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AGENDA

Committee	AUDIT COMMITTEE
Date and Time of Meeting	TUESDAY, 18 SEPTEMBER 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 Minutes (Pages 3 - 14)

To approve as a correct record the minutes of the previous meeting.

4 Operational Matters

- | | | |
|------------|--|---------|
| 4.1 | Nick Batchelar, Director Education and Lifelong Learning - Annual Report on School Governance (including balances and deficits) (Pages 15 - 32)
4.1.1 Update on Internal Control Environment
4.1.2 Governance in Schools and School Balances | 2.05 pm |
| 4.2 | Andrew Gregory, Director Planning, Transport & Environment - Update on the Internal Control Environment (Pages 33 - 46) | 2.55 pm |
| 5 | Finance | |
| 5.1 | Financial Update including Resilience Issues (Pages 47 - 50) | 3.15 pm |

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5.2	Final Statement of Accounts for 2017-18 (including the AGS) <i>(Pages 51 - 320)</i>	3.25 pm
5.3	Audit Committee's Response to the Wales Audit Office Consultation on Fee Scales 2019/20 (Verbal Item)	3.55 pm
6	Governance and Risk Management	
6.1	Corporate Risk Management (Qtr 1) <i>(Pages 321 - 342)</i>	4.05 pm
7	Wales Audit Office	
7.1	WAO Activity/Report Progress Update - no update at this meeting	4.15 pm
8	WAO Tracker/Other Studies	
9	Treasury Management	
9.1	Performance Report <i>(Pages 343 - 348)</i>	4.25 pm
9.2	Annual Report <i>(Pages 349 - 370)</i>	4.35 pm
10	Internal Audit	
10.1	Audit Team Progress Update 2018/19 <i>(Pages 371 - 452)</i>	4.45 pm
10.2	Investigation Team Progress Update 2018/19 <i>(Pages 453 - 456)</i>	5.00 pm
11	Outstanding Actions <i>(Pages 457 - 458)</i>	
12	Work Programme Update <i>(Pages 459 - 460)</i>	
13	Urgent Items (if any)	
14	Date of next meeting	

The next meeting will be held on 13 November 2018 in Committee Room 1.

Davina Fiore
Director Governance & Legal Services
Date: Wednesday, 12 September 2018
Contact: Graham Porter,
029 2087 3401, g.porter@cardiff.gov.uk

AUDIT COMMITTEE

26 JUNE 2018

Present: D. Hugh Thomas (Deputy Chairperson) (in the Chair)

Independent Members: Gavin McArthur and David Price

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

1 : APOLOGIES FOR ABSENCE

Apologies were received from Ian Arundale.

2 : DECLARATIONS OF INTEREST

Councillor Bale declared an personal interest in agenda item 10 as a Member of a Credit Union.

3 : APPOINTMENT OF CHAIRPERSON AND DEPUTY

RESOLVED – That Ian Arundale be appointed as Chairperson of the Committee and that D. Hugh Thomas be appointed as Deputy Chairperson of the Committee.

4 : MEMBERSHIP AND TERMS OF REFERENCE

The Committee noted that on 24 May 2018 Council appointed the following Members to the Committee:

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

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

Members were also asked to note the Committee's Terms of Reference.

5 : MINUTES

The minutes of the meeting held on 27 March 2018 were approved by the Committee as a correct record and were signed by the Deputy Chairperson.

Operational Matters

6 : PAUL ORDERS, CHIEF EXECUTIVE - COUNCIL INTERNAL CONTROL ENVIRONMENT

The Committee received a report from the Chief Executive on governance and the internal control environment across the authority.

The Deputy Chairperson welcomed Paul Orders, Chief Executive, to the meeting. The Chief Executive delivered a presentation on the Council's internal control environment.

The Chief Executive presented the senior management structure and advised that the structure was recently revised to include the Corporate Director – People and Communities and introduction of the Chief Digital Officer. The Senior Management Team are responsible for the governance of risk management control.

The presentation followed the Authority's approach to risk management in terms of the review stages and the key officers involved, with a focus drawn to the 8 red residual risks and their target mitigations and risk rating for each. Attention was also drawn to the 2 corporate risks for which there is not currently an opportunity to reduce their residual risk level. The Chief Executive outlined the SMAS process and the interplay between the assurances from senior officers and independent assurance of the independent audit functions

Following the presentation the Deputy Chairperson invited Members to comment, seek clarification or raise questions on the information received. Those discussions are summarised as follows:

- The Committee recognised the challenging financial environment facing the authority. Members sought assurances and asked the Chief Executive whether he considered that some parts of the organisation needed to be protected. The Chief Executive stated that the process for 2019/20 budget proposals has started and it is likely that the organisation will need to address the question of whether cuts can be expected in areas that have statutory responsibilities.
- Members asked whether the Corporate Risk Register (CRR) matched with the Chief Executive's own concerns. The Chief Executive indicated that his own concerns did indeed match a number of those outlined in the CRR. Issues of note were City Security, Welfare Reform, Financial Resilience and Health & Safety of Statutory Buildings.
- A Member noted that the Senior Manager Assurance Statements has resulted in 20% mixed application for budget monitoring. The Chief Executive stated that 80% of savings were being delivered but Managers' understanding and planning of savings delivery needs to be improved. The shortfall in preventative savings within the Social Services directorate demonstrated that improvement was needed.
- The Committee asked to what extent risk management informs the Internal Audit Programme. The Chief Executive stated that a lot is asked of the Internal Audit Service, not only on its day-to-day reactive work programme, but also in developing the audit programme. The Chief Executive would like to see more done in terms of the delivery of savings but considered that there is a balance to be struck between reactive audit work and the planned programme. Responding to a question from a Member of the Committee, the Chief Audit Executive confirmed that there are regular discussions about the balance between reactive and planned audits at a senior management level. The Chief Executive advised that risks such as Air Quality and

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Coastal Erosion have plans in place and are subject to continual management oversight.

- Members noted that there are 26 CRR risks, 8 of these are residually, and inherently 'red' rated. Members asked whether the Chief Executive was comfortable with the mitigations in place. The Chief Executive considered that the authority was in a reasonable position but this has to be set against the severity of the financial pressures the authority is facing.
- The Deputy Chairperson asked the Chief Executive his views on Huw Vaughan Thomas's reflections on Year 1 of the Wellbeing of Future Generations Act. The Chief Executive stated the report reflected the period for public services as a whole. That public bodies were not fully adapted to the new legislative context was accepted. There remained work to do in terms of mainstreaming what the implications of decisions are in service areas.

RESOLVED – That the Committee notes the contents of the report.

7 : CHRISTINE SALTER, CORPORATE DIRECTOR RESOURCES - UPDATE ON THE INTERNAL CONTROL ENVIRONMENT

The Committee received a report in response to the Committee's request for an update on governance and control within the Resources Directorate. The report aimed to provide assurance on the implementation of any recommendations made by Internal Audit.

The Deputy Chairperson invited questions and comments from Members of the Committee. Those discussions are summarised as follows:

- Members asked the Corporate Director whether the business continuity plans in place had been tested and whether the Director had confidence in the plans. The Corporate Director confirmed that business continuity plans are in place and the Committee was provided with an overview of these arrangements. The Emergency Management Unit is tasked with ensuring that directorates have plans. The plans were tested recently during the Council's response to Storm Emma. A test exercise will also take place during the Autumn. Members were advised that the business continuity arrangements in place are reliant on the robustness of I.T. systems. Discussion are taking place with Caerphilly Council regarding a reciprocal arrangement for shared IT storage and recovery.
- Members asked how performance monitoring within directorates is tested. Members were advised that the testing of performance monitoring is part of internal audit's role. Members asked how much quality or consistency there is to performance monitoring. The Corporate Director stated that Operational Managers are required to do sample checks and 'dip testing' of performance monitoring to ensure consistency. The Chief Executive has already indicated that OMs needed to be upskilled in performance management and the authority will be focussing on putting these arrangements in place during the year.

- A Member sought to clarify the part played by Members in the decision-making process regarding the retention of emails and asked whether a Scrutiny Committee had considered the matter. The Corporate Director advised that emails are a communication tool. If emails were required as records then they should be stored, archived and retrieved from elsewhere if required. Where information is required to be retained and stored there is a process in place. The matter was not considered by scrutiny but it was widely communicated. The Member stated that he was uncomfortable with the decision and how it may be perceived publicly. The Deputy Chairperson agreed to clarify what briefings/advice was provided to Members.

RESOLVED – That the Committee notes the contents of the report.

Finance

8 : FINANCE UPDATE INCLUDING RESILIENCE ISSUES

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

Members were advised that the Council's accounts for 2017/18 have been closed but that the final outturn position had not yet been formally reported to the Cabinet. The outturn position is likely to be a balanced position similar to that forecasted in monitoring reports taken during the year. A copy of the report to be received by the Cabinet will be circulated to Members of the Committee in due course.

In terms of the 2019/20 Budget Strategy, the Corporate Director Resources advised that the 2018/19 Budget Report identified a likely budget reduction requirement of £91.4 million over the period 2019/20 to 2021/22. This is a combination of increasing pressures (£75.9 million) and potential funding restrictions (£15.5 million). The pressures include pay and price inflation, demand increases and the revenue costs of financing the capital programme. The funding component assumes that there may be an annual AEF reduction 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 Budget Strategy aims to address the £91.4 million funding gap through the combination of Council Tax increases, use of earmarked reserves, a cap on schools growth and savings. Savings are the largest element at £66 million over the three-year period. The Budget Strategy Report is due to be received by the Cabinet in July 2018. The Corporate Director Resources advised that Members will also receive a copy of the Budget Strategy report in due course.

RESOLVED – That the Committee notes the current position in respect of the outturn report for 2017/18, and the work being undertaken in relation to the budget strategy for 2019/20.

9 : DRAFT STATEMENT OF ACCOUNTS 2017-18 (INCLUDING THE AGS)

The Committee received a report on the Draft Statement of Accounts 2017/18. Members were advised that, as required by legislation, the Cardiff and Vale Pension Fund Statement of Accounts was presented separately. The report provided Members with an opportunity to review and provide comments on the draft Statement

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of Accounts prior to them being formally submitted for external audit and public inspection.

- Members noted that the cumulative provision for non-payment of Council Tax was in excess of £7 million. Members asked how long debt is allowed to accumulate and officers were asked to explain at what point bad debt is written off. Members asked to be provided with the details of the policy for managing bad debt, in particular the length of time bad debt is allowed to accumulate before being written off.
- A Member asked whether the Authority has a policy for awarding enhanced pension benefits. The Corporate Director Resources stated that the Authority does not provide enhanced benefits, apart from in cases of ill health.
- Members noted that debtors described as 'other entities and individuals' amounted to £24.747 million. Members asked for further details of the categorisation of these debtors, specifically, whether there were any accounts, which were responsible for large parts of this figure. The Corporate Director Resources agreed to provide an analysis of these debtors. The Deputy Chairperson requested that this be formally reported at the September meeting of the Committee.
- Members asked whether the authority has a policy for addressing pension strain responsibilities. The Corporate Director Resources advised that the Local Government Pension Scheme is regulated. If voluntary severance is taken between the age of 55-59 then the Council is required to repay loss of service payments from the revenue budgets. Any voluntary severance application must be supported by a business case, which demonstrates a net saving after the costs of recovering any pension strain.
- Replying to a question from a Member of the Committee relating to the amount of VAT to be reclaimed, officers indicated that they were reluctant to disclose a figure in the accounts if the figure was uncertain. A claim in the region of £2.5 million has been submitted to HMRC and the claim is subject to a review process and approval.
- A Member asked officers to clarify that when a property is sold how the profit or loss is recorded in the accounts. Officers advised that property assets have existing values – operational assets are revalued every 3 years for an accounting valuation. However, accounting valuation will not always equate to market valuation. When property is sold, the Council is required to show sale proceeds and compare them to the accounting value for assets in the accounts to determine profit or loss. There are established processes in place to dispose of property.
- A Member considered that it would be helpful if the Statement of Accounts included more explanatory information on reserves, for example, the strategic budget reserve. Where there is expenditure from reserves, it would also be useful to have an explanation. The Member suggested that expenditure from reserves was not subject to the same level of scrutiny. The Corporate Director Resources stated that when new reserves are set

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up this is included in the outturn report; the budget report also includes details on reserves. The strategic budget reserve is used to balance the accounts and it will be included in the accounts for 2019/20.

