Reference requires that Members consider reports from the Audit Manager on Internal Audit's performance during the year.
2. At the end of each financial year, a report is prepared providing an overview of the approach adopted to audit assignments, and detailing the work undertaken by the Audit teams over the past 12 months. This is shared with the Section 151 Officer and Audit Committee.

Background

3. The Internal Audit Charter 2017-18 and the Audit Plan 2017-18, were reported to the Audit Committee on 14 March 2017, outlining the work plan for the Audit Section. During the year, the Audit Committee have received progress reports which details Internal Audit's progress against the Audit Plan.
4. 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.
5. The Annual Report (attached at Annex 1) sets out the annual reporting process, provides a review of internal control and the opinion of the Chief Audit Executive. The report also contains a summary of work performed and the productivity performance of the Internal Audit function as of 31 March 2018.

Issues

6. The Council has a duty to maintain an adequate and effective system of internal audit of its accounting records and internal control. In addition, the Council has a duty to prepare an annual governance statement. The Council's Draft Annual Governance Statement (AGS) is considered later in this Committee's meeting under the item for the Draft Statement of Accounts. Contained within the draft AGS will be the annual internal audit opinion, as stated in the Annual Report.
7. The report sets out that, based on the programme of audit work undertaken and review of key governance documents, the application of the overall framework for control within the Council for 2017/18 is effective with opportunity for improvement.

Section 2 of the Report contains the opinion and sets out the rationale of how internal control has been reviewed and improvements have been put in place, such as the updating of the Council's financial Procedure Rules and Contract Standing Orders & Procurement Rules.

8. Sections 3 and 4 set out a summary of work performed, details of audit reports issued and the progress made against recommendations made. The Annual Report highlights the issuing of 125 audit reports resulting in 442 recommendations. A key success factor is that 100% red recommendations, from 2017-18, have been actioned. The progress of red / amber recommendations, which is currently 54.8%, will be reported in September's audit Committee.
9. The Internal Audit function remains committed to delivering the highest professional standards and the Annual Report details the methods and key performance measures. The report highlights that for the majority of the year 80% of all audit reports were delivered within six weeks. Audit Customer feedback continues to be positive overall with 88% of responses identifying that audit offered added value to managers.
10. In addition to the overview of work undertaken, and its outcomes provided by the Annual Report, a peer review of internal audit has been conducted by the Chief Audit Executive of RCT, who judged the Cardiff Internal Audit function to be conforming to the Public Sector Internal Audit Standards. Significant investment is also being made in the Internal Audit Team with four auditors currently being supported towards the Institute of Internal Auditors qualification. This investment will provide a level of resilience to the internal audit function going forward.

Reasons for Recommendations

11. To provide Audit Committee Members with an overview of Internal Audit activity during 2017-18.

Legal Implications

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

Financial Implications

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

RECOMMENDATIONS

14. That the Committee note the report.

IAN ALLWOOD
Head of Finance
26 June 2018

The following reports are attached:

Annex 1 - Internal Audit Annual Report 2017-18

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Internal Audit Annual Report 2017/18



MISSION STATEMENT

To enhance and protect organisational value, through the provision of risk based objective assurance and advice

CONTENTS PAGE

1	<u>INTRODUCTION</u>	2
	The Annual Reporting Process	2
	Requirement for Internal Audit	2
	Independence and Objectivity	3
2.	<u>REVIEW OF INTERNAL CONTROL AND OPINION</u>	3
	Opinion 2017/18	3
	How internal control is reviewed	4
3.	<u>SUMMARY OF WORK PERFORMED</u>	8
4.	<u>QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME</u>	11
	Reports to Audit Committee	11
	Quality Assurance and Improvement	11
	Post Audit Assessment & Customer Feedback	12
	Audit Recommendations	13
	Benchmarking	14
	Self-Assessment and Peer Review	15
	Internal Audit Team Resources	16
	Continuing Professional Development	16
	Experience and Qualifications	17
5.	<u>CONCLUSIONS</u>	17
	Appendices	
	Appendix A - Audit Reports Issued	19
	Appendix B - Work Areas where Audit Report is not prepared	25

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1. INTRODUCTION

The Annual Reporting Process

- 1.1. As set out in the Public Sector Internal Audit Standards (PSIAS), a professional, independent and objective internal audit service is one of the key elements of good governance, and its mission is defined (as at March 2018) as:

“To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.”

- 1.2. Management is responsible for the system of internal control and must set in place policies and procedures to ensure that the internal controls are functioning correctly. Internal Audit acts as an assurance function providing an independent and objective opinion on the Council’s control environment by evaluating its effectiveness in achieving objectives.
- 1.3. The Audit Committee’s terms of reference includes the consideration of the Council’s arrangements relating to internal audit, including the annual internal audit report and monitoring the performance of the Internal Audit section.
- 1.4. The annual report gives an overview of audit performance during 2017/18, seeks to provide an opinion on the adequacy of the control environment in Cardiff Council, and report the incidence of any significant control weaknesses. This report is prepared by the Head of Finance who is responsible for the Internal Audit and Investigations Teams. For ease of reference, the term “Audit Manager” will be used in this report in order to outline the responsibilities of the role.
- 1.5. The annual report includes:
- (a) The Audit Manager’s opinion on the Council’s control environment;
 - (b) A summary of the work that supports the opinion; and
 - (c) A statement on conformance with the PSIAS and the results of the Quality Assurance and Improvement Programme.

Requirement for Internal Audit

- 1.6. The Council has a duty to maintain an adequate and effective system of internal audit of its accounting records and system of internal control. The Council also has a duty to prepare an annual governance statement.
- 1.7. The Audit Manager (the Chief Audit Executive – CAE - for the purpose of the Standard) must provide an annual internal audit opinion and report, timed to support the Annual Governance Statement.

The PSIAS specifies that the annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. In doing so, the Audit Manager undertakes an assessment of the adequacy of the controls in place to support the achievement of management and corporate objectives.

Independence and Objectivity (PSIAS standard 1100)

- 1.8. Organisational independence is effectively achieved in Cardiff Council as the Audit Manager reports administratively to the Corporate Director, Resources but has direct reporting access to the Chief Executive, the Chair of Audit Committee and all elected Members as he considers appropriate.
- 1.9. Internal Auditors are required to undertake audits in line with the provision of the PSIAS and in accordance with the Codes of Ethics of any professional bodies of which they are members. The importance of independence is communicated to auditors and care is taken to ensure that all audit work is undertaken in an independent and objective manner.
- 1.10. The PSIAS stipulate that any conflicts of interest or impairment to independence or objectivity must be disclosed and, each year, all members of the Internal Audit section are required to complete a Staff Declaration Statement (and update it if circumstances change during the year). This identifies any potential conflict of interest that any member of the Audit team may have, which is considered when assigning audits.

2. REVIEW OF INTERNAL CONTROL AND OPINION

Opinion 2017/18 (PSIAS standard 2450)

- 2.1 The PSIAS state that the "Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement." This must be based upon an objective assessment of the framework of governance, risk management and control. It must also include an evaluation of the adequacy and effectiveness of controls in responding to risks within the governance, operations and information systems.
- 2.2 This opinion has been prepared by the Audit Manager, based on the provisions of the PSIAS. In preparing and forming this opinion, assurance has been taken from a number of sources, including:
 - *Internal Audit Assignments* – work undertaken as prioritised within the annual audit plan. Each assignment is risk based to deliver added value and to maximise resources. This does include some unplanned audits, undertaken at the request of Senior Management.
 - *Selected Value For Money studies.*

- *Discussion with Senior Managers* – relationship manager meetings are held on a quarterly basis with Directors, and the Audit Manager holds regular meetings with the Corporate Director Resources / Section 151 Officer and the Chief Executive.
- *Consultancy* - advice and guidance offered generally or in specific matters, including the design and development of new systems, such as Procure to Pay (P2P) and Corporate Landlord.
- *Risk & Governance* – work undertaken auditing the co-ordination of the Corporate Risk Register, the Annual Governance Statement and associated documents, and the use of these documents to inform the audit planning process. Other work has also been undertaken on areas of corporate governance (such as ethics and values and performance management).

2.3 Based on the programme of audit work undertaken and considered review of the key governance documents e.g. the Corporate Risk Register and Annual Governance Statement, it is considered that the application of the overall framework for control within the Council for 2017/18 is **effective with opportunity for improvement**. 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 noted that a number of audits have been given an audit opinion of “insufficient with major improvement needed” with one audit being given “unsatisfactory”. Work will continue to be undertaken to monitor the implementation of the recommendations and assess improvements in the controls in these areas.

How internal control is reviewed

2.4 Internal Audit uses a risk-based approach to audit, in accordance with Section 2010 of the PSIAS. The Council’s Corporate Risk Register was used to form the basis of the annual audit plan for 2017/18 and assurance obtained from both within and outside the Council to ensure that suitable audit time and resources are devoted to the more significant areas. This risk based approach to audit planning captures emerging risks and issues and results in a comprehensive range of audits that are undertaken to support the overall opinion on the control environment. Detail on the risk-based methodology to the development of the audit plan was presented to Members at the March 2018 meeting of the Audit Committee and more details on the assurance mapping process will be provided at a future meeting.

2.5 For 2017/18, the audit assurance opinion definitions were used as outlined in the table for all system and governance audits. These opinions are based on definitions set out by the Institute of Internal Auditors (IIA).

Assurance level	Definition
-----------------	------------

Effective	<ul style="list-style-type: none"> • The controls evaluated are adequate and appropriate • The control environment appears sound to provide reasonable assurance that all high level risks are adequately controlled • No findings noted (or a small number of low risk recommendations)
Effective with opportunity for improvement	<ul style="list-style-type: none"> • A few specific control weaknesses and/or opportunities for improvement were noted • Controls evaluated are otherwise adequate and appropriate to provide reasonable assurance that risks are adequately controlled
Insufficient with major improvement needed	<ul style="list-style-type: none"> • Some high level risks are not adequately controlled • Numerous specific control weaknesses were noted • Although immediate soundness and safety are not threatened, the control environment requires improvement as it does not provide reasonable assurance that all high level risks are adequately controlled • There may be a risk of exposure to fraud or security vulnerabilities
Unsatisfactory	<ul style="list-style-type: none"> • The control environment is not adequate and is below standard • The control environment is considered unsound • A lack of attention could lead to significant losses

2.6 The table below sets out the Red / Amber / Green (RAG) ratings given for recommendations.

Rating	Criteria
Red	<p>This is a high priority issue and immediate attention is required. This is a serious internal control or risk management issue that, if not mitigated, may (with a high degree of certainty) lead to:</p> <ul style="list-style-type: none"> • Substantial losses, possibly in conjunction with other weaknesses in the control framework or the organisational entity or process being audited • Serious violation of Council strategies, policies or values • Serious reputational damage • Significant adverse or regulatory impact, such as loss of operating licenses or material fines <p>Examples are:</p> <ul style="list-style-type: none"> • A policy / procedure does not exist for significant Council processes • Preventative, detective and mitigating controls do not exist • Council reputation or financial status is at risk • Fraud or theft is detected • Council is not in compliance with laws and regulations
Red / Amber	<p>This is a medium priority issue and timely management action is warranted. This is an internal control or risk management issue that could lead to:</p> <ul style="list-style-type: none"> • Financial losses • Loss of controls within the organisational entity or process being audited • Reputation damage • Adverse regulatory impact, such as public sanctions or immaterial fines <p>Examples are:</p> <ul style="list-style-type: none"> • A policy exists but adherence is inconsistent • Preventative and detective controls do not exist, but mitigating controls do exist • The Council's compliance with laws and regulations requires additional evaluation and review • There is a possibility of inappropriate activity
Amber / Green	<p>This is a low priority issue and routine management attention is warranted. This is an internal control or risk management issue, the solution to which may lead to improvement in the quality and / or efficiency of the organisational entity or process being audited.</p> <p>Examples are:</p> <ul style="list-style-type: none"> • A policy exists, but was not adhered to on an exception basis • Preventative controls do not exist, but detective and mitigating controls exist • There is a remote possibility of inappropriate activity
Green	Best practice

- 2.7 Audits continue to highlight system weaknesses in some areas and / or compliance issues which identify further opportunities to enhance control. This Council has over the last five years lost a considerable number of officers with experience and knowledge, resulting in process and role changes in order to absorb the impact. The pressure to change services due to constrained financial resources being available is bringing with it new challenges and risks that need to be managed.
- 2.8 Some of the resources allocated for the audit plan in 2017/18 were used to audit four themes across the Council, with an additional theme in Education. These were:
- (a) Payroll
 - (b) Commissioning and Procurement
 - (c) Governance
 - (d) Effective Decision Making
 - (e) Income (Education only).
- 2.9 Key issues coming from the themed audits have been reported to meetings of the Audit Committee during the year, apart from those related to effective decision making which will be reported in the progress report for Q1.
- 2.10 Internal Audit continues to provide training on internal control as part of the Cardiff Manager Programme. This training provides a platform in raising awareness with managers around these key areas of governance and has helped clarify and set out their responsibilities for leading on compliance.
- 2.11 Internal Audit has also been involved in the updating of the Council's Financial Procedure Rules and Contract Standing Orders & Procurement Rules, both of which were presented to the Audit Committee for comment in January 2018. The Council's Constitution Committee approved the new documents in March 2018 and they will come into force in July 2018. Training on the new Rules will be offered to officers in May and June 2018 and Internal Audit will support these training sessions. Whilst the training sessions are not mandatory, the attendance of each directorate will be discussed with directors in their audit relationship manager meetings when discussing internal control risk.

3. SUMMARY OF WORK PERFORMED

- 3.1 Internal Audit, as defined in the PSIAS, encompasses the whole internal control system and is not limited to financial controls. It is defined as helping “... *an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.*”
- 3.2 The range of functions provided throughout the year is as outlined in the Audit Charter, considered by the Audit Committee as part of the Audit Strategy at its meeting in January 2017 and agreed in March 2017.
- 3.3 Details of all audits and audit opinions, together with other tasks performed and key performance indicators, are reported quarterly to the Chief Executive and Section 151 Officer and at each meeting of the Audit Committee so officers and members are regularly updated and aware of any matters arising from audit work.
- 3.4 The early part of the year suffered from long term sickness absences and vacant posts that took a while to be filled. Whilst this impacted on the delivery of the audit plan mitigations were put in place such as additional resource, smarter working and review of the audit plan. Regular reports were presented to Audit Committee outlining the changes made to the plan during the year and to provide an assurance that there was full coverage of the Council’s internal control environment.
- 3.5 A summary of the final reports issued by Internal Audit during 2017/18 (and those at draft status at the year end) is attached as **Appendix A**. Not all assignments recorded as being completed will result in a written report or briefing paper (and these therefore will not be listed in Appendix A), and this work will support other audits / investigations or areas of review.
- 3.6 The overall level of audits reported is slightly higher than in the last two years due to the number of schools sampled in the thematic reviews. The number of audits undertaken has reduced over those in previous years partly because of the move to thematic reviews, but also the increased use of assurance mapping to focus on areas of greater risk to the Council’s overall control environment.
- 3.7 It should be recognised that not all of the work undertaken by the Audit team results in an audit report or grant certificate. Work is undertaken in areas that provide assurance on risk management and internal control, including advice and guidance (both on current issues and on system development) and interpretation of Council Regulations. **Appendix B** provides a list of work areas where an audit report may not be the outcome.

- 3.8 In order to maximise audit and client resources, the team uses Control Risk Self Assessment (CRSA) within schools and for the majority of core financial systems, including contracts. The results from the CRSA exercises were used to support the thematic reviews across the Council. Further work is being undertaken to develop CRSAs for asset management and income & debtor systems.
- 3.9 A key element of the role of Internal Audit has continued to be working with clients where systems and processes are being redesigned and reconfigured to meet changing demands. Here the auditor's role in ensuring risks are properly identified, mapped and mitigated, controls are adequately considered and prioritised, and projects are delivered to scope, time and budget, is considered important, especially where the Council is undergoing such rapid change to deal with budgetary and other wide ranging pressures.
- 3.10 Audit working practices were reviewed in the early part of 2017/18. Audit protocols and working methods have been updated and engagement with clients has continued to shape and enhance the service provided. A key focus was on recommendations where each one is now reported to Audit Committee in respect to the management actions and the date implemented or targeted. In order to avoid the collation of updates against recommendations being labour intensive, we have used multi user documents through the use of SharePoint. The use of SharePoint continues to increase, with further changes in administrative processes being put in place from April 2017.
- 3.11 It can be seen from Appendix A that only one report (in respect of the audit of the Music Service) has been issued with an audit opinion of "unsatisfactory". This report is in draft at the end of March 2018, but has been discussed with management within the directorate. It will be reported to the June 2018 meeting of the Audit Committee.
- 3.12 The reports issued at the end of March 2018 and the assurance levels given are shown in the table below:

	Number of reports	Opinion				
		High Assurance / Effective	Satisfactory / Effective with opportunity for improvement	Limited / Insufficient with major improvement needed	No Assurance / Unsatisfactory	No opinion given
Draft reports issued	18	1	7	5	1	4
Final reports issued	107	29	53	14	0	11
TOTAL	125	30	60	19	1	15

3.13 When the reports are analysed over the different areas of the audit plan, the following can be seen:

	High Assurance / Effective	Satisfactory / Effective with opportunity for improvement	Limited / Insufficient with major improvement needed	No Assurance / Unsatisfactory	No opinion given	TOTAL
Fundamental	4	1	0	0	0	5
Corporate Governance	2	0	0	0	3	5
Other Assurance	2	3	4	0	1	10
City Operations	0	3	1	0	0	4
Communities	3	0	1	0	1	5
Economic Development	0	3	2	0	0	5
Education	15	41	10	1	1	68
Governance	1	1	0	0	0	2
Resources	2	5	0	0	4	11
Social Services	1	2	1	0	0	4
External & grants	0	1	0	0	5	6
	30	60	19	1	15	125

3.14 A number of pieces of work were undertaken where no audit reports were produced. This includes grant audits or work for external clients, and these are listed in the table below:

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.
Education Improvement Grant	Audit of grant for 2016/17 and submission of information to the Welsh Government.
Cardiff Further Education Trust Fund	Audit of accounts
Norwegian Church Trust Fund	Audit of accounts
Revision of Council Contract Standing Orders & Procurement Rules	Updated Rules adopted at Constitution Committee on 15.03.18
Revision of Council Financial Procedure Rules	Updated Rules adopted at Constitution Committee on 15.03.18
Peer review - Swansea	Draft report issued for presentation to Swansea Council Audit Committee in April 2018
Wedal Road HMRC	Review of processes for closure of site

3.15 As well as the one audit where an opinion of “unsatisfactory” was given, there were 19 reports where opinions of “limited” or “insufficient with major improvement needed” were given. This is one more than in 2016/17; however, it is difficult to compare the audits undertaken in the two years as fewer probity audits were undertaken in 2017/18 than previously, and there is an increased emphasis on strategic risk and corporate governance.

4. **QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME**

Reports to the Audit Committee

4.1 An important role of the Audit Committee is to oversee the role and performance of the Council’s Internal Audit team. In addition, Internal Audit is required to inform the Audit Committee about the adequacy of the Council’s governance and internal control systems. The table below summarises the information the Audit Committee has received from Internal Audit during 2017/18.

Report	Purpose
Internal Audit update reports	Regular summaries of the work undertaken by Internal Audit and allowed the Committee to review the performance of Internal Audit for 2017/18 on a regular basis
Annual Audit Plan 2017/18	The intended work programme for 2017/18 was provided for comments and observations
Annual Audit Plan 2018/19	Development of audit plan for 2018/19
Annual Report 2016/17	Overview of the work undertaken by Internal Audit and gave the CAE’s opinion in respect of the Council’s internal control environment for 2016/17
PSIAS and peer review updates	Overview of the progress of the Internal Audit peer review and presentation of the final report

Quality Assurance and Improvement

4.2 Internal Audit is committed to working to the highest professional standards, and to delivering a quality product that adds value to senior management. As such, performance is actively monitored and feedback from management is encouraged.

4.3 An audit planning control database is maintained to effectively monitor work done in line with that planned. This is where the detail of the Audit Plan is kept. The database is used to allocate assignments and record work done in areas, to provide key performance information for management (as set out in paragraph 4.4 and the table therein). Auditors are required to complete timesheets to record work undertaken on their assignments and tasks they are allocated, so management can continually assess the Plan against Actual position for individual audits and across the overall Plan.

4.4 The achievement of the service delivery plan actions is monitored using the planning control database; the quarterly results are reported to the Head of Finance and discussed with the audit team. The cumulative quarterly results for 2017/18 are:

	Q1 Result	Q2 Result	Q3 Result	Q4 Result
The percentage of audit reports delivered within six weeks	17.65%	86.21%	86.67%	74.6%
The average number of audit productive days per employee	30.21	63.49	89.17	143.43
The average number of audit reports produced per FTE	n/a	2.59	5.02	6.52
The percentage of audit recommendations implemented within the agreed timescale	n/a	45%	92.3%	86%

4.5 Each audit is subject to a qualitative review by a senior member of the team who ensures the focus on key risks is retained throughout the course of the assignment and time is used to best effect. The reviewer will also undertake checks to ensure that professional standards are maintained. Any report with assurance ratings of “unsatisfactory” or “insufficient with major improvement needed”, or any with a significant issue to report, are reviewed by the Audit Manager. Any significant action points arising from these reviews will be followed up and monitored during the individual’s personal review process.

4.6 Following the issue of a draft audit report, a meeting is held with the Client Manager with an opportunity for them to consider the audit findings, proposed recommended actions, the risk profile and the response to be made by the service including action and timescales. This provides a degree of assurance that the final reported position is accurate and that any recommendations considered are acted upon in a timely and robust manner.

Post Audit Assessment & Customer Feedback

4.7 A “Post Audit Assessment” is carried out as part of the Audit qualitative assurance at the end of each audit.

4.8 The Post Audit Assessment sets out the core competencies required whilst undertaking an audit and the auditor for each assignment has to score their performance against each of these competencies. The assessment is useful in providing assurance that key competencies are evidenced throughout the audit process and as a means of identifying training needs. Analysing the assessments helps focus individual personal reviews and provides audit management with an overview of performance at the different grades.

4.9 Following each audit, Client Managers are contacted and asked to complete a Quality Assurance Questionnaire, recognising the value placed on the feedback they provide. These questions cover four categories, and the results are used to determine areas for improvement.

4.10 During the year, 35 responses were received from the questionnaires issued. The results from the questionnaires are summarised in the table below:

	Excellent	Good	Satisfactory	Unsatisfactory	TOTAL
Communication	20	10	5	0	35
Auditor Advice	16	11	7	1	35
Report	14	13	6	2	35
Performance	20	10	4	1	35
	70	44	22	4	140

4.11 It can be seen that the feedback from the audit questionnaires is positive, which is encouraging as the nature and complexity of the assignments continues to change. The perception of the professionalism and objectivity of the Internal Audit team by audit clients continues to be high.

4.12 The questionnaires also ask Managers to indicate whether they consider that the audit process added value and 88% of respondents thought that it did. "Added value" is defined for managers as whether the audit offered ways to enhance governance, risk management and control processes, and provided relevant assurance. It can be seen that the majority of the auditees felt that the audits undertaken are constructive and add value.

Audit Recommendations

4.13 The extent to which audit recommendations are agreed by senior managers is used as a measure of the auditor's performance as a high level suggests an understanding of the risks and controls within the area under review and adding value by proposing meaningful changes and cost effective changes.

4.14 The recommendations raised in audit reports are given a risk rating in line with the risk ratings in the Council's corporate risk strategy (i.e. red, red/amber, amber/green and green) and as set out in previous paragraphs. The table below sets out the recommendations raised by the assurance level given:

Risk Rating	Recommendations Raised by Auditor	Recommendations Agreed by Client Manager	Percentage Agreed to Raised
Red	26	25	96.15
Red/Amber	209	208	99.52
Amber / Green	156	156	100.00
Green	51	50	98.04
TOTAL	442	439	99.32

4.15 The figures show that, with 99% of audit recommendations agreed, managers welcome ideas as to how governance or controls can be enhanced and it provides a degree of assurance that the auditor understands the risks and is adding value through the fieldwork undertaken. The one red recommendation that was not fully accepted by the client manager was in relation to privilege settings for users (audit of Payment Card Security - Data Security Standards (PCI –DSS)); however, the manager agreed to ensure that user accounts would only be reactivated with directorate management approval and this process change has been implemented.

4.16 Important as it is that audit recommendations are agreed by managers, change will only happen if the recommendations are implemented and so audit reports are monitored until all actions are closed. The recommendations database on SharePoint is regularly analysed and details of all recommendations raised (and their status) are presented to each meeting of the Audit Committee. As at the end of March 2018, the recommendations agreed by management and actioned are shown in the table below:

Risk Rating	Recommendations Agreed by Client Manager	Recommendations Implemented by Client Manager	Percentage Agreed to Implemented
Red	25	26	104.00
Red / Amber	208	114	54.81
Amber / Green	156	85	54.49
Green	50	39	78.00
TOTAL	439	264	60.14

4.17 The tracking of implementation of recommendations began at the start of 2017/18, and one red recommendation from a report issued in 2016/17 was implemented in full in August 2017.

Benchmarking

4.18 The Cardiff Audit Team is a member of the Welsh Chief Auditors, UK Core Cities and the CIPFA Internal Audit benchmarking groups. The outputs from the Welsh Chief Auditor group and CIPFA Internal Audit group were presented to meetings of the Audit Committee in November 2017 and September 2017 respectively. No output has yet been received from the Core Cities group.