- Members noted that the average employer contribution rate of around 23% of pensionable pay based on assumptions. Members asked whether this implies that the scheme is not robust. The Corporate Director Resources stated that the scheme is regulated and that employees are automatically enrolled in the pension scheme. Responsibility for the governance of the pension scheme (including actuarial valuations) lies with the Pensions Committee.

The Local Government Pension Scheme Advisory Board have a performance management role. The Council's most recent submission resulted in no 'red flags'.

- Members asked whether information reported to Pension Committee is subsequently reported to Audit Committee, as the pension fund accounts for substantial expenditure. The Corporate Director Resources stated that these issues are not explicitly contained in the Audit Committee Terms of Reference and therefore will not be considered as a matter of course, but they will be included within Internal Audit reports. Members requested officers to consider whether Audit Committee should have awareness of Pension Committee reports and comment further at the September meeting of the Committee.
- A Member noted that the Standards and Ethics Committee were currently reviewing the process for Declarations of Officer Personal Interests. It was agreed that the AGS reference the review of the officer personal interest processes due in 2018/19.

RESOLVED – That the Committee:

- (1) Notes that the accounts are to be signed by the Corporate Director Resources and submitted for external audit and public inspection.
- (2) Notes 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.

Governance and Risk Management

10 : SENIOR MANAGEMENT ASSURANCE STATEMENT REVIEW -
FEEDBACK - FINAL DECISION

The Committee received a report on the Senior Management Assurance Statements (SMAS) at year-end 2017/18. Members were invited to review the SMAS and comment upon the self-assessed elements of the Annual Governance Statement (AGS).

Members were advised that the SMAS are used to assess governance maturity and application of the 'Delivering Good Governance in Local Government' framework developed by CIPFA/SOLACE. Each Director is required to respond to 23 good

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governance statements using a 5-point maturity scale for their areas of responsibility. Prior to submitting returns, each Director must obtain underlying assurances from their management teams to support a directorate-wide response to each statement.

All SMAS returns are subject to challenge, review and approval by SMT. The following disclosures were approved by SMT in May 2018: the agreed overall position; an overall SMT Assurance Statement to be included in the AGS; and an Action Plan of significant governance issues for the AGS.

The report provided a summary of the SMAS returns and AGS Action Plan.

A Member questioned the achievement of 93% strong application for Performance Measurement and Management. Officers stated that all assurance statements have been collectively reviewed and challenged by SMT with results shared with the Audit Management Team. Officers advised that whilst there were no substantive disagreements with the submissions as part of these reviews, wider assurance is being sought from an ongoing internal audit on the application of the SMAS process.

RESOLVED – That the report be noted.

11 : CORPORATE RISK MANAGEMENT (YEAR-END)

The Committee received an update on the risk management position at the end of quarter 4. Members were advised that there were 343 risks covered in Directorate Risk registers as of the end of quarter 4. Escalated risks and requests for de-escalation were discussed and approved by SMT in May 2018. SMT approved that 10 directorate risks be carried forward as escalated risks.

SMT reviewed the escalated directorate risks and corporate risk updates from risk owners. SMT approved changes to the description or residual risk rating for the following Corporate Risks:

- Financial Resilience
- Fraud, Bribery and Corruption
- Schools Organisation Programme
- Performance Management

A Member noted that the Financial Resilience and Schools Organisation Programme risks were increasing in likelihood and impact. Officers were asked to explain the rationale for the changes to the Financial Resilience Risk. The Corporate Director Resources advised that budget prioritisation is managed as part of an overall approach to longer term Financial Resilience, The CRR has been updated accordingly to absorb the budget prioritisation risk within Financial Resilience Risk, which is a reflection of the current position coupled with the challenges of the budgetary gap. There is a recognition that savings of £91 million, on top of £145 million savings, will take longer to determine, embed and deliver and this remains challenging.

Members also noted that in relation to the Coastal Erosion risk there are no controls recorded. Officers advised that in the update the risk owner has emphasised the lack of preventative mechanisms in place until scheme completion, without referencing

incident management controls in the narrative. Conversations have and will continue to be held with management regarding the information included in risk assessments.

RESOLVED – That the report be noted.

12 : AUDIT COMMITTEE ANNUAL REPORT 2017-18

The Committee received the draft Annual Committee Annual Report 2017/18 for consideration and approval. The draft Annual Report was circulated previously and comments received were included in the report where appropriate.

A Member stated that comments were submitted in relation to Paragraph 5.4 on Page 10 of the annual report to reflect the fact that assurances have been received that there have been no statutory Health and Safety breaches. The Head of Finance advised that the report would be amended to include those comments.

RESOLVED – That the Audit Committee Annual Report 2017/18 be approved and the Head of Finance be delegated authority to make any minor amendments required.

13 : AUDIT COMMITTEE SELF ASSESSMENT FEEDBACK/ACTION PLAN

The Audit Committee is required to report to Council on its performance. The Audit Committee Self-Assessment on 27 March 2018 represented the 2017/18 review and the results of the self-assessment are included in the Audit Committee Annual Report. The Committee received a report providing feedback on the self-assessment workshop.

The workshop was conducted applying methodology from the CIPFA 'Audit Committees – Practical Guidance for Local Authorities and Police, 2013'. Following the workshop CIPFA published an incremental update to their guidance.

Members were advised that the Audit Committee Self-Assessment reported a positive overall position from the reviews of 'good practice' and 'effectiveness' respectively. The assessment results and existing action plan review were used to develop eight areas of improvement, appended to the report at Appendix A.

Summaries of the assessment of good practice and the assessment of effectiveness were provided in the report.

The Committee requested that the following wording in Paragraph 13 of the Good Practice Questions be removed:

“or the PCC and Chief Constable”.

Members also requested that the CIPFA guidance update be circulated following the meeting.

RESOLVED – That the Committee approves the Audit Committee Action Plan, reflecting on the results of the self-assessment workshop, and the CIPFA guidance update.

Sara-Jane Byrne of Wales Audit Office addressed the Committee and provided a summary of progress made against WAO 2017/18 performance audits, including the Wellbeing of Future Generations year one commentary, Overview and Scrutiny and Service User Reviews.

In terms of 2018/19 performance audit work, Members were advised that the programme includes follow-up reviews of some previous local government studies; a review of Delivering Capital Ambition and Wellbeing of Future Generation examination. The programme update also identified progress with 2016-17, 2017-18 and 2018-19 local government studies. The Head of Finance suggested that items materialising in the Local Government Studies review could be included in the Committee's Work Programme for 2019/20.

Referring to the Assurance and Risk assessment –performance audit, Members asked for clarification of the methodology to be used and how wide ranging the audit would be. Members also asked Sara-Jane Byrne to comment on the arrangements in place to secure Value for Money. Members were advised that the approach would mainly consist of reviewing documents supplemented with interviews and meeting observations where deemed necessary. A project brief setting out the scope and approach will be provided to the Council. The work covers a number of areas such as financial management, governance and risk management but is not a detailed review of the areas. Work on the project has already started and will inform future performance audit programmes and next year's Audit Plan. The Corporate Director Resources indicated that once feedback is received it will be reported to Audit Committee, where relevant.

A Member asked what the WAO view was in relation to issues surrounding the compliance with Health and Safety on items of equipment. Sara-Jane Byrne stated that asset management is one of the areas within the Assurance and risk assessment work but it would not be a detailed review. WAO recognise that the Council's response to the Grenfell tragedy is a high priority.

RESOLVED – That the report be noted.

Treasury Management

15 : TREASURY MANAGEMENT PERFORMANCE REPORT

The Committee received a report providing Treasury Management performance information and a position statement as at 31 May 2018. As requested by the Committee, the report included benchmarking information that compares the authority's maturity profile with that of other local authorities.

Responding to a question from a Member of the Committee, officers confirmed that the authority is not currently investing in credit unions. As set out in the Treasury Management Strategy, the primary approach to investments considers security, liquidity and yields.

RESOLVED – That the report be noted.

Internal Audit

16 : INTERNAL AUDIT ANNUAL REPORT 2017-18

The Committee received the Internal Audit Annual Report 2017/18. The report set out that, based on the programme of audit work undertaken and a review of key documents, the application of the overall framework for control within the Council is effective with opportunity for improvement.

Members were advised that a peer review of internal audit has concluded that Cardiff Internal Audit conforms to the Public Sector Internal Audit Standards. Significant investment in supporting four auditors towards achieving the Institute of Internal Auditors qualification will provide a level of resilience to the Internal Audit function.

RESOLVED – That the report be noted.

17 : INVESTIGATION ANNUAL REPORT 2017-18

RESOLVED – That the report be noted.

18 : AUDIT TEAM PROGRESS UPDATE 2018-19

The Committee received the Internal Audit Progress Report 2018/19. The report highlighted the work over the first part of the year focussed on completing those audits carried over from 2017/18. In total 36 audit reports have been issued of which one is unsatisfactory and two and insufficient with major improvement needed. An Executive Summary of the unsatisfactory audit was appended to the report.

Members noted the audit opinion 'insufficient with major improvement needed' in terms of School Organisation Access and Planning, insofar as controls are either not in place or are ineffective. Members urged officers to consider a prompt follow-up audit considering the importance given to Band B school proposals. The Head of Finance indicated that the Director of Education is attending the September meeting of the Committee and Members will have an opportunity to consider an update.

Audit are working with officers within Education to ensure that the recommendations in the audit report are on track.

Members noted that the audit recommendations tracker document was 114 pages and asked whether the Committee needed to receive a summary of the key recommendations. The Head of Finance agreed to review the document.

RESOLVED – That the report be noted.

19 : AUDIT COMMITTEE ACTION PLAN

The Committee's outstanding actions were noted.

20 : WORK PROGRAMME UPDATE

The Committee considered its Work Programme. The Head of Finance advised that the Director of Education would be asked to consider progress made against the audit reports mentioned in a previous item.

Members asked officers to consider whether it would appropriate to invited the Chief Digital Officer to a future meeting and the implications and impact of 'Brexit' for the authority.

21 : URGENT BUSINESS

No urgent business was presented.

22 : DATE OF NEXT MEETING

The next meeting of the Committee will take place on 18 September 2018.

The meeting terminated at 4.55 pm

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AUDIT COMMITTEE: 18th SEPTEMBER 2018

UPDATE ON INTERNAL CONTROL ENVIRONMENT

REPORT OF DIRECTOR OF EDUCATION AND LIFELONG LEARNING

AGENDA ITEM: 4.1.1

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 Education Directorate. This update is also to provide assurance on the implementation of the recommendations made by Internal Audit.

Background

2. The Education and Lifelong Learning Directorate provides the strategic, professional and operational support to enable the Council to fulfil its responsibilities for:
 - early years education
 - statutory age education
 - education in school sixth forms
 - a youth service
3. There are 127 schools in Cardiff. There are:
 - 3 nursery schools
 - 98 primary schools
 - 18 secondary schools
 - 7 special schools
 - 1 Pupil Referral Unit
 - 34 Flying Start childcare settings.
4. The Directorate has a net budget of £256.425 million. Of the net budget, £230.923 million (90.05%) is delegated according to a formula to the Council's schools and their governing bodies, who manage their individual school budgets. There are about 6,600 school based staff working in Cardiff's schools, serving 53,440 pupils.
5. In addition, £25.502 million (9.95%) of the net budget is centrally retained and is directly managed by the Education Service, which employs around 1,100 (590 FTE) staff covering a range of services. The directorate is currently organised in three

service areas, as follows:

6. The Directorate is currently organised in three service areas, as follows:

6.1 Achievement and Inclusion

Working with the Central South Consortium and other partners to raise standards of learners, by providing support and challenge and by monitoring and evaluating the progress of each school.