4.19 The indicators from the Welsh Chief Auditor group showed that Cardiff was below the group average in respect to the percentage of both planned audits completed and audits completed in planned time. As a response, work was undertaken to strengthen planning processes and auditor support arrangements for assignments. A further training session on engagement planning to reiterate the requirements of the PSIAS and to further develop lean processes was held at the end of November 2017. The skills reinforced in this session have been used in the thematic reviews to focus on the key areas of risk to the Council within the themes.

4.20 CIPFA benchmarking information highlighted a comparatively higher FTE staffing complement. Currently, Cardiff has a relatively lower % of qualified staff but this reflects that the audit team has four auditors (33%) currently training for their Institute of Internal Auditors qualification. Cardiff was at the group average for time spent on training of staff. It was noted that there has been an increase in the number of chargeable days per FTE in the Cardiff Audit team each year since the Council re-joined the benchmarking group in 2014/15. However, there has been a reduction in chargeable days in 2017/18, which is a reflection of the level of sickness experienced by the team during Q1.

Self-Assessment and Peer Review (PSIAS standard 1312)

4.21 The Internal Audit section has a Charter which is approved by the Audit Committee. The Charter for 2017/18 was approved by the Audit Committee in March 2017. The Charter sets out the work to be undertaken by the Internal Audit team, the standards it adopts and the way in which it interfaces with the Council. The Charter also sets out the requirement to adhere to the code of ethics and relevant professional institutions' standards.

4.22 Every year, the Audit Manager completes the PSIAS self-assessment evaluation and in doing so is able to confirm the work of the Audit team conforms to the standard. The self-assessment had identified areas where improvements could be made. This assessment is shared with the Wales Audit Office which looks to rely to a degree on the work of colleagues in Internal Audit.

4.23 Members of Audit Committee will be aware that the Chief Audit Executive of Rhondda Cynon Taf CBC has undertaken the external assessment of the Internal Audit team, as required within the Standard. The assessment was based upon discussions with officers from Internal Audit and the examination of supporting documentation provided to him, including the self-assessment, action plan, Audit Charter and process documents. It was felt that the self-assessment and narrative contained therein were comprehensive and, although the self-assessment had identified areas where improvements could be made, it was agreed that there were no significant deviations from the requirements of the PSIAS.

4.24 The report produced as a result of this assessment was presented to the meeting of the Audit Committee in March 2018. There were four recommendations made, which it was felt had a risk rating of amber / green (*low priority risk where routine management attention is warranted*); three of the recommendations (relating to suggested changes to the Audit Charter) have been actioned and the remaining recommendation (relating to the rationale for including audits in the annual plan) will be implemented in due course.

Internal Audit Team Resources

4.25 As at 31st March 2018, the Internal Audit team has 12 members of staff (10.4 FTE), made up as in the table below:

	Number	FTE	Comments
Group Auditor	1.0	1.0	
Principal Auditor	2.0	2.0	1 x temporary contract
Senior Auditor	2.0	2.0	
Auditor	6.0	4.4	
Audit Assistant	1.0	1.0	
	12.0	10.4	

4.26 During the year, a Principal Auditor took up a secondment to the Accountancy section; the Audit team has a temporary Principal Auditor covering this post, whose contract is due to end on 31st July 2018.

4.27 The budget for the section for 2017/18 is set out in the table below:

	Budget	Actual
	£(000)	£(000)
Employees	569	487
Premises	0	0
Transport	3	1
Supplies and services	18	17
Support services (controllable)	53	50
GROSS EXPENDITURE	643	555

Continuing Professional Development (PSIAS standard 1230)

4.28 Internal Audit staff have a personal responsibility to maintain and develop their competencies, so that they have the necessary skills and knowledge to undertake audits to a high standard. The audit plan for 2017/18 included a budget of 55 days for training and staff are encouraged to update their skills, such as by attendance at courses provided by the South Wales Chief Internal Auditor group, and to identify other suitable CIPFA or IIA courses which are supported when budget restrictions allow. Training records are maintained on the Council's DigiGOV system.

4.29 The provisions of the Council's Personal Review process are fully supported in the section, and there are regular 1-2-1 meetings with the team members to discuss progress on assignments and identify improvement in areas of working.

4.30 A skills exercise is undertaken annually by each auditor as a self-assessment, the results of which are taken into account in the personal review discussions. An internal training programme has also been developed to update and refresh knowledge on various aspects of audit methodologies and Council procedures. The need for contract management and ICT specialist skills remains and this will be a focus of further skill development over the next twelve months.

Experience and qualifications

4.31 Members of the section hold various qualifications appropriate to their work, including CIPFA and AAT. Four members of staff (3.5 FTE) are currently studying for the IIA qualification and are at various stages through the examination process. This is the first year of the training, which will continue in 2018/19.

4.32 The majority of staff in the Internal Audit team have over 10 years' experience in audit.

5. CONCLUSIONS

5.1 The beginning of 2017/18 was challenging for the team due to the number of days lost to sickness and vacant posts. The plan was amended to reflect these, although the employment of temporary auditors reduced the impact of these lost days.

5.2 The team embraced the change in audit focus from risk-based audits of systems to a review of the themes across all directorates. This has required a closer working relationship with other the areas in the Council that deal with aspects of corporate governance in order to ensure that these audits are scoped well and provide assurance across the Council's internal control environment. Whilst this new approach may not have been easy to implement, at the start of the year, the results achieved and the relationships built, with officers across the directorates, have been positive steps.

5.3 The team has been heavily involved in the redrafting of the Council's Financial Procedure Rules and Contract Standing Orders & Procurement Rules, both of which have been presented to Audit Committee. These documents form a key part of the Council's Constitution, and provide sound procedures for managers to follow.

5.4 The outcome of the PSIAS review undertaken by the Chief Audit Executive of Rhondda Cynon Taf CBC is also positive, and shows the robust processes that the team has in place to manage its work. No non-conformance with the Standards was noted, and the recommendations the CAE raised have been implemented.

5.5 The Audit team has continued to challenge and refine methodologies and working practices to ensure that they remain efficient and effective. Further refinements to the team's use of SharePoint are being developed, particularly around the recording and follow-up of recommendations, and it is hoped that these will be in place by the end of Q1, 2018/19.

Effective / Effective with opportunity for improvement

Audit Area	Audit Opinion	Status of report (if not final)
<i>Fundamental / High</i>		
NDR	Effective	
Council Tax	Effective	
Main accounting 2016/17	Effective	
Resources – payroll	Effective	
Governance & Legal Services – payroll	Effective	
Social Services – payroll	Effective	
City Operations – payroll	Effective with opportunity for improvement	
Resources – effective decision making (Pension Fund)	Effective	
Resources – effective decision making (Business Support)	Effective with opportunity for improvement	
Treasury Management	Effective with opportunity for improvement	
Communities, Housing & Customer Services – governance	Effective	
Communities, Housing & Customer Services (Housing) – payroll	Effective	
Communities, Housing & Customer Services (Customer Services) – payroll	Effective	
Economic Development - payroll	Effective with opportunity for improvement	
Local Housing Allowances	Effective	
City Operations - governance	Effective with opportunity for improvement	
Audit of performance management	Effective	
Risk Management	Effective	Draft report issued
Resources – C&P	Effective with opportunity for improvement	Draft report issued
Economic Development – C&P	Effective with opportunity for improvement	Draft report issued
Resources - governance	Effective with opportunity for improvement	Draft report issued
Economic Development - governance	Effective with opportunity for improvement	Draft report issued
<i>Medium</i>		

Audit Area	Audit Opinion	Status of report (if not final)
St. David's	Satisfactory	
Welsh Language Standards	None given	
Mount Stuart	Satisfactory	
Eastern High	Satisfactory	
ICT – governance	Effective with opportunity for improvement	
Insurance	Effective	
VFM – sickness absence procedures	Effective	
Education – income (Eastern High)	Effective	
Education – income (Whitchurch High)	Effective with opportunity for improvement	
Education – income (Bryn Celyn)	Effective	
Education – income (Gwaelod y Garth)	Effective	
Education – income (St. Patrick's)	Effective	
Education – income (Lansdowne)	Effective	
Education – income (Ninian Park)	Effective	
Education – income (Ysgol Bro Eirwg)	Effective	
Education – income (Radnor)	Effective	
Education – income (Grangetown)	Effective with opportunity for improvement	
Education – income (Springwood)	Effective with opportunity for improvement	
Education – income (Christ the King)	Effective with opportunity for improvement	
Education – income (Willows)	Effective	
Education – income (Ysgol Pen y Pil)	Effective with opportunity for improvement	
Education – income (Greenhill)	Effective	
Cradle to Grave - Days	Effective with opportunity for improvement	
Education – income (Ysgol Mynydd Bychan)	Effective	
Catering in opted out schools	Effective with opportunity for improvement	
Education – payroll (Cathays)	Effective with opportunity for improvement	
Education – payroll (Tremorfa Nursery)	Effective with opportunity for improvement	
Education – payroll (Oakfield)	Effective	

Audit Area	Audit Opinion	Status of report (if not final)
Education – payroll (Lakeside)	Effective with opportunity for improvement	
Education – payroll (Rhydypenau)	Effective with opportunity for improvement	
Education – income (St. Paul’s)	Effective	
Education – income (Ton yr Ywen)	Effective with opportunity for improvement	
Education – payroll (Mount Stuart)	Effective	
Kitchener	Effective with opportunity for improvement	
Payment processes	Effective with opportunity for improvement	
Education – payroll (Herbert Thompson)	Effective with opportunity for improvement	
Education – income (Glyn Coed)	Effective	
Education – payroll (Bishop of Llandaff)	Effective	
Education – Commissioning & Procurement (Tredegarville)	Effective with opportunity for improvement	
Education – Commissioning & Procurement (Meadowlane)	Effective with opportunity for improvement	
Education – Commissioning & Procurement (Rumney)	Effective with opportunity for improvement	
Education – Commissioning & Procurement (Bryn Deri)	Effective with opportunity for improvement	
Education – Commissioning & Procurement (Gladstone)	Effective with opportunity for improvement	
Education – Commissioning & Procurement (Trowbridge)	Effective with opportunity for improvement	
Education – Commissioning & Procurement (Stacey)	Effective with opportunity for improvement	
Education – Commissioning & Procurement (Trelai)	Effective with opportunity for improvement	
Education – Commissioning & Procurement (Allensbank)	Effective with opportunity for improvement	
Education – Commissioning & Procurement (Severn)	Effective with opportunity for improvement	
Education – Commissioning & Procurement (Bryn Hafod)	Effective with opportunity for improvement	
Education – Commissioning & Procurement (Ysgol Treganna)	Effective with opportunity for improvement	
Education – Commissioning & Procurement (Ysgol y Berllan Deg)	Effective with opportunity for improvement	
Education – Commissioning & Procurement (Llanedeyrn)	Effective with opportunity for improvement	
Education – Commissioning & Procurement (Windsor Clive)	Effective with opportunity for improvement	
Education – Commissioning & Procurement (Hawthorn)	Effective with opportunity for improvement	

Audit Area	Audit Opinion	Status of report (if not final)
Education – Commissioning & Procurement (All Saints)	Effective with opportunity for improvement	
Education – Commissioning & Procurement (Millbank)	Effective with opportunity for improvement	
Education – Commissioning & Procurement (Bishop Childs)	Effective with opportunity for improvement	
Education – Commissioning & Procurement (Howardian)	Effective with opportunity for improvement	
Education – Commissioning & Procurement (St. Mary the Virgin)	Effective with opportunity for improvement	
Resources – Effective Decision Making (Revenues)	Effective with opportunity for improvement	Draft report issued
Cradle to Grave – Gulliver’s	Effective with opportunity for improvement	Draft report issued
<i>Follow ups</i>		
Birchgrove	Satisfactory	
St. Monica’s	Satisfactory	
Land Charges	Satisfactory	
Children with Disabilities	Effective with opportunity for improvement	
<i>Grants / Accounts / External Bodies</i>		
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	
Education Improvement Grant 2016/17	Audit of grant for 2016/17 and submission of information to Welsh Government	
Cardiff Further Education Trust Fund	Audit of accounts	
Norwegian Church Trust Fund	Audit of accounts	
<i>Other assignments</i>		
Breakfast Club – Coryton Primary School	Audit undertaken at the request of the Headteacher	
Revision of Contract Standing Orders & Procurement Rules	Updated Rules adopted at Constitution Committee on 15.03.18	
Revision of Financial Procedure Rules	Updated Rules adopted at Constitution Committee on 15.03.18	
Peer review - Swansea	Draft report issued for discussion at Swansea Council Audit Committee	
Wedal Road HMRC		

Insufficient with major improvement needed / Unsatisfactory

Audit Area	Audit Opinion	Status of report (if not final)
<i>Fundamental / High</i>		
Cardiff Capital Fund	Insufficient with major improvement needed	
GLL	Insufficient with major improvement needed	Draft report issued
School Organisational Plan	Insufficient with major improvement needed	Draft report issued
FMIT	Insufficient with major improvement needed	Draft report issued
<i>Medium</i>		
St. Cuthbert's	Limited	
Adopted Land	Limited	
ICT – PCI DSS	Insufficient with major improvement needed	
Homecare (Mobile Scheduling)	Insufficient with major improvement needed	
Education – income (Llanishen Fach)	Insufficient with major improvement needed	
The Court	Insufficient with major improvement needed	
ICT – Business Continuity and Disaster Recovery	Insufficient with major improvement needed	
Education – income (St. Peter's)	Insufficient with major improvement needed	
Education – income (Fairwater)	Insufficient with major improvement needed	
Adamsdown	Insufficient with major improvement needed	
St. Mary's	Insufficient with major improvement needed	
Education – Commissioning & Procurement (St. Philip Evans)	Insufficient with major improvement needed	
Cybersecurity governance	Insufficient with major improvement needed	
Education – Commissioning & Procurement (Tongwynlais)	Insufficient with major improvement needed	Draft report issued
Education – Commissioning & Procurement (St. Cadoc's)	Insufficient with major improvement needed	Draft report issued
Education – Commissioning & Procurement (Cantonian)	Insufficient with major improvement needed	Draft report issued
Music Service	Unsatisfactory	Draft report issued
<i>Follow ups</i>		
All Saints	Limited	
Payments to Care Leavers	Limited	



Work Areas where a Standard Audit Report is not prepared

It is important to understand that much work undertaken within Audit will not have a report as an outcome. The following list is not exhaustive, but shows some areas where audit time and resources have been spent during the year without necessarily producing a report as an output.

Work Area	Brief Details of Audit Involvement
Efficiency / Change and other projects	Work providing advice and guidance to a number of programmes and projects. Audit Management attends meetings and working groups to input to risk assessments and system developments, especially where financial processes are involved.
Procurement and Spend	Auditors are engaged on procurement matters, attending working groups and providing input on risk management and controls. Also data gathering and challenging spend.
Grants	The demand for the audit of grant claims has further reduced as grant instructions delete this requirement and some grants are subsumed into the Council's main RSG.
Ad hoc Requests	Enquiries and assignments.
Schools - General	Specific problems in schools have required audit attention. The embedding of CRSA should result in a better use of internal audit resources as assurance is obtained from the self assessments.
Directorates - general	Advice, guidance and training is provided to directorates on topics such as procurement systems and rules, DigiGOV and imprest accounts. Officers are also active members of service review groups, implementation boards, etc.
Rules and Regulations	Advice and guidance and sharing of best practice in many areas. General work around governance.
External Clients	Audit of clients' risks, systems and procedures (as per Terms of Reference). Audit of Accounts. Provision of advice due to knowledge on risk management and controls.
Imprest (Petty Cash) Accounts	Advice, guidance, training and assisting in the reconciliation process.
Audit Committee	Advice, reporting and support – including induction training, work planning.

AUDIT COMMITTEE: 26 June 2018

**INVESTIGATION TEAM AUDIT ANNUAL REPORT 2017/18 / PROGRESS
UPDATE 2018/19****REPORT OF THE HEAD OF FINANCE****AGENDA ITEM: 11.2**

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. Review the assessment of fraud risks and potential harm to the Council from fraud and corruption and to monitor the Counter-fraud strategy, actions and resources.
3. This report has been prepared to provide Audit Committee Members with an overview of the Investigation team approach and the work undertaken over the past twelve months, of which includes issues identified for the early part of 2018/19.

Background

4. The Council has a responsibility to protect the public purse through proper administration and control of the public funds and assets to which it has been entrusted. The work of the Internal Audit, Investigation Team supports this by providing a specialist independent function that is able to investigate all referrals to an appropriate outcome.
5. The Council Corporate Fraud, Investigation Team offers support, advice and assistance on all matters of fraud risks including prevention, detection, money laundering, other criminal activity, deterrent measures, and policies and procedures. A cohesive approach is taken to reflect best practice, support corporate priorities and the Council in its statutory obligation under section 151 of the Local Government Act 1972. This is to ensure protection of public funds and to have an effective system of prevention and detection of fraud and corruption. Furthermore, it supports the Council's commitment to a zero tolerance approach to fraud, corruption, bribery and other irregularity, such as money laundering activity.
6. The Head of Finance prepares quarterly and half-yearly progress reports, outlining the work undertaken by the team. The Corporate Director, Resources receives progress updates, in order to provide a meaningful update on the work of the team and to give the opportunity to discuss changing priorities.
7. Cabinet approved the Council's Fraud & Bribery Corruption Policy on the 14 June 2018. This Policy had previously been considered by Audit Committee in March 2018.

Issues

8. The annual report (Appendix A) sets out the activity and performance of the team for the year 2017/18. This activity is primarily split between investigations, delivery of training and reviewing our key documentation such as the Counter Fraud toolkit and the revision of the Fraud, Bribery & Corruption Policy.
9. The annual report highlights that for the majority of 2017/18, the team was 2.5 full time equivalent. Currently, the team contains two staff, which is 1.5 full time equivalent. Recruitment of experienced investigators has proven to be challenging. The mitigation currently in place is to supplement the team with resources from other directorates, particularly where resource is required to fraud irregularities. Those resources are managed by the Group Auditor (Investigations). This mitigation is a temporary measure whilst a more sustainable solution is identified. Audit Committee will be kept informed of proposals.
10. Staff development and training continues to be a priority, the Investigation Assistant successfully completed the Chartered Institute of Public Finance and Accountancy (CIPFA) Counter Fraud Technician course during the year and the University of Portsmouth's, Counter Fraud Professional Accreditation Board agreed the award of Counter Fraud Technician at their meeting during March 2018.
11. The Cabinet Office is currently working on the Government Counter Fraud Profession and introducing core competencies and standards. The Group Auditor (Investigations) was invited to participate in a CIPFA working group, looking at the work of the Cabinet Office, with the aim of producing comparable standards for local authority investigators.
12. The team has adopted the Fighting Fraud and Corruption Locally Strategy 2016/19. A strategy that has been produced for English local authorities and sets out ways in which local authorities can further develop and enhance their counter fraud response. A Counter Fraud Tool Kit and Fraud Response Plan have been produced and published; they introduce a procedural guide for required actions, which must be followed, in the event of a suspicion of fraud, bribery, corruption or financial impropriety. Both documents were presented to Audit Committee during March 2018.
13. Following an inspection of Cardiff Council, the Chief Surveillance Commissioner recommended that the Council publish an online investigation policy. The Group Auditor (Investigations) was commissioned to draft a policy and ancillary documents; these are awaiting approval.
14. Proactive work continues and the team remain the key contact with the Cabinet Office in respect of the National Fraud Initiative, data matching exercise. A pilot exercise was commissioned and Rent Smart Wales data was uploaded to be analysed. The team are currently working through the positive matches which identify cases where further investigation is required.
15. The skills and expertise of the team continue to be utilised. Two schools have engaged the services of an independent investigating officer, specialist advice and guidance has been provided on forty six separate occasions and the Council's Academy has commissioned the team to create, develop and deliver one day mandatory training to officers to enable them to undertake employee disciplinary investigations. The report

highlights that 18 employee misconduct investigations were completed, one more than 2016, with a value of £26,000. The allegations included misuse of time, misrepresentation of hours worked, personal use of a council vehicle, failure to safeguard vehicles and loss of cash.

16. Looking forward in this technologically driven world, there is the need to continue adopting current best practice and new investigation techniques through close partnership working. There is a need to work very closely with other local authorities in the future and this forms part of the plan for 2018/19.

Legal Implications

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

Financial Implications

18. The report sets out the performance of the Investigation function for 2017/18 and the ambitions for 2018/19. These outcomes can be contained within the overall budget allocation for Internal Audit.

RECOMMENDATIONS

19. That the Committee notes the content of the report.

IAN ALLWOOD
HEAD OF FINANCE
26 June 2018

The following is attached:

Appendix A: Investigation Team - Annual Report 2017/18

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Internal Audit Investigation Team Annual Counter Fraud Report 2017/18

DRAFT

MISSION STATEMENT

Our aim is to provide a high quality service to existing and potential clients and to attain wide recognition as a lead provider of investigative services, based on achieving a high standard of professionalism and expertise in service delivery

1. Introduction

- 1.1. The Council has a responsibility to protect the public purse through proper administration and control of the public funds and assets to which it has been entrusted. The work of the Internal Audit, Corporate Fraud, Investigation Team supports this by providing a specialist independent function that is able to investigate all referrals to an appropriate outcome.
- 1.2. The Council Corporate Fraud, Investigation Team offers support, advice and assistance on all matters of fraud risks including prevention, detection, money laundering, other criminal activity, deterrent measures, and policies and procedures. A cohesive approach is taken to reflect best practice, support corporate priorities and the Council in its statutory obligation under section 151 of the Local Government Act 1972. This is to ensure protection of public funds and to have an effective system of prevention and detection of fraud and corruption. Furthermore, it supports the Council's commitment to a zero tolerance approach to fraud, corruption, bribery and other irregularity, such as money laundering activity.
- 1.3. Investigation Team members are professionally qualified counter fraud officer's, accredited with Portsmouth University and conduct criminal investigations, dealing with sanctions and financial recovery where appropriate as well as dealing with civil investigations and employee misconduct.
- 1.4. The Audit Committee's terms of reference include the responsibility to "review the assessment of fraud risks and potential harm to the council from fraud and corruption" and "To monitor the Counter-fraud strategy, actions and resources". This is discharged by consideration of an annual report on counter fraud.
- 1.5. This report reviews the issues and developments within counter fraud in Cardiff Council over the last year.

2. Establishment

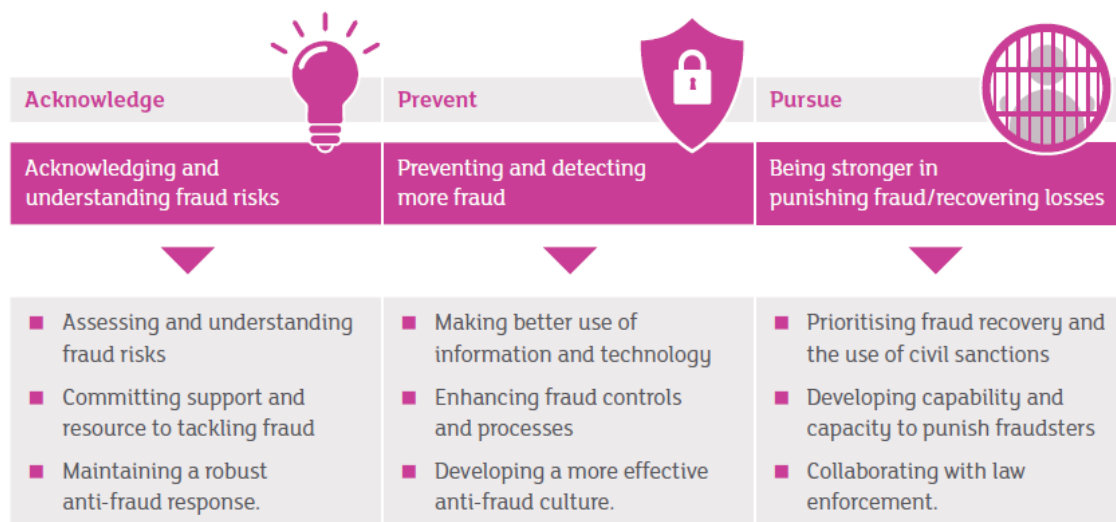
- 2.1. Staff turnover remains low, the last person to leave the team retired during 2014 following a team restructure. Unfortunately, an investigator left the Council during November and following a successful recruitment exercise they were replaced by an experienced Immigration Crime Investigator in February 2018.

Corporate Fraud, Investigation Team establishment as at 31st March <i>(Full time equivalents)</i>	2016/17	2017/18
Professional Accredited Counter Fraud Manager / Certified Counter Fraud Specialist	1	1
Accredited Counter Fraud Specialist	1	1
Counter Fraud Technician	0	.5

- 2.2. The Investigation Assistant successfully completed the Chartered Institute of Public Finance and Accountancy (CIPFA) Counter Fraud Technician course during the year and the University of Portsmouth's, Counter Fraud Professional Accreditation Board agreed the award of Counter Fraud Technician at their meeting during March 2018.

3. Developments

3.1. The CIPFA Counter Fraud Centre leads and coordinates the fight against fraud and corruption across local and central government, the health, education and charity sectors. The Centre drafted and published the Fighting Fraud and Corruption Locally Strategy 2016/19. The strategy has been produced for English local authorities and sets out ways in which local authorities can further develop and enhance their counter fraud response. Three of the themes are:



3.2. An executive summary was presented to the Audit Committee on the 19th September 2016 and the strategy has been adopted by the Investigation Team.