Provision of advice and support, direct services and monitoring in relation to the achievement of individuals and specific groups of pupils with additional needs; fulfilling the Council's responsibilities for pupils with special educational needs; promoting high attendance and reducing school exclusion, and Youth Service provision to engage with young people to help them fulfil their potential.

Functions
Behaviour Support/PRU
Education Psychology
Ethnic Minority and Traveller Achievement Service (EMTAS)
Looked After Children
Education Other Than At School
Education Welfare Service
Achievement and Inclusion Support Team
Casework Team
Specialist Teachers
Flying Start
Youth Service

6.2 Performance, Resources and Services

Supporting achievement by securing best use of all resources (financial, human and property) and by securing for schools high quality, value for money services in the below areas:

Functions
Performance Management and Information
Schools Catering
Music Service
Outdoor Education Centre (Storey Arms)
Governing Body Support
Business Support
This service maintains strong links with: Financial Services Human Resources
International School Linking

6.3 School Organisation, Access and Planning

School place planning in English, Welsh, Faith and Special School Sector; capital planning; the commissioning and delivery of school buildings; planning of future demand; school admissions and the Welsh in Education Strategic Plan.

Functions
School Organisation
Admissions
School development project planning and delivery

7. Education is a key focus of the priorities set out in Capital Ambition, to continue to drive forward the city's economy and to make Cardiff a great place to live, work and play.

"We know that a great education will help everyone in Cardiff to achieve their full potential. The Administration will continue to invest in and improve our schools to make sure that every child has the best possible start in life."

8. The Council works with partners across the city to achieve education goals. The vision outlined in Cardiff 2020 seeks to deliver an education system in which:

"All children and young people in Cardiff attend a great school and develop the knowledge, skills and characteristics that lead them to become personally successful, economically productive and actively engaged citizens."

9. The collective commitment to educational improvement in the city has had a significant impact on the outcomes achieved by learners. However, measured by the aspirations for all learners to succeed set out in that vision, we have much more to do. The Directorate has seven strategic priorities to work towards this vision, outlined in the Council's Corporate Plan and Directorate Delivery Plan:

- Priority 1: Improve educational outcomes for children and young people by continuing to raise standards, improved school leadership, high quality teaching and learning and curriculum development.
- Priority 2: Work together with schools and partners to enhance the well-being of children and young people in Cardiff.
- Priority 3: Close the attainment gap for pupils from low-income families, children who are looked after, pupils educated other than at school, and pupils entering Cardiff with English as an additional language.
- Priority 4: Improve support and services for children and young people with additional learning needs to ensure every learner fulfils their potential.

- Priority 5: Ensure there are sufficient and high quality school places to meet the population growth in the city, through planned expansion and the upgrade of the existing school estate via the School Organisation Programme.
- Priority 6: Support young people into Education, Employment or Training by delivering the Cardiff Commitment.
- Priority 7: Improve the range and quality of services provided to schools by the Education Directorate.

Issues

Risk management and monitoring arrangements.

10. 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 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 against the strategic priorities are monitored and reviewed by the management team on a quarterly basis. Updates are used to feed into Corporate Risk Registers. The management team considers progress made to deliver key commitments, and an evaluation is undertaken to determine where further action is required.

Current Corporate Risks

11. The Education Directorate currently collates the corporate position for three strategic risks. The relative positions are summarised below.
 - **Band B 21st Century Schools Organisation Programme** – there are risks in terms of the timescales for delivery of the £284m capital programme, in the context of very rapidly growing primary age school population. In July 2018, proposals for arrangements to secure appropriate capacity and governance to deliver the programme was approved by the Cabinet. An additional 100 places for children and young people with Additional Learning Needs have also been

created, to increase provision prior to the delivery of new special school schemes.

- **Education Consortium and Attainment** – there is a risk that 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. Over the last year, the Directorate and Central South Consortium have further developed processes for Schools Causing Concern, which have had a positive impact on both Estyn inspections and the number of schools categorised as ‘Green’, through the Welsh Government Categorisation Process.
- **School Delegated Budgets** – there is a risk that secondary schools with deficit budgets do not deliver agreed deficit recovery plans, impacting on the overall budgets for all schools. The budget is reviewed by the Education Management Team on a monthly basis.
- **Statutory Building Maintenance** – Whilst this is owned by Economic Development, a significant proportion of the Council’s buildings assets are in the school estate. The risks identified here apply to school buildings and the Education Directorate are working with colleagues across the Council to manage these significant risks.

12. The updated year end position was presented to Audit Committee in June 2018.

Senior Management Assurance Statement

13. The Education 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.
14. The overall analysis of the end of year 2017/18 Senior Management Assurance Statement is attached as Appendix 1, which shows that across the Directorate of the 23 assurances; 7 were judged as mixed application, 13 strong application and 3 as embedded. Further work will be completed with the Education Management Team to improve the position for the mid-year review.

Monitoring/Implementing recommendations made in Internal Audit reports

15. Central Directorate Audits undertaken during 2017/18 and 2018/19 are:

Audit	Status	Assurance rating	Number of recommendations made
Catering in opted out schools	Final report issued	Effective with opportunity for improvement	7

Music Service	Final report issued	Unsatisfactory	9
School Organisation, Access and Planning	Final report issued	Insufficient with major improvement needed	10

16. A number of thematic audits were also undertaken during 2017/18:

Audit	Status	Assurance rating	Number of recommendations made
Education - Commissioning and procurement	Final reports issued	Most schools rated as "Effective with opportunity for improvement"	111
Education - Governance	Final / Draft reports issued	Most schools rated as "Effective with opportunity for improvement"	55
Education – payroll	Final reports issued	Most schools rated as "Effective with opportunity for improvement"	29
Education – income	Final reports issued	Most schools rated as "Effective"	81

17. Officers are working to address the recommendations from these audits to make the improvements needed.

Audit Planning and liaison

18. 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 meets 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.
19. 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.

20. 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

21. 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

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

Recommendations

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

Nick Batchelar
Director of Education and Lifelong Learning
11 September 2018

The following Appendices are attached:

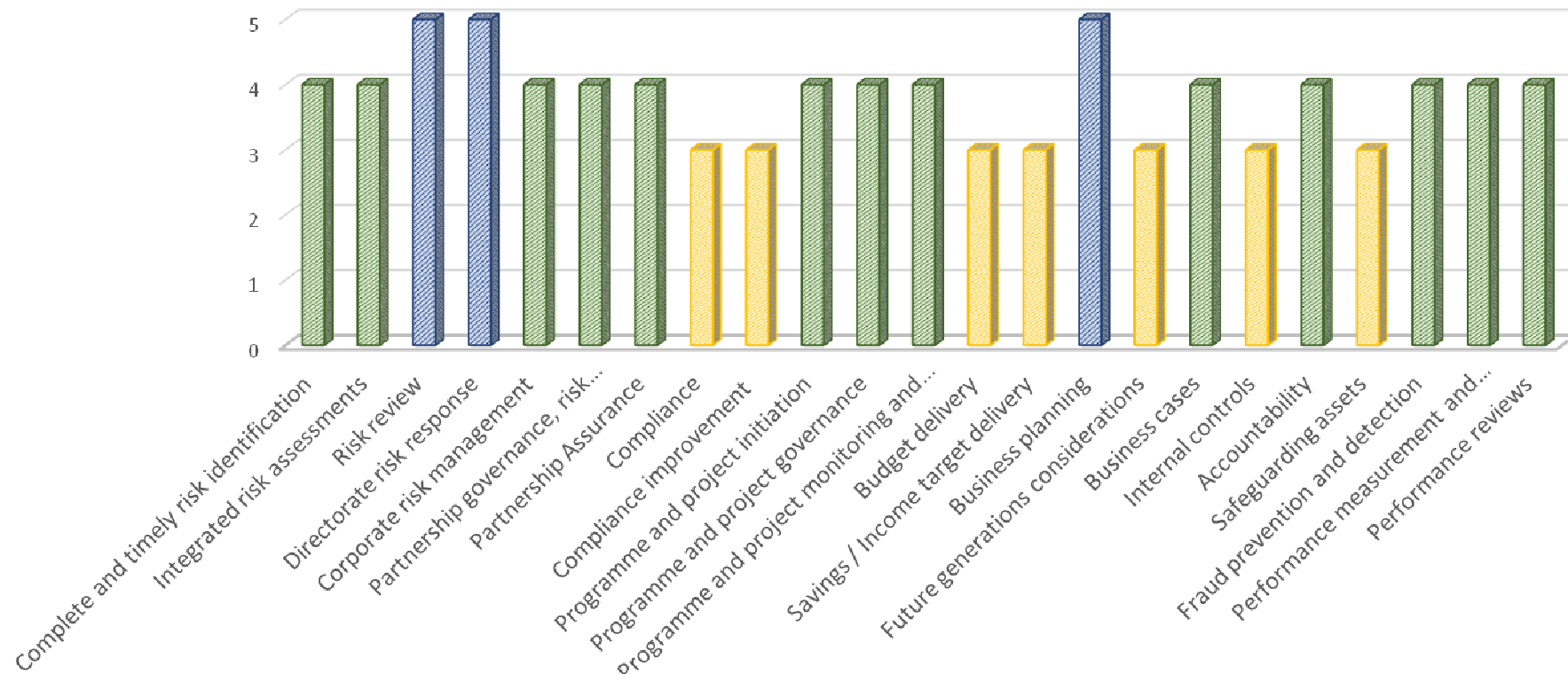
Appendix 1 – SMAS Year End Analysis 2017/18 for Education

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Education & Lifelong Learning SMAS 2017/18 (Year End)



1. Not in Place 2. Limited Application 3. Mixed Application 4. Strong Application 5. Embedded



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

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AUDIT COMMITTEE: 18 SEPTEMBER 2018

GOVERNANCE IN SCHOOLS AND SCHOOL BALANCES

**REPORT OF THE DIRECTOR OF EDUCATION AND LIFELONG
LEARNING**

AGENDA ITEM: 4.1.2

Reason for Report

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

Background

2. The annual net budget delegated to the 127 schools in Cardiff in the 2017/2018 financial year is £230.923m. School Governing Bodies are delegated the responsibility for the effective governance of these funds and are accountable for the proper use of that funding.
3. The Welsh Government's School Funding (Wales) Regulations 2010 (The Regulations) set the parameters for how Local Authorities in Wales should fund individual schools and also oblige each Local Authority (LA) to publish a Scheme for Financing Schools (The Scheme). The Regulations list the matters which are required to be included in The Scheme including financial reporting requirements, audit, banking and procurement obligations.
4. In addition to The Scheme, schools receive regular advice and guidance on financial issues through the Council's Local Financial Management Team and Council's Internal Audit Team.
5. Each LA in Wales is obliged to have a School Budget Forum, which is key to developing informed and confident dialogue between the LA and its schools on budgetary issues including school funding levels, financial pressures on schools, changes to local funding formulae and the review of contracts/service level agreements between an LA and schools.
6. In Cardiff the terms of reference, membership listing, all agendas and the minutes of each meeting of the School Budget Forum are published on the Council's website.

Issues

School Thematic Audits

7. During the 2017/2018 financial year the following thematic audits were undertaken in schools;

Audit	Status	Assurance rating	Number of recommendations
Education - Commissioning and procurement	Final reports issued	Most schools rated as "Effective with opportunity for improvement"	111
Education - Governance	Final / Draft reports issued	Most schools rated as "Effective with opportunity for improvement"	55
Education – payroll	Final reports issued	Most schools rated as "Effective with opportunity for improvement"	29
Education – income	Final reports issued	Most schools rated as "Effective"	81

Other Audits

8. During the 2017/2018 financial year the following audits were undertaken in schools and across the Education Directorate;

Audit	Status	Assurance rating	Number of recommendations
Adamsdown	Final report issued	Insufficient with major improvement needed	12
All Saints	Final report issued	Limited	10
Birchgrove (follow up)	Final report issued	Satisfactory	0
Catering in opted out schools	Final report issued	Effective with opportunity for improvement	7
Eastern High	Final report issued	Satisfactory	3

Kitchener	Final report issued	Effective with opportunity for improvement	9
Mount Stuart	Final report issued	Satisfactory	9
St. Cuthbert's	Final report issued	Limited	12
St. David's	Final report issued	Satisfactory	10
St. Mary's	Final report issued	Insufficient with major improvement needed	13
St. Monica's	Final report issued	Satisfactory	3
The Court	Final report issued	Insufficient with major improvement needed	12

School Control Risk Self-Assessment Tool

8. This tool continues to be used in all schools to promote improved self-governance and accountability. The Council's Internal Audit Section receive each completed CRSA to quality assured the return used to assess risk.

School Balances

9. Attached as Appendix A is an analysis of individual school balances as at 31st March 2018 which includes information showing the school balance as a % of the school delegated formula budget. Also attached as Appendix B is an analysis of the individual school balances for the previous six financial years.
10. Overall the level of surplus balances held by schools has increased from £4.242m at 31st March 2017, to £7.319m at 31st March 2018.
11. **Deficit Balances** - there are 9 schools, 4 Primary and 5 Secondary Schools, which carried forward a deficit balance. This is an improvement on the previous year when there were 13 schools; 6 Primary, 6 Secondary and 1 Special School with deficit balances. Each school with a deficit budget has a medium term financial plan showing how it will reduce its deficit to a balanced position. There is an assigned monitoring officer for each school with a deficit, working closely with the school and governing body to monitor the delivery of the medium term plan.
12. **Surplus Balances** – there are 59 schools with a balance which is in excess of the Welsh Government recommended level (£50,000 for Primary Schools and £100,000 for a Secondary or Special School) and 4% of the schools annual delegated budget (a threshold agreed after consultation with schools). The Chair

of Governors of each of these schools will be written to request a justification of holding that balance and a description of their planned use of the balance within the financial year. The Council has retained the ability to either direct spending of the surplus balance to a Governing Body or reclaim either part or the whole of a surplus balance if a governing body does not have a robust plan to spend or has retained a balance for a number of financial years.

Director's Opinion

13. I continue to be encouraged by the work being undertaken through the Control Risk Self Assessment Tool and the thematic audits that have been carried out during 2017/2018.
14. However, during the 2017/18 financial year there were still too many schools being identified with either a limited or insufficient with major improvement assurance opinion. I will continue to consider exercising the LA powers of intervention in those schools where poor financial management and poor governance are identified, and which warrant such action.
15. Two schools continue to have delegation withdrawn; Eastern High School and Cantonian High School. In both schools the grounds for removal of delegation have been addressed, and consideration will be given to return of delegation during the coming school year.

School Balances

16. Although the number and level of schools with a deficit balance in Cardiff has fallen this figure remains too high. Colleagues from Financial Services, Education and the Central South Consortium continue to work with schools together to formulate and monitor individual school budget recovery plans. However I will continue to identify this risk on the Corporate Risk Register.
17. In recent years the overall level of school balances has risen. This trend has been tracked and reported to School Budget Forum. I will ensure strengthened scrutiny of those schools with a pattern of carry forward, and if necessary, will initiate action to address this through direction to spend or clawback of funds.

Recommendations

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

Nick Batchelar
Director of Education and Lifelong Learning
 11 September 2018

The following Appendices are attached:

Appendix A – Analysis of Individual School Balances showing balance as a proportion of delegated budget.

Appendix B – Analysis of Individual School Balances showing balance for the last six financial years.

DELEGATED SCHOOLS BALANCES 2017 18 : EXPRESSED AS A % OF FORMULA							
Cost Centre	FULL NAME	Formula 2017 18	Balances	Expressed as a %	4% of Formula	Balance over £50,000 and 4% of Formula	Excess Surplus
EA001	Adamsdown Primary School	1,285,990	-60,126.77	-4.68%	51,439.60	Y	-8,687.17
EA002	Albany Primary School	1,470,110	-117,861.73	-8.02%	58,804.40	Y	-59,057.33
EA003	Allensbank Primary School	1,176,140	-62,719.84	-5.33%	47,045.60	Y	-12,719.84
EA004	All Saints C.W. Primary School	691,600	-34,371.43	-4.97%	27,664.00	N	0.00
EA005	Baden Powell Primary School	1,494,850	-94,360.07	-6.31%	59,794.00	Y	-34,566.07
EA006	Birchgrove Primary School	1,323,150	-146,237.80	-11.05%	52,926.00	Y	-93,311.80
EA007	Bishop Childs C.W. Primary School	739,840	-43,753.28	-5.91%	29,593.60	N	0.00
EA008	Bryn Celyn Primary School	807,140	-72,510.89	-8.98%	32,285.60	Y	-22,510.89
EA009	Bryn Deri Primary School	880,820	-21,796.63	-2.47%	35,232.80	N	0.00
EA010	Bryn Hafod Primary School	1,467,410	-89,197.79	-6.08%	58,696.40	Y	-30,501.39
EA014	Christ The King R.C. Primary School	805,810	-43,612.13	-5.41%	32,232.40	N	0.00
EA015	Coed Glas Primary School	2,341,740	-175,603.54	-7.50%	93,669.60	Y	-81,933.94
EA016	Coryton Primary School	879,520	-26,909.27	-3.06%	35,180.80	N	0.00
EA017	Creigiau Primary School	1,392,560	-74,963.44	-5.38%	55,702.40	Y	-19,261.04
EA020	Danescourt Primary School	1,372,720	-15,990.13	-1.16%	54,908.80	N	0.00
EA023	Fairwater Primary School	1,010,310	-31,013.62	-3.07%	40,412.40	N	0.00
EA024	Gabalfa Primary School	1,157,700	-20,159.40	-1.74%	46,308.00	N	0.00
EA025	Gladstone Primary School	829,410	-38,252.90	-4.61%	33,176.40	N	0.00
EA026	Glan Yr Afon Primary School	1,001,080	-24,020.84	-2.40%	40,043.20	N	0.00
EA029	Grangetown Primary School	1,469,530	-73,298.73	-4.99%	58,781.20	Y	-14,517.53
EA030	Grangetown Nursery School	430,180	-94,402.88	-21.94%	17,207.20	Y	-44,402.88
EA031	Greenway Primary School	917,750	-130,234.41	-14.19%	36,710.00	Y	-80,234.41
EA032	Gwaelod-y-Garth Primary School	998,200	-31,648.20	-3.17%	39,928.00	N	0.00
EA034	Hawthorn Primary School	937,350	-106,428.94	-11.35%	37,494.00	Y	-56,428.94
EA035	Herbert Thompson Primary School	1,771,670	5,773.46	0.33%	70,866.80	N	0.00
EA036	Holy Family R.C. Primary School	653,950	-50,691.71	-7.75%	26,158.00	Y	-691.71
EA038	Hywel Dda Primary School	1,642,880	-112,329.30	-6.84%	65,715.20	Y	-46,614.10
EA039	Kitchener Primary School	1,597,840	-39,367.61	-2.46%	63,913.60	N	0.00
EA040	Lakeside Primary School	1,629,400	-182,675.07	-11.21%	65,176.00	Y	-117,499.07
EA041	Lansdowne Primary School	1,580,850	-80,947.22	-5.12%	63,234.00	Y	-17,713.22
EA042	Llandaff C.W. Primary School	1,308,640	-35,563.13	-2.72%	52,345.60	N	0.00
EA043	Llanedeyrn Primary School	1,724,060	-56,090.65	-3.25%	68,962.40	N	0.00
EA044	Llanishen Fach Primary School	1,834,190	-61,394.66	-3.35%	73,367.60	N	0.00
EA045	Llysfaen Primary School	1,411,300	-101,125.98	-7.17%	56,452.00	Y	-44,673.98
EA048	Meadowlane Primary School	1,271,830	-44,467.78	-3.50%	50,873.20	N	0.00
EA049	Millbank Primary School	876,770	-51,318.64	-5.85%	35,070.80	Y	-1,318.64
EA050	Moorland Primary School	1,714,320	-90,686.87	-5.29%	68,572.80	Y	-22,114.07
EA052	Mount Stuart Primary School	1,593,330	-86,092.14	-5.40%	63,733.20	Y	-22,358.94
EA053	Ninian Park Primary School	1,844,520	-132,887.62	-7.20%	73,780.80	Y	-59,106.82
EA054	Pontprennau Primary School	848,190	67,183.47	7.92%	33,927.60	N	0.00
EA055	Oakfield Primary School	1,592,290	-123,472.77	-7.75%	63,691.60	Y	-59,781.17
EA056	Pentrebane Primary School	1,189,410	-59,473.04	-5.00%	47,576.40	Y	-9,473.04
EA057	Pentyrch Primary School	592,580	-23,539.47	-3.97%	23,703.20	N	0.00
EA058	Pen-y-Bryn Primary School	953,940	-106,781.00	-11.19%	38,157.60	Y	-56,781.00
EA059	Peter Lea Primary School	1,347,080	-88,972.41	-6.60%	53,883.20	Y	-35,089.21
EA060	Radnor Primary School	1,252,250	-35,410.05	-2.83%	50,090.00	N	0.00
EA061	Radyr Primary School	1,346,260	-86,213.82	-6.40%	53,850.40	Y	-32,363.42
EA062	Rhiwbeina Primary School	2,128,520	-162,259.11	-7.62%	85,140.80	Y	-77,118.31
EA063	Rhydyphenau Primary School	1,577,010	-115,673.12	-7.33%	63,080.40	Y	-52,592.72
EA064	Roath Park Primary School	1,484,040	-49,331.35	-3.32%	59,361.60	N	0.00
EA065	Rumney Primary School	1,612,610	-48,091.54	-2.98%	64,504.40	N	0.00
EA068	Severn Primary School	1,751,860	-87,948.13	-5.02%	70,074.40	Y	-17,873.73
EA069	Springwood Primary School	1,256,080	-44,695.53	-3.56%	50,243.20	N	0.00
EA070	Stacey Primary School	871,020	-56,638.36	-6.50%	34,840.80	Y	-6,638.36
EA071	St Alban's R.C. Primary School	773,460	-21,517.29	-2.78%	30,938.40	N	0.00
EA073	St Bernadette's R.C. Primary School	898,650	-75,331.19	-8.38%	35,946.00	Y	-25,331.19
EA074	St Cadoc's R.C. Primary School	1,135,940	-76,152.28	-6.70%	45,437.60	Y	-26,152.28
EA075	St Cuthbert's R.C. Primary School	542,360	-47,654.93	-8.79%	21,694.40	N	0.00
EA076	St David's C.W. Primary School	933,680	-27,183.09	-2.91%	37,347.20	N	0.00
EA077	St Fagan's C.W. Primary School	843,410	-23,689.03	-2.81%	33,736.40	N	0.00
EA078	St Francis R.C. Primary School	1,182,980	-44,985.60	-3.80%	47,319.20	N	0.00
EA079	St John Lloyd R.C. Primary School	1,129,100	-101,000.53	-8.95%	45,164.00	Y	-51,000.53
EA080	St Joseph's R.C. Primary School	735,080	-8,835.63	-1.20%	29,403.20	N	0.00
EA081	St Mary's R.C. Primary School	809,670	-48,735.53	-6.02%	32,386.80	N	0.00
EA082	St Mary The Virgin C.W. Primary School	887,490	-40,032.89	-4.51%	35,499.60	N	0.00
EA083	St Mellons C.W. Primary School	555,250	-44,385.68	-7.99%	22,210.00	N	0.00
EA084	St Monica's C.W. Primary School	602,370	-19,970.14	-3.32%	24,094.80	N	0.00
EA085	St Patrick's R.C. Primary School	1,057,450	7,755.33	0.73%	42,298.00	N	0.00
EA086	St Paul's C.W. Primary School	788,710	-62,578.37	-7.93%	31,548.40	Y	-12,578.37
EA087	St Peter's R.C. Primary School	1,620,190	-187,254.23	-11.56%	64,807.60	Y	-122,446.63
EA088	St Philip Evans R.C. Primary School	1,201,440	-53,439.67	-4.45%	48,057.60	Y	-3,439.67
EA089	Thornhill Primary School	1,448,650	-33,022.26	-2.28%	57,946.00	N	0.00
EA090	Tongwynlais Primary School	807,840	-34,171.56	-4.23%	32,313.60	N	0.00
EA091	Ton-yr-Ywen Primary School	1,674,380	-51,758.76	-3.09%	66,975.20	N	0.00
EA092	Tredegarville C.W. Primary School	883,650	-57,663.33	-6.53%	35,346.00	Y	-7,663.33
EA093	Trelai Primary School	1,657,930	-172,160.49	-10.38%	66,317.20	Y	-105,843.29
EA094	Tremorfa Nursery School	351,360	-30,272.18	-8.62%	14,054.40	N	0.00