3.3. The Cabinet Office has been working on the Government Counter Fraud Profession (GCFP) which will be the core professional anchor for counter fraud specialists. It aims to represent and develop the counter fraud community as they protect public services and fight economic crime. It will not only offer a route to formalise careers in counter fraud, but also give recognition and credibility to those specialists with skill sets that until now have not been acknowledged. By ensuring that organisations across the public sector know how to effectively tackle fraud, the GCFP puts the UK in a much stronger position to deal with the challenges presented of fraud, bribery and corruption. The standards and competencies detail the knowledge, skills and experience expected of those working in a variety of counter fraud roles (similar to, for example, the Professional Standards used by accountants and project managers).

3.4. During the year the Group Auditor (Investigations) was invited to participate in a CIPFA working group, looking at the Cabinet Office Counter Fraud Profession standards and competencies with the aim of producing comparable standards for local authorities.

3.5. The Fraud, Bribery and Corruption Policy has been reviewed and an updated Policy presented to Audit Committee on the 27th March 2018, prior to being presented to Cabinet. A Counter Fraud Tool Kit and Fraud Response Plan were also presented to the Audit Committee.

3.6. The Counter Fraud Tool Kit has been produced and published and helps staff to better deal with suspicions of fraud, bribery, corruption, should concerns arise.

- 3.7. The Fraud Response Plan has been published and acts as a procedural guide for required actions, which must be followed, in the event of a suspicion of fraud, bribery, corruption or financial impropriety.
- 3.8. The Investigation team participates in the Wales Fraud Officers Group, which has been established to share intelligence, best practice and discuss fraud trends.
- 3.9. Following an inspection of Cardiff Council, the Chief Surveillance Commissioner recommended that the Council publish an online investigation Policy. The Group Auditor (Investigations) was commissioned to draft a policy and ancillary documents, which have been forwarded to Governance and Legal Services for consideration.
- 3.10. Utilising expertise gained administering the National Fraud Initiative since 1996, the Group Auditor (Investigations) worked with the Wales Audit Office, Cabinet Office and Rent Smart Wales in order to undertake a pilot data matching exercise. The output has been shared with Rent Smart Wales and results will start to be published in 2018.

4. Counter Fraud Activity

- 4.1. The work of the Investigation Team has involved Proactive Work, preventing, detecting and investigating fraud and irregularities, working with the Wales Audit Office and Cabinet Office undertaking data matching exercises in order to identify potential frauds and irregularities, other local authorities sharing intelligence and best practice, reviewing and updating policies, procedures and processes, publishing guidance documents, providing specialist advice, guidance and support and developing and delivering training for investigating officer's and disciplinary investigation note takers. Reactive Work includes the investigation of reports of fraud, corruption and financial irregularities.
- 4.2. Members of the Investigation Team are professionally trained and have a wealth of experience conducting criminal and civil investigations. In addition to providing advice and guidance, two schools have this year engaged the Investigation Team to conduct independent disciplinary investigations.
- 4.3. The Investigation Team continues to support South Wales Police in respect of an ongoing investigation which has been subject to online media reporting.
- 4.4. During the year the team has started to record when specialist advice has been sought from within the Council. Advice was given on forty six occasions, each time, advice was provided the same day that it was requested and requests originated from a number of different teams, covering topics such as: data matching, criminal offences, disciplinary investigations, gathering evidence, preliminary assessments, theft and use of CCTV.
- 4.5. On behalf of the Councils Academy, the Investigation Team continues to be develop and deliver the mandatory Disciplinary Investigating Officer training, to date, all participants have completed feedback forms, 100% have been satisfied and complimentary comments have also been received:

Investigating Officer training	2016/17	2017/18
Number of attendees	219	78
% very satisfied	79%	92%
% satisfied	21%	8%

- 4.6. Following demand from the Investigating Officer training attendees, it was identified that there was a need for disciplinary investigation, note taker training. This has been developed by the Investigation Team and delivery commenced in 2017.

Note taker training	2017/18
Number of attendees	31
% very satisfied	81%
% satisfied	12%

- 4.7. The majority of referrals continue to be generated in respect of Council Tax Liability issues, predominantly when a discount or exemption has been granted and eligibility is questioned. These may be received from the council tax team, members of the public or data matching:

Referrals received	2016/17	2017/18
Ad hoc	36	21
Blue Badge	2	2
Council Tax Liability	78	85
Council Tax Reduction	13	9
Tenancy	27	11

- 4.8. Blue Badge – these referrals could relate to issues identified by Civil Parking Enforcement Officers, for example, counterfeit badges, badges misused or badges used by non-badge holders. Additionally, referrals have been received from members of the public who have become frustrated by individuals displaying a blue badge and parking in restricted bays when the driver is travelling alone, appears to be going to work and does not have an obvious physical disability. As with all referrals, the alleged issue requires sensitive and proportionate investigation.

- 4.9. During the year, five cases were referred to the Police.

- 4.10. One hundred and fifty one investigations were concluded during the year:

Investigations concluded	2016/17	2017/18
Ad hoc	25	30
Blue Badge	3	2
Council Tax Liability	83	94
Council Tax Reduction	10	9
Tenancy	21	16

- 4.11. Adhoc investigations relate to all referrals in respect of areas not referred to above and are split into two categories “**employee misconduct**” and “**other referrals**”.

4.12. Eighteen employee misconduct investigations were completed, one more than 2016, with a value of £26,000. The allegations included misuse of time, misrepresentation of hours worked, personal use of a council vehicle, failure to safeguard vehicles, loss of cash:

Employee - outcome	2017/18
Corrective action	3
Dismissal	2
Resignation	1
Written warning	3
Nothing untoward found	9
Value	£26,000

4.13. There were twelve referrals classified as other, these include school investigations and fraud committed against the Council, with allegations including, pension fraud, falsification of certificates, using deceased persons bus pass, theft and identity fraud with a total value of £69,000.

4.14. Two Blue badge investigations were concluded, both related to the badge holder allowing another person to use their blue badge, both badges were initially confiscated, one has been returned with a written warning.

4.15. Ninety four Council Tax Liability investigations were completed, with a total value of £58,000

Council Tax Liability	2016/17	2017/18
Investigations concluded	83	94
Cautioned	1	5
Prosecuted	1	0
Value	£60,000	£58,000

4.16. Nine Council Tax Reduction investigations were concluded with a value of £16,000 compared to ten in 2016 with a value of £2,000.

4.17. Sixteen tenancy investigations were completed, two properties were recovered and one tenant was prosecuted.

FOR FURTHER INFORMATION, PLEASE CONTACT:

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INTERNAL AUDIT PROGRESS REPORT, 2018-19**REPORT OF THE HEAD OF FINANCE****AGENDA ITEM: 11.3**

Appendices D and E of Annex 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.

Reason for this Report

1. Audit Committee's new Terms of Reference requires that Members consider reports from the Audit Manager on Internal Audit's performance during the year. This report has been prepared to provide Audit Committee Members with an update on Internal Audit work as at May 2018.

Background

2. An Audit Plan is prepared each year, against which the work of Internal Audit is measured. Regular monitoring and review of the plan is required in order to provide assurance that it continues to maximise both the use of audit resources and value by targeting the material risks to internal control within the organisation.
3. The Head of Finance produces progress reports, which outline the work undertaken by the audit team, and highlight any changes to the audit plan that need to be approved by the audit committee. 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.
4. In line with the provisions of the Public Sector Internal Audit Standards (1100), organisational independence continues to be 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.

Issues

5. The Internal Audit Progress Report set out in Annex 1 provides further detail of the audit team with particular reference to the Audit Plan. The report highlights that work for the first couple of months has focussed on completing those audits carried over from 2017/18. The first two months of the year have seen 36 audit reports issued of which one is unsatisfactory and two are insufficient with major improvement needed. An executive

summary of the unsatisfactory audit in respect to Music Service can be found in Appendix D within the Annex.

6. The report sets out the critical findings identified during this first period. Further detail of the assurance mapping process is contained in Appendix B within the Annex and this sets out where assurance has been identified from other sources. The assurance map used is regularly reviewed in order for it to remain current and appropriate for purpose. In association with the review of the assurance map, the audit plan will also be reviewed at set points during the year and any significant proposed changes will be brought to the Audit Committee for approval.
7. The report also outlines the Internal Audit targets for 2018/19, which look to build on performance of 2017/18. All six areas of performance are targeting improvements on 2017/18 performance. The suite of indicators are targeting an increased completion of the 2018/19 audit plan and a marked increase in the productivity of audit reports per full time equivalent. The year 2017/18 was a period of transition for internal audit with a renewed focus on significant recommendations and ensuring that there was capacity and capability to deliver the range of audits required to provide the Council with assurance. It is anticipated that 2018/19 performance will evidence the improvements that have been made.

Legal Implications

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

Financial Implications

9. The ambitions and progress set out in the above report can be contained within the existing budget allocation for Internal Audit.

RECOMMENDATIONS

10. That the Committee note the contents of the report.

IAN ALLWOOD
HEAD OF FINANCE

The following is attached:

Annex 1: Internal Audit Progress Report, 2018-19

- **Appendix A** - Reports Issued in Quarter 1
- **Appendix B** – Assurance map
- **Appendix C** – Audit Plan as at May 2018
- **Appendix D** – Music Service executive summary
- **Appendix E** – Audit Recommendations Tracker



**RESOURCES DIRECTORATE
INTERNAL AUDIT SECTION**

**Internal Audit Progress Report
(as at May 2018)**

<u>CONTENT</u>	1
<u>INTRODUCTION</u>	2
Background	2
Independence and objectivity	2
Continuing Professional Development	2
<u>SUMMARY OF WORK PERFORMED</u>	2
Current activities	2
Annual plan	4
Critical findings or emerging trends	5
Resources	6
<u>AUDIT PERFORMANCE AND ADDED VALUE</u>	6
Added value	6
Benchmarking	7
Processes	7
<u>CONCLUSION</u>	8
Appendix A - Reports Issued in Quarter 1	9
Appendix B – Assurance map	11
Appendix C – Audit Plan as at May 2018	20
Appendix D – Music Service executive summary	25
Appendix E – Audit Recommendations Tracker	27

Prepared by: Ian Allwood, Head of Finance

INTERNAL AUDIT PROGRESS REPORT

1. INTRODUCTION

1.1 Background

The Internal Audit plan for 2018/19 was approved by the Audit Committee at its meeting in March 2018. The plan provides 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 2018/19 is made up of a total of 2,706 days, with a total of 2,100 chargeable days for the audit team being agreed.

This report serves to provide an update on progress against the plan to the end of May 2018.

1.2 Independence and objectivity

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. For all other matters, the Head of Finance reports to the Corporate Director, Resources. There have been no impairments of independence or objectivity.

1.3 Continuing Professional Development

The personal reviews in relation to performance during 2017/18 have been completed as at the end of May 2018. The new objectives for 2018/19 are being discussed with the members of the team and will be agreed by the Council's deadline of the end of June.

2. SUMMARY OF WORK PERFORMED

2.1 Current Activities

The report to Audit Committee in March 2018 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 was given to any audits planned for 2017/18 but not completed during that year.

All auditors have been allocated three months' work 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.

Key information this quarter is shown in [Appendix A](#), which shows a list of audits reported for the period April until the end of May 2018 (time of writing this report). This includes assignments carried forward from 2017/18 which were prioritised accordingly in this year's plan.

The brought forward audits from 2017/18 and status for each review (as at the end of May) is shown in the table below:

Audit	Status as at 31.05.18
Economic Development – governance	Final report issued
Audit of Risk Management	Final report issued
School Organisation Access and Planning	Final report issued
Social Services – governance	Final report issued
Resources – governance	Final report issued
Economic Development – commissioning and procurement	Final report issued
Social Services – effective decision making	Final report issued
City Operations – effective decision making	Final report issued
Social Services – commissioning and procurement	Final report issued
Governance & Legal Services – commissioning and procurement	Further work ongoing at request of Director
Education – governance	Draft reports issued
Economic Development – effective decision making	Draft report prepared
Resources – commissioning and procurement	Final report issued
Communities, Housing & Customer Services – effective decision making	Final report issued
Use of internal and external providers	Fieldwork ongoing
Inventory of information assets	Continuous review of assets with IT Manager as part of ongoing GDPR work.
Contract audit	Included in C&P thematic audits. Training on new CSO&PR ongoing *.

* as at the end of May 2018, around 100 officers have attended training

The opinions given in reports issued to the end of May 2018 are shown below.