Cost Centre	FULL NAME	Formula 2017 18	Balances	Expressed as a %	4% of Formula	Balance over £50,000 and 4% of Formula	Excess Surplus
EA098	Willowbrook Primary School	1,451,700	-94,314.78	-6.50%	58,068.00	Y	-36,246.78
EA100	Windsor Clive Primary School	1,628,380	-161,619.68	-9.93%	65,135.20	Y	-96,484.48
EA101	Ysgol Bro Eirwg	1,452,510	-65,490.21	-4.51%	58,100.40	Y	-7,389.81
EA102	Ysgol Gymraeg Coed-y-Gof	1,295,150	-7,369.65	-0.57%	51,806.00	N	0.00
EA103	Ysgol Melin Gruffydd	1,475,610	-98,337.66	-6.66%	59,024.40	Y	-39,313.26
EA104	Ysgol Pencae	879,720	-67,381.82	-7.66%	35,188.80	Y	-17,381.82
EA105	Ysgol Pwll Coch	1,528,240	-76,021.72	-4.97%	61,129.60	Y	-14,892.12
EA106	Ysgol-y-Berllan Deg	1,404,490	-83,670.54	-5.96%	56,179.60	Y	-27,490.94
EA107	Ysgol Mynydd Bychan	848,310	-47,469.08	-5.60%	33,932.40	N	0.00
EA108	Ysgol Gymraeg Treganna	1,954,720	-141,320.84	-7.23%	78,188.80	Y	-63,132.04
EA109	Ysgol-y-Wern	1,759,230	-98,549.46	-5.60%	70,369.20	Y	-28,180.26
EA110	Ysgol Glan Morfa	858,530	-80,548.77	-9.38%	34,341.20	Y	-30,548.77
EA111	Ysgol Gymraeg Nant Caerau	883,200	-47,307.16	-5.36%	35,328.00	N	0.00
EA113	Ysgol Gynradd Gymraeg Pen Y Groes	591,980	-92,612.46	-15.64%	23,679.20	Y	-42,612.46
EA114	Ysgol Pen Y Pil	746,400	-25,810.47	-3.46%	29,856.00	N	0.00
EA115	Ysgol Glan Ceubal	557,950	-12,937.37	-2.32%	22,318.00	N	0.00
EA116	Pencaerau Primary	1,009,330	-49,258.62	-4.88%	40,373.20	N	0.00
EA117	Trowbridge Primary	829,610	20,574.57	2.48%	33,184.40	N	0.00
EA246	ICC Ely	637,740	-128,917.01	-20.21%	25,509.60	Y	-78,917.01
EA247	Glyncoed Primary School	1,351,570	-95,577.06	-7.07%	54,062.80	Y	-41,514.26
EA248	Marlborough Primary School	1,830,900	-73,186.59	-4.00%	73,236.00	N	0.00
EA249	Whitchurch Primary School	2,191,000	-122,947.03	-5.61%	87,640.00	Y	-35,307.03
EA250	Howardian Primary School	679,990	-150,485.06	-22.13%	27,199.60	Y	-100,485.06
EA251	Ysgol Hamadryad	330,810	-88,720.71	-26.82%	13,232.40	Y	-38,720.71
	Primary Schools Total	119,837,710	-6,913,974.32	-5.77%	4,793,508.40	55	-2,291,006.84
Cost Centre	FULL NAME	Formula 2017 18	Balances	Expressed as a %	4% of Formula	Balance over £100,000 and 4% of Formula	Excess Surplus
EA120	Corpus Christi R.C. High School	4,561,630	-182,416.07	-4.00%	182,465.20	N	0.00
EA121	Mary Immaculate High School	3,559,070	-94,312.33	-2.65%	142,362.80	N	0.00
EA122	St Illtyd's R.C. High School	4,164,570	-31,876.33	-0.77%	166,582.80	N	0.00
EA123	Bishop Of Llandaff C.W. High School	6,329,090	-34,495.85	-0.55%	253,163.60	N	0.00
EA124	Michaelston Community College	1,321,140	0.00	0.00%	52,845.60	N	0.00
EA125	Cantonian High School	3,809,370	868,863.66	22.81%	152,374.80	N	0.00
EA126	Cardiff High School	7,238,840	-160,108.08	-2.21%	289,553.60	N	0.00
EA127	Cathays High School	4,273,270	-922.56	-0.02%	170,930.80	N	0.00
EA128	Fitzalan High School	8,303,690	-200.95	0.00%	332,147.60	N	0.00
EA130	Glyn Derw High School	533,690	0.00	0.00%	21,347.60	N	0.00
EA132	Llanishen High School	7,441,290	-64,584.34	-0.87%	297,651.60	N	0.00
EA134	Radyr Comprehensive	5,967,200	-64,434.66	-1.08%	238,688.00	N	0.00
EA136	St Teilo's C.W. High School	6,527,540	-147,379.52	-2.26%	261,101.60	N	0.00
EA137	Whitchurch High School	10,577,290	180,926.60	1.71%	423,091.60	N	0.00
EA138	Willows High School	3,309,390	77,070.44	2.33%	132,375.60	N	0.00
EA139	Ysgol Gyfun Gymraeg Glantaf	5,716,840	351,483.69	6.15%	228,673.60	N	0.00
EA140	Ysgol Gyfun Gymraeg Plasmawr	5,060,590	-55,053.17	-1.09%	202,423.60	N	0.00
EA141	Ysgol Gyfun Bro Eder	3,001,870	26,750.69	0.89%	120,074.80	N	0.00
EA142	Eastern HS	3,993,700	-110,674.44	-2.77%	159,748.00	N	0.00
EA143	Cardiff West Comm HS	2,522,840	-62,961.57	-2.50%	100,913.60	N	0.00
	Secondary Schools Total	98,212,910	495,675.21	0.50%	3,928,516.40	0	0.00
Cost Centre	FULL NAME	Formula 2017 18	Balances	Expressed as a %	4% of Formula	Balance over £100,000 and 4% of Formula	Excess Surplus
EA150	The Court	973,520	-148,535.41	-15.26%	38,940.80	Y	-48,535.41
EA151	Riverbank	1,203,870	-15,229.57	-1.27%	48,154.80	N	0.00
EA152	Ty Gwyn	4,073,860	-257,725.47	-6.33%	162,954.40	Y	-94,771.07
EA153	Woodlands	1,956,750	-63,839.22	-3.26%	78,270.00	N	0.00
EA154	Greenhill	1,185,940	-154,940.94	-13.06%	47,437.60	Y	-54,940.94
EA155	Meadowbank	529,390	-98,346.34	-18.58%	21,175.60	N	0.00
EA156	The Hollies	2,358,790	-162,146.62	-6.87%	94,351.60	Y	-62,146.62
	Special Schools Total	12,282,120	-900,763.57	-7.33%	491,284.80	4	-260,394.04
	TOTAL	230,332,740	-7,319,062.68	-3.18%	9,213,309.60	59	-2,551,400.88

DELEGATED SCHOOLS BALANCES : LAST 6 YEARS							4.1 Appendix B
Profit Centre	School	Bal as at 31st March 2013	Bal as at 31st March 2014	Bal as at 31st March 2015	Bal as at 31st March 2016	Bal as at 31st March 2017	Bal as at 31st March 2018
EA001	Adamsdown Primary School	-47,385.86	-72,348.81	-34,871.59	1,585.28	-46,829.07	-60,126.77
EA002	Albany Primary School	-123,370.86	-94,223.97	-74,778.61	-64,974.37	-55,800.88	-117,861.73
EA003	Allensbank Primary School	-45,548.23	-21,941.57	-20,266.75	-81,374.27	-81,582.38	-62,719.84
EA004	All Saints C.W. Primary School	-16,434.20	-23,765.59	-39,684.21	-32,468.86	-3,583.98	-34,371.43
EA005	Baden Powell Primary School	-60,125.47	-31,979.63	-148,384.59	-36,006.61	-57,627.58	-94,360.07
EA006	Birchgrove Primary School	-77,897.11	-58,196.43	-88,568.47	-92,720.50	-126,717.83	-146,237.80
EA007	Bishop Childs C.W. Primary School	-54,034.59	-51,672.83	-57,053.58	-28,896.50	-46,174.62	-43,753.28
EA008	Bryn Celyn Primary School	-5,907.10	21,037.08	-8,366.88	-37,900.57	-86,309.73	-72,510.89
EA009	Bryn Deri Primary School	-50,692.45	-26,862.33	-18,820.51	-21,430.40	-51,690.15	-21,796.63
EA010	Bryn Hafod Primary School	-44,403.50	-37,940.18	3,526.88	-27,030.80	-44,667.73	-89,197.79
EA014	Christ The King R.C. Primary School	-23,968.86	-3,617.70	-23,099.14	-48,674.43	-41,477.29	-43,612.13
EA015	Coed Glas Primary School	-46,069.12	-37,877.41	-35,913.27	-122,056.34	-56,812.90	-175,603.54
EA016	Coryton Primary School	-48,348.46	15,710.69	26,799.82	-23,767.81	-48,753.57	-26,909.27
EA017	Creigiau Primary School	-75,084.50	-56,645.24	-59,634.31	-46,360.29	-56,147.34	-74,963.44
EA020	Danescourt Primary School	-9,649.96	48,063.36	40,195.78	49,085.28	44,499.38	-15,990.13
EA023	Fairwater Primary School	-26,371.05	-3,134.63	-14,651.38	4,180.40	-26,605.33	-31,013.62
EA024	Gabalfa Primary School	-43,594.00	-51,402.04	-21,266.29	-60,933.27	-51,136.43	-20,159.40
EA025	Gladstone Primary School	-37,814.27	-35,185.96	-64,444.77	-80,019.92	-13,397.24	-38,252.90
EA026	Glan Yr Afon Primary School	-16,354.09	11,393.45	-13,494.04	-10,698.66	-7,598.75	-24,020.84
EA029	Grangetown Primary School	-44,245.05	-29,103.36	-125,608.53	-94,042.72	-129,346.81	-73,298.73
EA030	Grangetown Nursery School	-12,700.58	-18,913.26	-47,528.70	-82,266.92	-74,353.45	-94,402.88
EA031	Greenway Primary School	-5,792.71	-18,200.19	-32,110.31	-70,311.78	-108,711.07	-130,234.41
EA032	Gwaelod-y-Garth Primary School	1,954.72	-22,532.51	-11,598.45	-42,287.48	-26,898.64	-31,648.20
EA034	Hawthorn Primary School	5,751.73	-885.27	-8,093.39	-30,007.33	-32,640.31	-106,428.94
EA035	Herbert Thompson Primary School	-55,127.67	-19,620.22	-49,394.77	-52,628.26	-37,600.27	5,773.46
EA036	Holy Family R.C. Primary School	-2,729.48	-14,668.32	-9,535.83	-27,662.18	-22,491.26	-50,691.71
EA038	Hywel Dda Primary School	-65,220.92	-62,321.04	-76,792.90	-91,272.04	-75,354.26	-112,329.30
EA039	Kitchener Primary School	-18,645.50	-41,849.38	-3,023.37	-20,457.28	-28,297.73	-39,367.61
EA040	Lakeside Primary School	-40,264.71	-15,411.62	-26,206.65	-79,704.30	-148,746.67	-182,675.07
EA041	Lansdowne Primary School	-21,535.12	8,413.03	-1,660.33	-13.24	-8,159.51	-80,947.22
EA042	Llandaff C.W. Primary School	-8,716.03	-21,667.98	-4,763.77	-26,530.19	-55,149.89	-35,563.13
EA043	Llanedeyrn Primary School	-15,528.11	-30,517.51	-105,532.06	-41,515.41	-1,755.46	-56,090.65
EA044	Llanishen Fach Primary School	-845.00	-7,457.57	-56,652.99	-50,462.15	-41,664.67	-61,394.66
EA045	Llysfaen Primary School	-163,472.21	-113,887.23	-62,523.81	-93,609.95	-88,565.63	-101,125.98
EA048	Meadowlane Primary School	-28,286.87	25,589.43	-61,907.97	-62,623.36	-29,499.32	-44,467.78
EA049	Millbank Primary School	-61,996.44	-33,340.23	-64,060.48	-57,712.32	-67,593.01	-51,318.64
EA050	Moorland Primary School	-26,649.63	-16,004.29	-18,892.98	-44,056.18	-49,412.59	-90,686.87
EA052	Mount Stuart Primary School	-35,590.66	-37,638.60	-51,048.08	-104,498.26	-121,884.64	-86,092.14
EA053	Ninian Park Primary School	-20,608.58	-1,587.15	-45,669.56	-61,796.27	-78,384.70	-132,887.62
EA054	Pontprennau Primary School	0.00	0.00	0.00	190.13	-20,864.64	67,183.47
EA055	Oakfield Primary School	28,951.13	24,477.36	47,569.46	-67,527.27	-76,273.07	-123,472.77
EA056	Pentrebane Primary School	19,164.45	-57,060.89	-68,289.97	-42,793.30	21,264.42	-59,473.04
EA057	Pentyrch Primary School	-71,302.29	-25,857.91	-21,959.09	-21,943.28	-33,950.87	-23,539.47
EA058	Pen-y-Bryn Primary School	-30,079.94	-30,470.23	-8,177.10	-41,422.26	-53,608.95	-106,781.00
EA059	Peter Lea Primary School	1,312.35	-22,682.57	29,523.87	18,017.21	-37,583.12	-88,972.41
EA060	Radnor Primary School	-28,882.27	-34,454.30	-19,506.03	-25,777.56	-57,294.79	-35,410.05
EA061	Radyr Primary School	-49,865.52	-43,205.91	-29,617.55	-29,331.61	-47,376.40	-86,213.82
EA062	Rhiwbeina Primary School	-151,921.52	-75,855.05	-50,043.83	-135,099.85	-102,202.37	-162,259.11
EA063	Rhydypenau Primary School	-82,991.20	-51,319.67	-58,062.33	-102,835.77	-90,879.57	-115,673.12
EA064	Roath Park Primary School	-90,744.15	-56,896.11	-56,765.57	-34,939.87	-65,796.28	-49,331.35
EA065	Rumney Primary School	-64,067.40	-17,073.26	-9,996.49	-47,425.45	-32,266.30	-48,091.54
EA068	Severn Primary School	-34,013.39	-56,000.87	-39,743.04	-96,126.14	-73,586.64	-87,948.13
EA069	Springwood Primary School	-21,862.50	-69,416.13	-66,686.67	-61,285.11	-78,804.00	-44,695.53
EA070	Stacey Primary School	-33,527.21	-28,788.21	-9,451.72	-27,804.44	-50,877.33	-56,638.36
EA071	St Alban's R.C. Primary School	70,201.47	176,329.41	192,820.92	42,294.52	23,969.04	-21,517.29
EA073	St Bernadette's R.C. Primary School	-14,563.49	-10,093.53	-12,944.21	-18,446.92	-38,358.11	-75,331.19
EA074	St Cadoc's R.C. Primary School	-34,792.51	-48,018.21	-30,703.19	-46,727.18	-63,637.94	-76,152.28
EA075	St Cuthbert's R.C. Primary School	-53,780.86	-46,039.84	-73,962.04	-44,596.99	-64,969.90	-47,654.93
EA076	St David's C.W. Primary School	-24,002.87	-2,236.86	3,750.02	6,095.57	-16,703.36	-27,183.09
EA077	St Fagan's C.W. Primary School	-20,951.62	26,268.28	-9,275.50	-20,151.72	-20,305.96	-23,689.03
EA078	St Francis R.C. Primary School	-35,034.39	-55,682.76	-19,852.38	-34,876.16	-61,139.44	-44,985.60
EA079	St John Lloyd R.C. Primary School	-53,581.72	-45,415.61	-67,956.86	-65,295.20	-87,952.46	-101,000.53
EA080	St Joseph's R.C. Primary School	-20,454.05	75,433.30	112,780.04	111,169.51	66,334.70	-8,835.63
EA081	St Mary's R.C. Primary School	-9,797.60	46,020.79	43,665.98	6,659.36	-60,448.83	-48,735.53
EA082	St Mary The Virgin C.W. Primary School	-19,892.78	-40,291.70	-15,203.61	-23,194.15	-40,316.52	-40,032.89
EA083	St Mellons C.W. Primary School	-29,104.52	-39,242.45	-30,752.88	-25,977.75	-31,579.61	-44,385.68
EA084	St Monica's C.W. Primary School	-788.66	47,570.02	93,055.69	20,819.71	1,695.22	-19,970.14
EA085	St Patrick's R.C. Primary School	-65,559.55	-29,389.90	-14,302.80	-17,777.01	-3,114.64	7,755.33
EA086	St Paul's C.W. Primary School	-33,774.76	-53,489.57	-58,038.73	-43,950.13	-43,654.64	-62,578.37
EA087	St Peter's R.C. Primary School	-78,614.83	-47,083.16	-90,969.79	-121,292.56	-180,390.47	-187,254.23
EA088	St Philip Evans R.C. Primary School	-29,963.13	15,079.50	-93,589.01	-79,790.67	-65,688.02	-53,439.67
EA089	Thornhill Primary School	-24,131.96	6,933.89	-19,600.42	-34,052.85	-9,345.48	-33,022.26
EA090	Tongwynlais Primary School	-32,031.66	-36,612.81	-17,422.95	-17,453.16	-36,430.12	-34,171.56
EA091	Ton-yr-Ywen Primary School	-60,065.06	-37,335.92	-71,700.02	-65,838.93	-46,917.08	-51,758.76
EA092	Tredegarville C.W. Primary School	-70,672.35	-49,115.75	2,465.08	-25,467.85	-20,537.10	-57,663.33
EA093	Trelai Primary School	-68,289.50	-65,120.00	-38,322.06	-25,894.60	-118,912.73	-172,160.49
EA094	Tremorfa Nursery School	-50,411.66	-42,397.62	-37,801.05	-53,463.36	-41,309.15	-30,272.18
EA098	Willowbrook Primary School	-33,898.52	-13,783.91	-42,355.99	-39,862.13	-73,287.39	-94,314.78
EA100	Windsor Clive Primary School	-113,589.85	-68,824.02	-122,969.09	-101,803.24	-89,821.85	-161,619.68
EA101	Ysgol Bro Eirwg	-51,229.62	-28,661.48	-63,328.60	-58,227.45	-52,198.04	-65,490.21
EA102	Ysgol Gymraeg Coed-y-Gof	-55,226.29	-29,603.90	-86,462.12	-59,296.83	-10,452.75	-7,369.65
EA103	Ysgol Melin Gruffydd	-51,155.82	-44,985.10	-49,084.05	-52,191.31	-39,128.95	-98,337.66
EA104	Ysgol Pencae	-21,677.43	-9,438.66	-19,753.89	-28,553.46	-21,353.76	-67,381.82
EA105	Ysgol Pwll Coch	-18,271.18	-24,435.93	-15,978.69	12,116.51	-42,818.18	-76,021.72
EA106	Ysgol-y-Berllan Deg	-60,949.48	-23,638.85	-6,887.00	19,840.48	-12,039.96	-83,670.54
EA107	Ysgol Mynydd Bychan	-17,678.86	-43,629.09	-10,716.25	-5,202.63	-42,821.30	-47,469.08
EA108	Ysgol Gymraeg Treganna	-27,751.63	-17,387.06	-20,021.89	-54,350.21	-99,775.85	-141,320.84
EA109	Ysgol-y-Wern	-176,394.02	-39,401.70	-53,208.73	-49,519.71	-54,432.67	-98,549.46
EA110	Ysgol Glan Morfa	4,373.98	44,364.61	-8,626.33	-22,874.78	-18,177.09	-80,548.77
EA111	Ysgol Gymraeg Nant Caerau	-7,317.00	14,677.06	14,224.25	-2,631.52	-17,602.94	-47,307.16
EA113	Ysgol Gynradd Gymraeg Pen Y Groes	-120,248.55	-62,879.65	-31,421.10	-70,864.65	-42,983.56	-92,612.46
EA114	Ysgol Pen Y Pyl	-41,253.18	-49,849.17	-37,536.48	-14,946.13	-14,741.02	-25,810.47
EA115	Ysgol Glan Ceubal	-1,459.53	4,803.52	16,334.16	-6,117.54	18,147.68	-12,937.37
EA116	Pencaerau Primary	-51,542.23	-1,459.53	-21,751.57	-46,114.60	-49,961.65	-49,258.62
EA117	Trowbridge Primary	-60,974.65	-32,955.00	-20,240.58	-6,368.70	-12,549.86	20,574.57