	Number of reports	Opinion				No opinion given
		Effective	Effective with opportunity for improvement	Insufficient with major improvement needed	Unsatisfactory	
Draft reports issued	14	5	8	0	0	1
Final reports issued	22	6	8	2	1	5
TOTAL	36	11	16	2	1	6

Further to the table above, the six reports issued that have not been given an assurance opinion at this stage are as follows:

Audit	Comments
Norwegian Church Preservation Trust 2015 - 2017	Audit of accounts for 2015/16 and 2016/17
Review of banking arrangements – Shirenewton	Briefing paper on income and banking
Joint Committee – Glamorgan Archives	Audit undertaken to support the Council’s Statement of Accounts
Joint Committee – Prosiect Gwyrdd	Audit undertaken to support the Council’s Statement of Accounts
Joint Committee – Port Health	Audit undertaken to support the Council’s Statement of Accounts
Summary report – thematic reports in Education	Summary report for Director of Education on themed audits in schools

2.2 Annual plan

The annual plan was agreed by Audit Committee at its meeting in March 2018 and was based upon the assurance mapping exercise which is carried out at periodic intervals during the preceding year. Section 2010 of the PSIAS specifies that the risk based plan takes into account the organisation’s assurance framework and that the work on internal audit addresses both local and national issues. The assurance available from both within and outside the Council is assessed to enable informed decisions regarding the audits to be undertaken in 2018/19. This “assurance mapping” exercise (using the “three lines of defence” model) also captures emerging risks and issues as they arise during the year to provide informed decisions on any changes that need to be made to the audit plan during the year. These changes are brought to the Audit Committee as they arise.

The assurance map is used to ensure that audit resources are used to assess risks and controls in the areas where assurance on the control environment cannot be gained from other sources.

This enables the Audit Manager to provide an opinion on the overall Council control environment. The assurance map that was used to inform the 2018/19 audit plan is attached as **Appendix B**.

Members will be aware that, at the time the plan was agreed in March 2018, there were still some audit days to be allocated to individual assignments. Changes have been made to further identify audits to be carried out, and these are set out in **Appendix C**, along with a position statement for each audit up to the end of May 2018.

At this stage, no changes are anticipated to the annual plan. However, Members will be kept informed should circumstances change in the next quarter. The audit plan will be reviewed at the end of September to take any changes in the Council's risks or requests from directors, and the results of that review will be reported to Audit Committee.

2.3 Critical findings or emerging trends

In accordance with PSIAS Standards, Internal Audit is required to report to Audit Committee on critical findings or emerging trends. As Members will be aware, one report (Music Service) was issued in 2017/18 with an opinion of "unsatisfactory" and this has been finalised during Q1 2018/19. A copy of the executive summary is attached as **Appendix D**.

The final report on the School Organisation Access and Planning (SOAP) audit was issued during Q1 and has an audit opinion of "Insufficient with major improvement needed". The main recommendations made in the report concerned governance and effective decision making, and budget monitoring of the schemes within Band A of the 21st Century schools programme.

Audit Committee will also note that a report has been finalised on Fleet Management Information Technology (FMIT). Although this has been given an assurance rating of "Insufficient with major improvement needed", the key themes coming from this review relate to project management, including a lack of detailed measures and baseline data to measure success. It was also noted that the outline specifications produced by the Council were not initially shared with the contractor, which resulted in additional costs as gaps in the functionality of the system were not identified at an early stage.

The report on the contract with GLL is in the process of being finalised. The main audit findings related mainly to the development of the contract with GLL and management information following the inception of the contract. Some of these issues will need to be examined on a corporate, rather than directorate, level.

The thematic reviews of effective decision-making across the Council have identified a number of points for consideration regarding record keeping. The majority of directorate reports raised few recommendations, as the decisions examined were supported with documentation; however, in some cases, the documentation was not immediately available to the auditors or was not held in one place.

2.4 Resources

There have been 432 chargeable days to the end of May, against a pro-rata plan of 468 days, which is reflective of a higher than anticipated number of days annual leave taken in Q1 .

3. AUDIT PERFORMANCE AND ADDED VALUE

3.1 Added value

Relationship Manager meetings have been arranged with every Director and diarised for quarterly meetings throughout 2018/19. These are useful in progressing matters relating to audits completed and planned; and for discussing corporate and directorate risks, issues and areas for potential audit input. Meetings were held with Directors in April 2018 to discuss the audits carried out in 2017/18 in their directorates and their outcomes. The next set of meetings will take place at the end of June / beginning of July to review the audits undertaken in Q1, those planned for Q2 and any changes to internal controls that could affect the audit plan. Members will be updated in Q2 of the outcomes of the next series of meetings and any changes that have been made to the audit plan as a result.

Audit has issued 17 client questionnaires in Q1 and has received 14 responses (a response rate of 82%). One question asked of clients is whether they considered that the audit work added value to their service; 11 out of the 14 clients responded in the affirmative. Where the response was “no”, this was in reports where the client had accepted the gaps in governance processes during the audit review and was already in the process of improving procedures.

In the reports issued to date in Q1, there have been a total of 61 recommendations made (and agreed by audit clients). These are summarised below:

Rating	Recommendations made	Recommendations agreed
Red	20	20
Red / amber	13	13
Amber / green	19	19
Green	9	9
TOTAL	61	61

As the year progresses, updates will be provided on the number of recommendations implemented.

3.2 Benchmarking

The Audit team is a member of the Welsh Chief Auditors and Core Cities benchmarking groups for 2018/19. The information for Cardiff has been submitted to the authority responsible for collating the data. Fourteen out of twenty two councils responded to the exercise and the comparative data is set out below.

Benchmark	Cardiff	Group average
Number of audit staff	12	7
Staffing cost per £'m gross revenue expenditure	£427	£703
Average cost per directly chargeable day	£287	£272
% directly chargeable time versus total available	71	67

Further information will be provided to Members when all Councils have submitted their outturn data to the group.

The Core Cities group is currently reviewing the performance indicators produced across the Core Cities, and the results will be shared in a future report.

The Council's performance targets for 2018/19 audit work are as in the table below (the percentage of the audit plan completed being new for 2018/19):

Performance Indicator	2017/18 Outcome	2018/19 Target	Actual
The percentage of audit reports delivered within six weeks	74.6%	78.0%	
The average number of audit productive days per employee	143.43	170.00	
The average number of final audit reports produced per FTE (excluding schools' thematic reviews)	6.52	10.00	
The average number of final audit reports produced per FTE (including schools' thematic reviews)	9.60		
The percentage of audit recommendations implemented within the agreed timescale	86%	90%	
The percentage of the audit plan completed	75%	80%	

3.3 Processes

The management information available from both SharePoint and DigiGOV has been used to provide performance management information for each auditor, the section as a whole, and the information provided in this report. SharePoint has been updated for new guidance and protocols and there is increasing use of the alert and calendar functions within the team.

4. CONCLUSION

4.1 Much of the early part of the first quarter was spent completing the audits carried over from 2017/18. These reports are shown in Appendix A to this report. Work on the thematic audit for Q1 is well underway, and the outcomes will be reported in September 2018. Further developments in management reporting in SharePoint have been put in place, particularly in relation to the review of recommendations made and agreed, and the benefits of these changes will be felt over the next few months as the process becomes more automated.

4.2 The audit plan will be reviewed in full during Q2 to ensure that any changes to risks or internal controls are included in the planning process. Where it is considered necessary, the audit plan will be amended to include audits in these areas and the changes reported to Audit Committee for consideration.

Reports Issued in Quarter 1 (as at May 2018)

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
<i>Fundamental / High</i>				
Economic Development – governance	Effective with opportunity for improvement			
Audit of Risk Management	Effective			
School Organisation Access and Planning	Insufficient with major improvement needed	3	3	
Social Services – governance	Effective			
Social Services – effective decision making	Effective			
Resources – governance	Effective			
Governance & Legal Services – governance	Effective			
Economic Development – commissioning and procurement	Effective with opportunity for improvement			
City Operations – effective decision making	Effective			
Communities – effective decision making	Effective			
FMIT	Insufficient with major improvement needed	2	2	
Resources – commissioning and procurement	Effective with opportunity for improvement			
Social Services – commissioning and procurement	Effective with opportunity for improvement			
City Operations – commissioning and procurement	Effective with opportunity for improvement			
Education – governance (Birchgrove)	Effective with opportunity for improvement			Draft report issued
Education – governance (Cardiff)	Effective with opportunity for improvement			Draft report issued

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
Education – governance (Coed Glas)	Effective			Draft report issued
Education – governance (Criegiau)	Effective			Draft report issued
Education – governance (Danescourt)	Effective with opportunity for improvement			Draft report issued
Education – governance (Holy Family)	Effective with opportunity for improvement			Draft report issued
Education – governance (Hywel Dda)	Effective			Draft report issued
Education – governance (Peter Lea)	Effective with opportunity for improvement			Draft report issued
Education – governance (Radyr)	Effective with opportunity for improvement			Draft report issued
Education – governance (St. Fagan’s)	Effective with opportunity for improvement			Draft report issued
Education – governance (St. Illtyd’s)	Effective			Draft report issued
Education – governance (Ysgol Coed y Gof)	Effective			Draft report issued
Medium				
Education – commissioning and procurement (Tongwynlais Primary)	Effective with opportunity for improvement			
Music Service	Unsatisfactory	5	5	See Appendix D for further detail
Cradle to Grave – Gulliver’s	Effective with opportunity for improvement			Draft report issued
Grants / Accounts / External Bodies				
Joint Committee – Glamorgan Archives	Audits undertaken to support the Council’s Statement of Accounts			
Joint Committee – Prosiect Gwyrdd				
Joint Committee – Port Health				
Norwegian Church Preservation Trust 2015 - 2017	No assurance opinion given	4	4	
Other assignments				
Review of banking arrangements – Shirenewton	No assurance opinion given			Briefing paper
Education – summary of thematic audits	No assurance opinion given			Draft report issued

Assurance Map

Business risks	Inherent Corporate Risk	Residual Corporate Risk	Risk Owner	Source and level of assurance							Audit Needs	Planned Audit Engagement	Audit Plan Area
				Level 1	Level 2			Level 3					
				Management assurance	Other internal assurance activity			Internal Audit	External Audit	Other independent scrutiny bodies			
Cabinet	Scrutiny Committee	Other											
Corporate Risk Register													
EVENT DRIVEN RISKS													
<p>Public Realm protection - Hostile Vehicle Mitigation</p> <p>Vehicle Borne Improvised Explosive Device (VBIED) detonating in an area identified as a high risk crowded place, as a result of the inappropriate boundary treatments and access control processes protecting and managing it.</p>	A1	B1	Andrew Gregory		<p>Report to Cabinet on 21.09.17 on active travel integrated network map</p> <p>Report to Cabinet on 16.11.17 on delivering a safe and welcome night time economy</p>						Amber / Green	<p>Included within aspects of other audits to ensure Council departments and buildings consider this risk as part of the planning / partnership working and business continuity</p>	Service specific
<p>Welfare Reform</p> <p>That the Council cannot meet its statutory obligations with the increased demands and reduced budgets placed upon it by the Welfare Reform including: Universal Credit, further reduction in Benefit Cap, size restrictions for social tenants, 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.</p>	A2	B2	Sarah McGill (Jane Thomas)		<p>HRA business plan 2017/18 approved by Cabinet on 27.07.18</p> <p>CASC work plan includes review of recommissioning of a range of housing and support services for young people & homelessness and housing need strategy, plus briefings on aspects of welfare reform</p>	<p>Report to CASC on 17.01.18 on the Supporting People LDP.</p> <p>Report to CASC on 06.12.17 on Council Housing voids.</p>	<p>Audits were to be undertaken on housing rents and Local Housing Allowance. Only the latter undertaken due to system changes.</p>	<p>Report on "How Local Government manages demand - Homelessness"</p>		Red / Amber	<p>High priority area for audit review.</p>	Fundamental and service specific	

Business risks		Inherent Corporate Risk	Residual Corporate Risk	Risk Owner	Source and level of assurance						Audit Needs	Planned Audit Engagement	Audit Plan Area	
					Level 1	Level 2			Level 3					
					Management assurance	Other internal assurance activity			Internal Audit	External Audit				Other independent scrutiny bodies
						Cabinet	Scrutiny Committee	Other						
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.	A1	C1	Christine Salter (Phil Bear)					Audit undertaken in 2017/18.		Red / Amber	Aspects of cyber security included in plan for 2018/19	Other assurance	
Waste Management	Failure to achieve targets for Landfill. '0' 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.	B1	C2	Neil Hanratty	Reports to Environmental Scrutiny committee on managing recycling and managing street cleanliness (September 2017) Included on DRR for Economic Development	Report to Cabinet on 21.09.17 on the replacement of the recycling and waste collection (fleet)	Report to Environmental Scrutiny on 06.03.18 on Recycling and Risk Management Strategy 2018 - 2021. Report to Environmental Scrutiny on 14.02.18 on the draft corporate plan 2018 - 2021 & draft budget proposals "Clean Streets, Recycling and Environment". Report to Environmental Scrutiny on 05.09.17 on Managing Recycling in Cardiff.			Waste Management VFM studies	Red / Amber	Additional work planned in this area	Service specific	