Profit Centre	School	Bal as at 31st March 2013	Bal as at 31st March 2014	Bal as at 31st March 2015	Bal as at 31st March 2016	Bal as at 31st March 2017	Bal as at 31st March 2018
EA246	ICC Ely	-50,379.94	-34,242.84	42,688.12	-65,395.77	-134,837.07	-128,917.01
EA247	Glyncoed Primary School	-48,698.05	-48,153.33	-74,467.07	-22,472.78	-117,551.55	-95,577.06
EA248	Marlborough Primary School	-83,484.63	-89,621.33	-126,366.66	-81,112.39	-64,851.09	-73,186.59
EA249	Whitchurch Primary School	-95,070.90	-58,078.98	-136,624.12	-184,736.27	-189,300.39	-122,947.03
EA250	Howardian Primary School	0.00	0.00	0.00	-98,975.52	-139,009.56	-150,485.06
EA251	Ysgol Hamadryad	0.00	0.00	0.00	0.00	-69,658.30	-88,720.71
	Total Primary & Nusery	-4,073,431.48	-2,453,522.53	-3,005,000.40	-4,226,894.02	-5,235,942.92	-6,913,974.32
ANALYSIS OF SECONDARY SCHOOLS BALANCES AS AT 31ST MARCH 2017							
Profit Centre	School	Bal as at 31st March 2013	Bal as at 31st March 2014	Bal as at 31st March 2015	Bal as at 31st March 2016	Bal as at 31st March 2017	Bal as at 31st March 2018
EA120	Corpus Christi R.C. High School	30,872.41	41,507.15	-62,062.23	-98,907.40	-137,533.07	-182,416.07
EA121	Mary Immaculate High School	149,455.76	75,121.11	-66,085.35	-106,069.75	-100,833.12	-94,312.33
EA122	St Illtyd's R.C. High School	-78,132.57	-13,653.60	-13,154.99	122,555.01	26,618.83	-31,876.33
EA123	Bishop Of Llandaff C.W. High School	127,496.38	66,445.95	263,648.15	212,229.39	-15,617.69	-34,495.85
EA124	Federation - Michaelston / Glyn Derw	192,418.50	711,124.90	1,177,722.19	1,271,835.59	1,421,087.03	0.00
EA125	Cantonian High School	1,076,944.65	1,287,786.25	1,226,723.76	1,108,993.26	891,012.52	868,863.66
EA126	Cardiff High School	-517.31	79,487.29	-42,668.72	23,402.54	-30,497.15	-160,108.08
EA127	Cathays High School	-30,612.34	-31,712.17	-28,483.25	-145,658.99	-15,086.74	-922.56
EA128	Fitzalan High School	-36,274.27	-698.51	-22,197.77	-16,865.80	1,100.95	-200.95
EA130							0.00
EA132	Llanishen High School	-41,874.29	-73,228.54	-5,090.97	144,595.81	40,323.62	-64,584.34
EA134	Radyr Comprehensive	-20,651.95	-99,431.74	-99,691.21	-85,485.08	-103,723.28	-64,434.66
EA136	St Teilo's C.W. High School	149,278.89	250,601.57	-86,618.27	-143,141.71	-102,803.89	-147,379.52
EA137	Whitchurch High School	-34,527.85	79,859.32	205,153.36	297,225.34	192,727.95	180,926.60
EA138	Willows High School	-129,258.12	-3,381.01	43,576.99	-57,794.32	-134,820.04	77,070.44
EA139	Ysgol Gyfun Gymraeg Glantaf	-142,148.40	-97,668.87	-202,723.62	-131,340.90	-55,535.59	351,483.69
EA140	Ysgol Gyfun Gymraeg Plasmawr	-12,461.94	64,608.27	174,666.11	20,995.25	-70,274.83	-55,053.27
EA141	Ysgol Gyfun Bro Ederm	-79,534.26	-46,917.63	-60,327.48	-80,878.69	-84,742.25	26,750.69
EA142	Eastern High School	0.00	0.00	-139,607.94	-121,644.55	-119,983.54	-110,674.44
EA143	Cardiff West Comm HS						-62,961.57
	Total Secondary	1,681,574.94	2,670,774.85	2,262,778.76	2,214,045.00	1,601,419.71	495,675.11
ANALYSIS OF SPECIAL SCHOOLS BALANCES AS AT 31ST MARCH 2017							
Profit Centre	School	Bal as at 31st March 2013	Bal as at 31st March 2014	Bal as at 31st March 2015	Bal as at 31st March 2016	Bal as at 31st March 2017	Bal as at 31st March 2018
EA150	The Court School	-65,155.89	-72,809.42	-78,519.65	-71,036.70	-93,826.33	-148,535.41
EA151	Riverbank School	-63,540.26	-58,653.60	-74,255.82	-66,736.19	-6,659.59	-15,229.57
EA152	Ty Gwyn School	105,460.87	-61,135.67	-160,224.53	-183,511.64	-188,194.66	-257,725.47
EA153	Woodlands High School	-85,343.88	-69,536.52	-10,512.73	26,341.38	151.87	-63,839.22
EA154	Greenhill School	-97,558.35	-124,628.86	-95,899.20	-97,321.92	-96,616.63	-154,940.94
EA155	Meadowbank School	-87,608.60	-86,363.41	-73,742.81	-65,774.10	-93,283.32	-98,346.34
EA156	The Hollies School	-87,054.16	-78,577.74	-51,693.06	-50,717.90	-129,608.06	-162,146.62
	Total Special	-380,800.27	-551,705.22	-544,847.80	-508,757.07	-608,036.72	-900,763.57
	GRAND TOTAL ALL SCHOOLS	-2,772,656.81	-334,452.90	-1,287,069.44	-2,521,606.09	-4,242,559.93	-7,319,062.78

AUDIT COMMITTEE: 18th September 2018

REPORT OF DIRECTOR PLANNING, TRANSPORT & ENVIRONMENT
AGENDA ITEM: 4.2

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 Planning, Transport & Environment Directorate. This update is also to provide assurance on the implementation of the recommendations made by Internal Audit.

Background

2. Cardiff Council's Planning, Transport & Environment Directorate has responsibility for a wide and complex range of statutory duties, functions and services, essentially this involves "bringing together place-based services to ensure that Cardiff is able to achieve its Capital City Ambition and to be among the very best in the UK and Europe" to ensure;
 - The streets/highway are clean, well maintained and managed
 - Waste services meet targets for recycling
 - Improved management of productivity, and customer service levels
 - New Development is of a high quality
 - Ensuring value for money, efficient Service Delivery
 - Delivering a range of high profile projects, including:
 - i. The new Central Transport Interchange
 - ii. Significant Waste and Recycling Facilities and Services
 - iii. New transport / Active Travel, such as cycle super highways,
 - vi. Major new Sustainable Communities
 - v. UK best practice Energy Projects

The Directorate is concerned with managing risk at the level of strategy development, operational delivery, and the quality of services to citizens of Cardiff, visitors and businesses. To support this challenging agenda, the directorate currently employs circa 1,116 staff. To illustrate the scale and variety of activities provided, here is a list of the Directorate's Strategic Priorities (SDPs) and example headline actions being delivered by the Directorate during 2018/19 and over the longer term where necessary:

SDP1 - Transforming and improving services:

- Explore and develop a commercial and collaboration strategy for key services
- Adopt Smart City approaches to managing city infrastructures

SDP2 - To deliver a sustainable transport system

- Develop and launch a new Transport & Clean Air Vision for the city
- Support the delivery of the Council's Active Travel agenda

SDP3 - To deliver and manage future growth of the city

- Support the delivery of high-quality and well-connected communities
- Increase the delivery of new houses to meet housing need through the development of LDP strategic sites

SDP4 - To join up frontline street scene services

- Develop options for long-term regional partnership recycling infrastructure arrangements
- Develop a 'Total Street' delivery Plan

SDP5 - Develop Cardiff as a sustainable, resilient and low carbon energy capital

- Develop a City Food Strategy
- Progress a 5 Megawatt Solar Farm at Lamby Way

SDP6 - Deliver high quality bereavement and registration services

- Deliver a long-term solution to ensure adequate burial space is provided for the future
- Develop a sustainable and enhanced service for the kennelling and re-homing of stray dogs

Issues

- (a) Management and mitigation of Directorate risks included in the Corporate Risk Register – the Directorate has developed and integrated a robust process for managing, monitoring and controlling these and other risks which are set out below.

Planning & Review

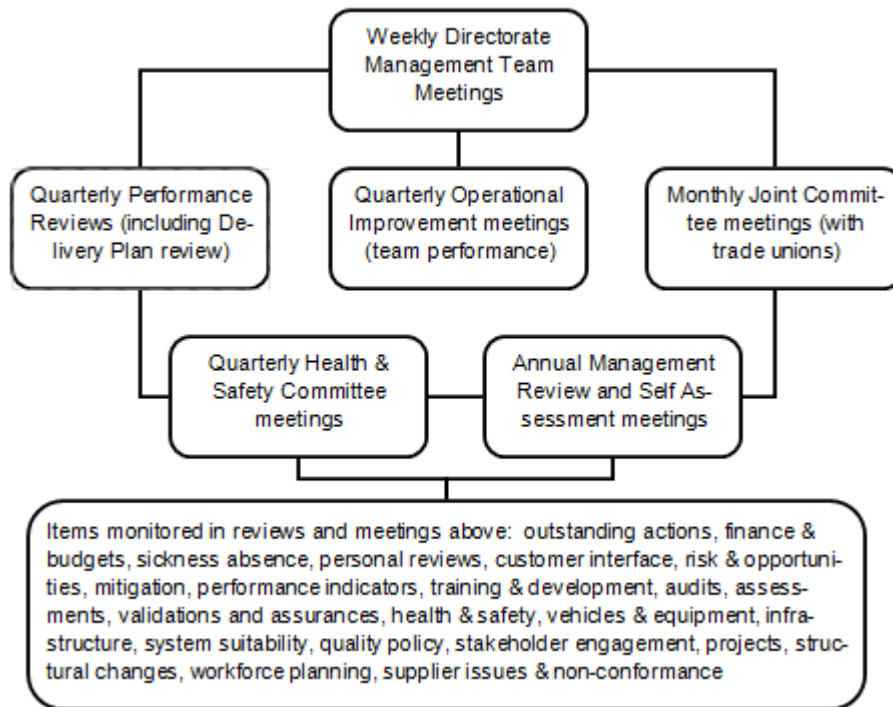
Directorate Delivery Plan – this sets out how we will deliver Corporate Objectives, Capital Ambitions and Directorate Headline Actions. Key consideration is given to resources required for projects, initiatives and objectives along with management of associated risks.

Risk Registers – risks managed by the Directorate are detailed in a number of registers at various levels including Corporate (strategic risks), Directorate (essentially delivery plan risks) and newly emerging Team (operational risks) registers. These risks are monitored on a quarterly basis alongside our Delivery Plan reviews, similarly key outturns (high level risks) are reported to the Senior Management Team.

Quarterly Performance Reviews – this takes place on a quarterly basis and includes monitoring of progress against Corporate Steps, Capital Ambition Statements, Headline Actions, Key Performance Indicators, Key Achievements, Challenges. Reviews are undertaken in parallel with Directorate Management Team meetings to ensure top management awareness, sign off and to identify any impacting risks. Quarterly Performance Reports include key outturns which are subsequently reported to SMT, Relevant Scrutiny Committees and Cabinet.

Directorate Management Team & other supporting meetings – weekly, monthly, quarterly and annual frequency to support Directorates quality management system. These are attended by management team, key officers, trade unions and technical support staff to help monitor, review and make decisions on cross cutting performance and issues, further details are outlined in meeting structure below.

Management Meeting Structure



Current Corporate Risks

Waste Management - Failure to meet statutory recycling targets and deliver cost effective compliance with waste management legislation

Air Quality - Poor air quality is the most significant environmental determinant of health. 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.

Coastal Erosion - Breach of current defences resulting in widespread flooding.

City Security -Hostile Vehicle Mitigation – Shortfall in funding identified to complete installation of hostile vehicle mitigation bollards at key city centre locations. The installation provides a barrier and control of access to prevent and deter Vehicle Borne Improvised Explosive Device (VBIED) detonating in an areas identified a high risk crowded place.

Climate Change - Surface Water Flooding - Un-preparedness to the effects of climate change due to lack of future proofing for key (social and civil) infrastructure and business development.

Energy & Sustainability – WG target for Council to be Carbon Neutral by 2030

Energy Security & Cost Certainty - Inability to secure consistent energy supply due to rising energy costs and insecurity of energy supply.

Risk	Current Risk rating	Target Risk Rating	Target Date
Waste Management	B2	TBC	TBC - target to be set following conclusion of review
Air Quality	B1	C3	Q1 2021/22 - This will be achieved if the action to reach compliance in the shortest possible time is delivered. It must also be noted that there is no specified safe limit for air pollution and therefore although legal compliance may be achieved there is still the residual risk associated with air pollution related to nitrous oxides.
Coastal Erosion	B1	D1	Q4 2021/22 (subject to WG funding)
City Security - Hostile Vehicle Mitigation	B1	B1	Part of wider Corporate City Security Risk, Residual Risk Rating is anticipated to remain at B1
Climate Change – Surface Water Flooding	C2	TBC	Part of wider Corporate Climate Change & Energy Security Risk
Energy & Sustainability – Carbon Neutral	C1	TBC	
Energy Security & Cost Certainty	C1	TBC	

(b) Senior Management Assurance Statement - the Directorate Management Team is actively engaged in the review of the Directorate Senior Management Assurance Statement, overall there is a strong application of governance and controls across the Directorate. There has been an improved position in terms of risk identification and management, particularly since undertaking a full review of the Directorate Risk Register and ongoing development of Team Risk Registers across the Directorate. Recent developments to support governance arrangements include the development of a Directorate Code of Governance (DCOG) and emerging Action Plan, and cascading of a Governance Assurance Statement to all OMs and Team Leaders, participation rates to date are at 71% which is really encouraging, an analysis will be undertaken on this approach by the end of September 2018 which will support the further development of our DCOG Action Plan.