Business risks		Inherent Corporate Risk	Residual Corporate Risk	Risk Owner	Source and level of assurance						Audit Needs	Planned Audit Engagement	Audit Plan Area	
					Level 1	Level 2			Level 3					
					Management assurance	Other internal assurance activity			Internal Audit	External Audit				Other independent scrutiny bodies
Cabinet	Scrutiny Committee	Other												
Education Schools - SOP	Large scale Capital Programme (£164m) with tight timescales for delivery, in context of very rapidly growing primary age school population.	B1	C3	Nick Batchelar (Janine Nightingale)	Report to C&YP scrutiny in October 2017 on "Developing the School Estate in Cardiff" Failure to provide financial support for SOP is included in the DRR for Resources Included in the DRR for Education (Band B, delays in new builds)	Developing the School Estate in Cardiff presented to Cabinet on 12.10.17 Report to Cabinet on 14.12.17 to 21st Century Schools Band B priorities	Report to C&YP Scrutiny Cttee on 10.10.17 on "Developing the School Estate in Cardiff" Report to C&YP Scrutiny Cttee on 12.12.17 on 21st Century Schools - Band B priorities	SOP audit on-going			Red	Audits of the governance / decision making themes will be carried over into 2018/19. Further work on commissioning and procurement to be undertaken.	Other assurance	
ONGOING RISKS														

Business risks	Inherent Corporate Risk	Residual Corporate Risk	Risk Owner	Source and level of assurance							Audit Needs	Planned Audit Engagement	Audit Plan Area
				Level 1	Level 2			Level 3					
				Management assurance	Other internal assurance activity			Internal Audit	External Audit	Other independent scrutiny bodies			
				Cabinet	Scrutiny Committee	Other							
<p>Non completion of Statutory Building Equipment maintenance</p> <p>A complete up-to-date accurate register of all relevant asset surveys requires completion.</p> <p>Currently statutory obligations testing is not organised in a consistent and centrally managed process across the Council. As a result there is a risk that all required testing may not be completed correctly.</p> <p>Also, there is no embedded technology in use consistently to manage the statutory obligations work or the storing of relevant statutory obligation documentation.</p>	A1	B1	Neil Hanratty (Tara King)		Item on the Cabinet forward plan on a "Strategic Review of Statutory Maintenance relating to the Corporate Assets of Cardiff Council".	Report to C&YP Scrutiny Cttee on 10.10.17 on "Developing the School Estate in Cardiff"				Red / Amber	Elements of this to be included in audit plan for 2018/19 (such as use of contractors by schools)	Other assurance	

Business risks		Inherent Corporate Risk	Residual Corporate Risk	Risk Owner	Source and level of assurance						Audit Needs	Planned Audit Engagement	Audit Plan Area	
					Level 1	Level 2			Level 3					
					Management assurance	Other internal assurance activity			Internal Audit	External Audit				Other independent scrutiny bodies
	Cabinet	Scrutiny Committee	Other											
Education Consortium and 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.	B1	C2	Nick Batchelar (Angela Kent)	Included in DRR for Education (ALN, non-availability of high quality leaders or qualified staff in key areas)	-	Report to C&YP Scrutiny Cttee on 09.01.18 on the CSC contribution to raising standards in Cardiff schools Report to same cttee titled "Cardiff Schools' Annual Report" Work plan for C&YP Scrutiny Cttee includes looking at attainment, ALN and workforce planning, and links with work of the Central South Consortium	Report to Council where required on interventions in schools (such as report to Council on 28.09.17) Reports presented on Instruments of Government for maintained schools (such as report on The Welsh Learning Campus in January 2018)			Estyn reports on: Ysgol Pwll Coch, Ysgol y Wern, Hawthorn, Mount Stuart, Tongwynlais, Woodlands, Ysgol Bro Edern, Trelai, Lansdowne, Riverbank, Roath Park, Ysgol y Berllan Deg, Eastern, Radyr Comp, Whitchurch High, Baden Powell, Pentyrch, Ysgol Glantaf, St. Joseph's All Saints, Cantonian, St. Fagan's, Creigiau, Fitzalan, Ysgol Pencae, St. Cadoc's, Ysgol Glan Morfa and Bryn Hafod.	Amber / Green	Estyn & other regulatory bodies carry out significant work in this area. It is not expected that IA could add much extra value in this area on top of what external bodies already do. However we will continue to monitor and engage with directorate in the event of limited progress being made. It might also be included as a partnership in 2018/19 plan.	Service specific
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.	A2	B3	Christine Salter (Phil Bear)	IT system failure is noted in the DRR for Resources (as part of the risk of not discharging our payroll, creditor and statutory obligations & as a risk on its own)		Report to Environmental Scrutiny in January 2018 on City Operations digitisation projects.				Amber / Green	CRSA ICT templates have been further developed during 2017/18 and will be used in 2018/19.	Other assurance	

Business risks		Inherent Corporate Risk	Residual Corporate Risk	Risk Owner	Source and level of assurance						Audit Needs	Planned Audit Engagement	Audit Plan Area	
					Level 1	Level 2			Level 3					
					Management assurance	Other internal assurance activity			Internal Audit	External Audit				Other independent scrutiny bodies
	Cabinet	Scrutiny Committee	Other											
Safeguarding	Systemic failure in the effectiveness of the Council's safeguarding arrangements, together with other statutory partners.	B1	C1	Tony Young / Davina Fiore	Included in DRR for Social Services		Part of the workplan for C&YP Scrutiny Cttee is to take forward "Signs of Safety" approach to child protection casework	Annual report (2016/17) from the Corporate Parenting Advisory Committee presented to Council in November 2017.	-	-		Red	To be included in audit plan for 2018/19	Service specific
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).	A1	C2	Christine Salter (Ian Allwood)		Budget Strategy 2018/19 discussed at Cabinet on 27.07.17 2018/19 budget proposals for consultation presented to Cabinet on 02.11.17	Report to PRAP in September 2017 on budget strategy 2018/19.	The Statement of Accounts and annual compliance reports were presented to Council on 28.09.17, as was a report on budget strategy. Budget proposals set out to Council in February 2018.				Amber / Green	VFM studies All audit engagements will consider VFM and the 3 e's as part of BAU	Fundamental and other assurance
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.	A1	C2	Christine Salter (Ian Allwood)		Treasury Management mid year report presented to Cabinet on 02.11.17 Report on calculation of Council Tax base presented to Cabinet on 14.12.17		Report from Constitution Cttee to Council in January 2018 on changes to Council and Scrutiny Procedure Rules		Audit of accounts 2017/18. Report on Local Government Financial Reporting 2016/17.		Red / Amber	CRSA Treasury Management template	Fundamental / other assurance / corporate governance

Business risks		Inherent Corporate Risk	Residual Corporate Risk	Risk Owner	Source and level of assurance						Audit Needs	Planned Audit Engagement	Audit Plan Area	
					Level 1	Level 2			Level 3					
					Management assurance	Other internal assurance activity			Internal Audit	External Audit				Other independent scrutiny bodies
Cabinet	Scrutiny Committee	Other												
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.	A1	B2	Christine Salter (Allan Evans)		Report on budget strategy 2018/19 presented to Cabinet on 27.07.17 Regular reports to Cabinet on budget monitoring (such as September 2017 - month 4 monitoring)						Amber / Green	Representatives on: Consulting engagement as part of Wellbeing of Future Generation Act and planning implications of this Act. SAP Review Group looking at improvements that can be made to SAP to assist in budget monitoring process CRSA on Main Accounting	Fundamental and other assurance
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'.	A1	B1	Christine Salter		-						Red / Amber	An audit engagement on framework for H&S is being considered for 2018/19.	Corporate governance
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.	B1	B1	Andrew Gregory		Report to Cabinet on 21.09.17 on "Restore our Rivers" (report of the Environmental Scrutiny Cttee)	Report to Environmental Scrutiny on 06.03.18 on Coastal Risk Management programme. Report to the same cttee on "Improving Cardiff's Air Quality - task and finish exercise". Report to Environmental Scrutiny on 05.12.17 on roles and responsibilities for flood risk management in Cardiff. Separate report on the Roath Flood Scheme.					Amber / Green	Possible audit of Carbon Reduction Commitment and / or energy contracts	Service specific

Business risks		Inherent Corporate Risk	Residual Corporate Risk	Risk Owner	Source and level of assurance						Audit Needs	Planned Audit Engagement	Audit Plan Area	
					Level 1	Level 2			Level 3					
					Management assurance	Other internal assurance activity			Internal Audit	External Audit				Other independent scrutiny bodies
	Cabinet	Scrutiny Committee	Other											
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.	A1	B1	Christine Salter (Vivienne Pearson)	Record retention is noted in the DRR for Resources (susceptibility for FOI/SAR/DP sanctions) IG accountability, transparency, protection and compliance included in Resources DRR						Amber / Green	CRSA audit to be considered	Corporate governance	
Social Services - provision	Failure to provide robust and adequate social services in the context of increasing costs and limited resources.	B1	B2	Tony Young		Report to Cabinet on 21.09.17 on the development of a regional social care training unit for Cardiff and the Vale of Glamorgan	Report to CASC on proposed developments for community mental health services				Red / Amber	Review Contracts and VFM within Social Services Also look at costs and VFM as part of all SS audits	Service specific	
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.	B1	C1	Tony Young	Included in DRR for Social Services		Report to CASC on 06.09.17 on Cardiff & Vale dementia strategy 2017-2027 Report to CASC on 06.12.17 on independent living services FPOC for older people				Red / Amber	To be included in audit plan for 2018/19	Service specific	
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.	B2	C2	Christine Salter (Joe Reay)	Regular reports to scrutiny committees throughout the year Included in Resources DRR	Regular reports to Cabinet during the year (such as September 2017 on Q1 performance)	Regular report to Scrutiny Cttees (such as Q2 performance report for Education and for Children's Services presented to C&YP Scrutiny on 12.12.17)	Statutory Improvement Plan report presented to Council on 26.10.17.		City of Cardiff Council - annual improvement report 2016/17	Red / Amber	Must assess and make recommendations ensuring effective organisation performance management and accountability (PSIAS 2110 governance)	Corporate governance	

Business risks		Inherent Corporate Risk	Residual Corporate Risk	Risk Owner	Source and level of assurance						Audit Needs	Planned Audit Engagement	Audit Plan Area	
					Level 1	Level 2			Level 3					
					Management assurance	Other internal assurance activity			Internal Audit	External Audit				Other independent scrutiny bodies
Cabinet	Scrutiny Committee	Other												
Organisation development	OD projects fail to deliver the radical change required to deliver efficiency savings and service changes, due to service and resource pressures.	B1	C2	Christine Salter (Dean Thomas)		Report to Cabinet on 14.12.17 on delivering Capital Ambition		Report on Capital Ambition presented to Council on 20.07.17 Constitution Cttee recommendations on new Council meeting procedure rules presented to Council in January 2018.				Red / Amber	Ongoing CRSA and RM consultancy role with manager To be included in plan for 2018/19	Corporate governance
Business continuity	Large scale incident/loss affecting the delivery of services.	B1	C1	Christine Salter								Red / Amber	CRSA IT templates on Sharepoint Audit planned for 2018/19	Corporate governance
Education - Schools delegated budgets	Secondary Schools with deficit budgets do not deliver agreed deficit recovery plans, impacting on the overall budgets for all schools.	A2	C2	Nick Batchelar (Neil Hardee)			Report to C&YP in November 2017 on School Organisation proposals					Amber / Green	CRSA ongoing and schools audited as and when required (and as identified in the audit plan)	Service specific

Business risks		Inherent Corporate Risk	Residual Corporate Risk	Risk Owner	Source and level of assurance						Audit Needs	Planned Audit Engagement	Audit Plan Area	
					Level 1	Level 2			Level 3					
					Management assurance	Other internal assurance activity			Internal Audit	External Audit				Other independent scrutiny bodies
Cabinet	Scrutiny Committee	Other												
Legal compliance	<p>Changes in services and staff roles across the Council resulting in: 1) gaps in Council-wide knowledge of the local authority framework of responsibilities and duties within which we have to operate; 2) inability to deliver the services in accordance with all duties and responsibilities due to a lack of resource in each case leading to increased risk of challenges.</p> <p>Reduction and changes in front-line services, discretionary and statutory, will lead to increased risks of challenges from users and other stakeholders affected.</p>	B2	C2	Davina Fiore	<p>Part of G&LS risk register and regularly monitored by management team. Monitoring of external spend and reiteration of need to give adequate notice of the need for legal advice.</p>	<p>Report to Cabinet on 21.09.17 on the LDP annual monitoring report (for submission to Welsh Govt)</p> <p>Annual Statutory Improvement report presented to Cabinet on 21.09.17</p> <p>Annual Complaints report presented to Cabinet on 02.11.17</p>	<p>Annual report on Welsh Language Standards for 2016/17 presented to Council on 29.06.17</p> <p>Reports on Statement of Accounts 2016/17, Annual Compliance Reports and committee annual reports presented to Council on 28.09.17</p> <p>Annual Statutory Improvement report presented to Council on 26.10.17</p>				Red / Amber	<p>This is considered and is an objective in most standard audits where we assess these risks and offer suggestions to improve controls as standard procedure</p>	Service specific	
Fraud, Bribery and Corruption and Financial Impropriety	<p>Fraud, financial impropriety or improper business practices increase as internal controls are weakened as resources become severely stretched.</p>	B2	B3	Christine Salter (Ian Allwood)	<p>Part of the Resources DRR</p>			<p>Policy presented to Audit Committee in March 2018.</p>			Red	<p>This is considered and is an objective in most standard audits where we assess these risks and offer suggestions to improve controls as standard procedure</p>	Service specific	

Business risks		Inherent Corporate Risk	Residual Corporate Risk	Risk Owner	Source and level of assurance						Audit Needs	Planned Audit Engagement	Audit Plan Area	
					Level 1	Level 2			Level 3					
					Management assurance	Other internal assurance activity			Internal Audit	External Audit				Other independent scrutiny bodies
	Cabinet	Scrutiny Committee	Other											
Asset management	Ensure effective operation of the Council's Asset Management Board to achieve effective strategic oversight and identified savings.	B2	D2	Neil Hanratty	Accounting requirements noted in DRR for Resources. Need for regular discussions with Strategic Estates and Highways noted Included in DRR for Economic Development	Report to Cabinet on 27.07.17 on commissioning a new framework for the maintenance of the Council's property estate Report to Cabinet on 21.09.17 on management of section 106 funding Report to Cabinet on 12.10.17 on acquisition of new build housing scheme for Council housing			Audit on-going March 2018 Audit part of Corporate Landlord project (consultancy role) in 2017/18		Amber / Green	This is included in the plan for 2018/19 as a fundamental audit.	Fundamental and corporate governance	
Workforce planning	Importance of forecasting and planning to building capability and capacity is not recognised and is not fully embedded.	B2	B3	Christine Salter (Philip Lenz)		Reports to Cabinet on 21.09.17 and 16.11.17 on senior management arrangements Report to Cabinet on 12.10.17 on mental health policy					Amber / Green	Audit will keep a watching brief on ongoing developments, including ongoing project work relating to Workforce Strategy	N/a	

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Service specific audits	Type of engagement	Original audit plan	Assignment	Days					
Business Continuity	Assurance	15	Business Continuity	15	15	0	0	0	Fieldwork
Total		315		315	55	35	115	110	
Planning, Transport and Environment	Assurance	190	Partnerships and collaborative governance	20	20	0	0	0	Fieldwork
			Commissioning and Procurement	20	0	0	20	0	
			Budgeting and forecasting	20	0	20	0	0	
			Value for Money	20	0	0	20	0	
			Section 106 agreements	10	0	10	0	0	
			Flood risk management	10	0	10	0	0	
			Follow up audits	10	2.5	2.5	2.5	2.5	
			To be allocated following further discussion with Director	80	10	30	20	20	
			Commissioning and Procurement	0	0	0	0	0	Final report issued
			Effective Decision Making	0	0	0	0	0	Final report issued
			Housing and Communities	Assurance	150	Partnerships and collaborative governance	25	25	0
Commissioning and Procurement	20	0				0	20	0	
Budgeting and forecasting	25	0				25	0	0	
Value for Money	20	0				0	20	0	
Lettings policy for high rise accommodation	10	0				0	10	0	
Independent Living (link with Social Services?)	10	0				10	0	0	
Regional Partnership Board	15	0				0	15	0	
Follow up audits	10	2.5				2.5	2.5	2.5	
To be allocated following further discussion with Director	15	3.75				3.75	3.75	3.75	
Effective Decision Making	0	0				0	0	0	Final report issued
Economic Development	Assurance	90	Partnerships and collaborative governance	10	10	0	0	0	Fieldwork
			Commissioning and Procurement	10	0	0	10	0	
			Budgeting and forecasting	15	0	15	0	0	
			Value for Money	10	0	0	10	0	
			Park and Ride - Events	10	10	0	0	0	Not yet started
			Follow up audits	5	1.25	1.25	1.25	1.25	
			Income collection / fees and charges	10	0	10	0	0	
			Front of House (Cardiff Castle)	5	0	0	5	0	
			Sports Joint Venture	15	0	0	15	0	

			Commissioning and Procurement	0	0	0	0	0	Final report issued
			FMIT	0	0	0	0	0	Final report issued
			Effective Decision Making	0	0	0	0	0	Draft report issued
			Governance	0	0	0	0	0	Final report issued
Education	Assurance	350	Partnerships and collaborative governance	25	25	0	0	0	Planning
			Commissioning and Procurement	25	0	0	25	0	
			Budgeting and forecasting	25	0	25	0	0	
			Value for Money	25	0	0	0	25	
			ICT Governance	25	25	0	0	0	
			School Admissions	10	0	0	0	10	
			Schools' estate	15	0	0	15	0	
			Commissioning of independent investigations	20	0	20	0	0	
			Use of contractors by schools	20	0	0	0	20	
			Work in individual schools	30	5	5	15	5	
			<i>Willows</i>	5	0	5	0	0	
			<i>Baden Powell</i>	5	5	0	0	0	Fieldwork
			<i>Llandaff CiW</i>	5	5	0	0	0	
			<i>Whitchurch Primary</i>	5	5	0	0	0	
			<i>Whitchurch HS</i>	5	0	0	0	5	
			<i>Pontprennau</i>	5	5	0	0	0	
			Provision of training to schools	45	19	24	0	2	
			Income processes (Education)	15	10	5	0	0	Fieldwork
			Review of income procedures in school kitchens	10	10	0	0	0	
			Follow up audits	10	2.5	2.5	1.5	3.5	Ongoing
			Music Service - follow up	10	0	10	0	0	
			Music Service - expenditure	10	0	10	0	0	
			Music Service	0	0	0	0	0	Final report issued
Governance	0	0	0	0	0	Draft reports issued			
Commissioning and Procurement (Tongwynlais)	0	0	0	0	0	Final report issued			
Governance and Legal Services	Assurance	50	Partnerships and collaborative governance	15	15	0	0	0	Fieldwork
			Commissioning and Procurement	10	0	0	10	0	
			Budgeting and forecasting	15	0	15	0	0	
			Value for Money	10	0	0	0	10	
			Governance	0	0	0	0	0	Final report issued
			Internal and external providers	0	0	0	0	0	
Resources	Assurance	50	Partnerships and collaborative governance	10	10	0	0	0	Not yet started
			Commissioning and Procurement	15	0	0	15	0	

			Budgeting and forecasting	15
			Value for Money	10
			Commissioning and Procurement	0
			Governance	0
Social Services	Assurance	320	Partnerships and collaborative governance	25
			Commissioning and Procurement	25
			Budgeting and forecasting	25
			Value for Money	25
			Regional Social Care Training Unit	15
			Commissioning of independent investigations	20
			Domiciliary care	15
			Follow up audits	10
			Safeguarding arrangements	20
			To be allocated following further discussion with Director (following appointment)	140
			Commissioning and Procurement	0
			Governance	0
			Effective Decision Making	0
Total		1,200		1,200
External	Type of engagement	Original audit plan	Assignment	Days
External clients	Assurance	10	Cardiff Further Education Trust Fund	2
			Joint committees (Glamorgan Archives, Prosiect Gwyrdd and Port Health)	10
			WLGA	5
			Norwegian Church Trust Fund	0
Grants	Assurance	20	Other grants	13
Total		30		30
Contingencies	Type of engagement	Original audit plan	Assignment	Days
General Audit		30	General Audit	18
			National Fraud Initiative	13
Total		30		30
Management	Type of engagement	Original audit plan	Assignment	Days
Support for Audit Committee / liaison with WAO	Consultation	50	Support for Audit Committee / liaison with WAO	50
Assurance mapping	Consultation	10	Assurance mapping	10
CRSA development	Consultation	20	CRSA development	20

0	15	0	0
0	0	0	10
0	0	0	0
0	0	0	0
25	0	0	0
0	0	25	0
0	0	25	0
0	0	0	25
0	0	0	15
0	20	0	0
15	0	0	0
2.5	2.5	2.5	2.5
0	20	0	0
30	40	30	40
0	0	0	0
0	0	0	0
0	0	0	0
299	359	264	278
0	0	0	2
10	0	0	0
5	0	0	0
0	0	0	0
3.75	3.75	3.75	1.75
18.75	3.75	3.75	3.75
0	2.5	7.5	7.5
12.5	0	0	0
12.5	2.5	7.5	7.5
12.5	12.5	12.5	12.5
2.5	2.5	2.5	2.5
5	5	5	5

Final report issued
Final report issued
Fieldwork
Not yet started
Ongoing
Final report issued
Final report issued
Final report issued
Fieldwork
Draft report issued
Final report issued
Ongoing
Continuous and ongoing
Continuous and ongoing

Work requested by Audit Manager	Consultation	20	Work requested by Audit Manager	20
Audit Planning and monitoring	Consultation	20	Audit Planning and monitoring	20
Process Development	Consultation	20	Process Development	20
Review of Financial Rules etc	Consultation	40	Review of Financial Rules etc	40
Consultancy - advice and guidance	Consultation		Consultancy - advice and guidance	
Total		180		180
Total chargeable days		2,100	2,100	

5	5	5	5
5	5	5	5
5	5	5	5
10	10	10	10
45	45	45	45
525	525	525	524

Continuous and ongoing
Continuous and ongoing

525 525 525 525

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

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Audit Committee Action Plan

(Updated following meeting held on 27 March 2018)

Minute No. /Agenda No.	Actions	Timeline	Action Owner
Finance (Budget)			
Governance & Risk Management			
Wales Audit Office (WAO)			
WAO Tracker/Other Studies			
Internal Audit			
Treasury Management			
24.01.17	Officers agreed to provide a comparison of maturity analysis profiles with other local authorities.	26.06.18	C Salter/ A Hirani
Operational Items			
18.09.17	<p>Director of Education Report</p> <ul style="list-style-type: none"> • Future Director's report would report on treatment of significant surpluses in school budgets, as well as include school budget alongside the balance. • Future Director's report would include a breakdown of the numbers interventions made in schools and the reasons why. 	Sept '18	N Batchelar/ N Hardee
Work Programme			
18.09.17	To add to the Annual Audit Committee Work Programme an annual report on Council's position on income. This will include information on the level of income being generated in addition to % of expenditure.	Sept '18	I Allwood
Outstanding Actions			
Published Scrutiny Letters			

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DRAFT Audit Committee Work Programme 2018-19

Key: One-off Items

Topic	Tuesday 26.06.18 at 2pm (CR4)	Tuesday 18.09.18 at 2pm (CR4)	Tuesday 13.11.18 at 2pm (CR1)	Tuesday 22.01.19 at 2pm (CR4)	Tuesday 26.03.19 at 2pm (CR4)	Tuesday 25.06.19 at 2pm (CR4)
				12.30-1.30pm - Committee Self- Assessment		
Wales Audit Office	Annual Improvement Report					Annual Improvement Report
		Audit of Financial Statement Report for City of Cardiff Council (ISA260)			Annual Audit Plan 2019	
		Audit of Financial Statement Report - Cardiff & Vale of Glamorgan Pension Fund (ISA260)			Cardiff & Vale Pension Fund Audit Plan	
	WAO Activity/Report Progress Update	WAO Activity/Report Progress Update	WAO Activity/Report Progress Update	WAO Activity/Report Progress Update	WAO Activity/Report Progress Update	WAO Activity/Report Progress Update
Treasury Management	Performance Report	Performance Report	Performance Report	Performance Report	Performance Report	Performance Report
		Annual Report	Half Year Report			
				Draft Strategy 2019-20	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 2017-18 (including the AGS)	Final Statement of Accounts for 2017-18 (including the AGS)			Draft Accounting Policies for 2018/19 and AGS	Draft Statement of Accounts 2018-19 (including the AGS)
		Annual Report on the Council's position on income				
	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 2017-18			Draft Audit Charter and Draft Audit Plan 2019-20	Audit Charter and Audit Plan 2019-20	Internal Audit Annual Report 2018-19
Governance and Risk Management	Audit Committee Annual Rep.2017-18			Audit Committee Annual Report Discussion 2018-19	Audit Committee Draft Annual Rep. 2018-19	Audit Committee Annual Rep. 2018-19
	Senior Management Assurance Statement Review – Feedback – Final Position			Senior Management Assurance Statement Review		Senior Management Assurance Statement Review – Feedback – Final Position
				AGS 2018-19 Action Plan (Mid-Year)	Draft AGS 2018-19	
	Corporate Risk Management (Year-End)	Corporate Risk Management (Qtr 1)	Corporate Risk Management (Mid-Year)		Corporate Risk Management (Qtr 3)	Corporate Risk Management (Year-End)
	Audit Committee Self-Assessment Feedback/Action Plan				Audit Committee Self-Assessment Feedback/Action Plan	
Operational matters / Key risks	Christine Salter Update on Internal Control Environment	Nick Batchelar Update on Internal Control Environment and Annual Report on School Governance (inc. Balances) & Deficits	Sarah McGill (Communities, Housing & Customer Services) Update on Internal Control Environment	Director Invite List to be agreed for September		
	Paul Orders Senior Management Assurance Statements	Andrew Gregory Update on Internal Control Environment	Davina Fiore Update on Internal Control Environment			

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