(c) Monitoring / implementing recommendations made in Internal Audit reports

The table below identifies the internal audits which are ongoing or planned for PTE in 2018/19 and continuing from 2017/18.

PTE – Internal Audits 2018/19	Status
Budgeting and forecasting	On-going
Section 106 agreements	On-going
Flood risk management	On-going
Weighbridge controls and reporting	On-going
Acting up allowances / payroll payements	On-going
Partnerships and collaborative governance	Planned
Commissioning and Procurement	Planned
Value for Money	Planned
Asset Management	Planned
Stock checks in CTS	Planned

PTE – Internal Audits 2017/18	Assurance Rating	Status
Adopted Land	Limited	Recommendation to be implemented within reasonable timescale - 31/12/2018
Health Check FMIT - Tranman	Insufficient with major improvement needed	6 audit recommendations are currently in the process of being reviewed and implemented. A new CTS Operational Manager has been appointed and will be in post from October 2018. Implementation of internal audit recommendations will be a priority for the senior manager.

RECOMMENDATIONS

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

Andrew Gregory
Director, Planning, Transport & Environment
18th September 2018

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Audit Committee
Tuesday 18th September 2018

Governance and Control

Planning, Transport & Environment
Directorate



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

Governance and Control



Directorate Structure

Circa 1,116 staff in the Directorate.

Services provided:

- **Planning**
- **Transport Policy, Strategy & Delivery**
- **Street Scene Services**
- **Bereavement, Registration Services and Dogs Home**
- **Energy & Sustainability**
- **Finance, Governance and Performance Support**

Governance and Control

Directorate Structure



A variety of operational sites including:

- County Hall
- City Hall
- Lamby Way Depot
- Bessemer Close
- Brindley Rd / Coryton Depot
- Coleridge Rd
- Millicent Street
- Thornhill Offices & Westpoint Industrial Estate

Governance and Control

Key Risk Areas



- **Waste Management**
- **Air Quality**
- **Coastal Erosion**
- **City Security – Hostile Vehicle Mitigation**
- **Climate Change – Surface Water Flooding**
- **Energy & Sustainability**
- **Energy Security & Cost Certainty**

Governance and Control

Monitoring and Review



- **Robust structure of Management and Operational Meetings in place:**
 - **Weekly Directorate Management Team Meetings**
 - **Monthly Operational Improvement Meetings**
 - **Monthly Operational Review Meetings (with trade unions)**
 - **Quarterly Health & Safety Committee / SAJC**
 - **Quarterly Directorate Delivery Plan / Performance Reviews**
 - **Annual Management Reviews / Self Assessment / Delivery Plan Workshop**

Governance and Control

Monitoring and Review



- **Audit Schedule fully embedded**
- **Improvement Action system to manage audit outcomes**
- **Validations and Assurances - internal and external assessments i.e. BSI, NRW, Planning Inspectorate, Data Cymru, DVLA**
- **Directorate Code of Governance**
- **Cascade of Governance Statement (SMAS) to all OMs and Team Leaders / Analysis / Action Plan**
- **Directorate and Team risk Registers implemented**
- **Team Plans implemented / Personal Reviews**

Questions?



**CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD**



AUDIT COMMITTEE:18 SEPTEMBER 2018

FINANCIAL UPDATE

REPORT OF THE CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 5.1

Reason for this Report

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

Background

2. This report will advise the Audit Committee on the latest position in relation to budget monitoring in the current year and also provide an update on the preparatory work for the 2019/20 Budget and the medium term.

Issues

Financial Monitoring

3. The Month Four Budget Monitoring Report is due to be considered by Cabinet on the 20 September 2018. This will include an update on both the revenue and capital position of the Council. Due to the timing of the meetings, details of the financial position cannot be set out in this report, however the Cabinet Report will be available prior to the Audit Committee meeting on the 18 September and copies will be circulated to members of the Committee in advance of that meeting.

2019/20 Budget Strategy

4. The Budget Strategy Report 2019/20 was approved by Cabinet in July 2018. It indicated a budget gap of £91.4 million over the period 2019/20 – 2021/22, of which £34.2 million relates to 2019/20. The gap is a result of anticipated funding reductions at the same time as demand and inflationary pressure on services is expected to rise significantly. The strategy to address the gap includes council tax increases, use of reserves and a cap on schools' growth. The largest component of the strategy is directorate savings (including income generation), which are expected to amount to £65.6 million over the three year period.
5. The shape of the Council's budget makes the medium term position even more challenging. Together, schools, social services, capital financing and non-controllable budgets (such as council tax support and levies) now account for 82% of

the Council's overall budget. In the absence of additional grant funding to meet particular pressures in these areas, funds are being diverted from other services. These "other services", equate to just 18% of the Council's overall budget and contain areas of statutory duty.

6. The quantum of savings identified in the strategy will be challenging, particularly given the significant levels of savings that the Council has had to find to date. In order to improve the deliverability of savings, directorates have been requested to accelerate planning and preparatory work where appropriate, to maximise securing a full year saving in 2019/20. A reminder of the voluntary redundancy scheme has been circulated to all staff to enable managers to consider expressions of interest alongside their preparatory work for savings delivery.
7. Over the summer months, directorates have been reviewing their savings proposals as part of establishing a balanced position for approval by Council in February 2019. Savings proposals will be consulted upon in the autumn, once the Provisional Settlement has afforded greater clarity to the funding position for 2019/20. It is of note that the UK budget, which now takes place in the autumn, increases the potential for change between provisional announcement of the settlement in October and its finalisation in December.
8. The position in respect of capital is equally challenging. The Budget Strategy Report indicated that in updating and formulating the five-year capital programme for 2019/20, wherever possible, emerging pressures should be managed and prioritised within the resources allocated in the 2018/19 and indicative future capital programme. For 2023/24, which is the new year covered by the 2019/20 programme, funding requests to undertake additional borrowing will only be considered where they relate to asset renewal for existing assets. Any new capital expenditure pressures that do not relate to existing assets will only be considered if they can be funded externally, or if there is clear evidence that they will pay for themselves.
9. The CIPFA Prudential Code was updated in December 2017. This was primarily to strengthen it in light of some local authorities undertaking activities of a more commercial nature, such as investment in property and companies primarily for financial benefit. The Code requires that by 2019/20, the Council, or a body nominated by it, approve a Capital Strategy that sets out the long-term context in which both capital expenditure and investment decisions are made. The Budget Strategy Report set out the key components of a Capital Strategy, and the extent to which this is already reflected within the Council's approach to setting the budget. Areas for further development are under review and the Capital Strategy will be included as part of the Budget Report for consideration in February 2019.

Reason for Recommendations

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

Legal Implications

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

Financial Implications

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

RECOMMENDATIONS

13. That the Audit Committee note the latest position in respect of the Council's budget monitoring for the current year and the work being undertaken in respect of budget preparation for 2019/20 and the medium term.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
September 2018

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AUDIT COMMITTEE:

18 SEPTEMBER 2018

STATEMENT OF ACCOUNTS 2017/18

REPORT OF THE CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 5.2

Reason for this Report

1. The Audit Committee's Terms of Reference requires that Audit Committee:-
 - Review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account the internal audit opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk and internal control.
 - 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.
 - Consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
2. To provide Audit Committee Members with an update following the audit of the draft accounts by Wales Audit Office (WAO), prior to submission to Council.

Background

1. The audited Statement of Accounts for the County Council of the City & County of Cardiff and the Cardiff Harbour Authority are shown in Appendix 1. Cardiff and the Vale of Glamorgan Pension Fund audited Statement of Accounts for the financial year 2017/18 are shown in Appendix 2. Regulations and the Council's constitution require that the audited accounts are approved by Council by the 30 September. The Annual Governance Statement is attached at Appendix 3.
2. The draft accounts and Annual Governance statement were presented to the Audit Committee on 26 June 2018. Subsequent to this, they were presented to Wales Audit Office on 15 June 2018 for audit ahead of the statutory deadline of 30 June 2018. Appendix 4 provides feedback on specific information requested by Audit Committee members following their review in June 2018.
3. The accounts were available for public inspection as required by sections 30 and 31 of the Public Audit (Wales) Act 2004 and Regulations 13,15 and 16, of the Accounts and Audit (Wales) Regulations, 2005 (as amended).

4. The final accounts and Annual Governance Statement for 2017/18 are due to go to Council for approval at the meeting on the 27 September 2018 and will be published thereafter.

Issues

At the meeting in June 2018 audit committee were made aware of administrative changes in approach compared to previous years following changes in regulations. The Cardiff & the Vale of Glamorgan Pension Fund accounts and the Annual Governance statement (AGS) for the Council and Pension Fund are now standalone documents outside of the Council's Statement of Accounts.

The Council has continued its proactive approach to improvement of the statements improving the readability, content and information provided. Work undertaken by Finance during the year includes:-

- A proactive approach and relationship with WAO raising key issues likely to impact on the accounts prior to their development
- Increasing the opportunity to undertake testing and review of any notes to the accounts which were prepared in advance of sign off by the Corporate Director Resources on 15 June 2018.
- Agreement of audit deliverables with Wales Audit Office to support a continual improvement process in working papers
- Support for audit including prompt responses to audit queries
- Whilst very technical documents, improvements to the accounts themselves to set a base for future years includes:-
 - improved narrative report in line with best practice
 - additional tables to support the understanding and readability of the accounts e.g. Financial Instruments.
 - implementation of audit recommendations following analytical review, comparisons to CIPFA disclosure checklist and issues raised in previous years
 - earlier review and agreement of accounting policies
 - consolidating new Joint committees to maintain the approach that consolidates existing Joint Committees.

5. Following the period of external audit from 15 June 2018 to the date of this report, there are currently no material misstatements which remain uncorrected. The attached appendices include audit reports (ISA 260's) for Cardiff Council, Cardiff Harbour Authority and Cardiff and the Vale of Glamorgan Pension Fund, which contain the main issues and corrections, deemed to be required to be brought to your attention.

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

6. WAO intend to issue an unqualified audit report on the financial statements once they have been provided with the Letter of Representation, which is included in Appendix 5.
7. There are no misstatements identified in the financial statements, which remain uncorrected. Any corrected misstatements are shown in the Appendix.

The Audit of Financial Statements Report highlights a number qualitative and quantitative findings, which are summarised below:

- The Council has generally sound accounting and financial reporting practices although there is scope for continued improvement to the quality and timeliness of some of the working papers submitted to us to support the draft financial statements.
- We did not encounter any significant difficulties during the audit, however we experienced some delays in receiving supporting documentation requested during the audit process.
- There was one significant matter discussed and corresponded upon with management which we need to report to you. This issue relates to potentially significant liabilities arising from a purportedly undeclared landfill tax assessment which is disclosed in Note 30 to the accounts 'Contingent Assets/Liabilities'.
- There are no other matters significant to the oversight of the financial reporting process that we need to report to you.
- We did not identify any material weaknesses in your internal controls.
- There are not any other matters specifically required by auditing standards to be communicated to those charged with governance

In respect of the landfill tax assessment, the Council is in discussion with the HMRC and is being supported by an environmental tax specialist given the technical nature of the subject matter. This includes options for mitigation and any appeals process if this is deemed required. As highlighted in note 30 of the accounts, it is not possible to quantify or provide a reliable estimate of any liability at this stage.

Cardiff Harbour Authority Accounts

8. WAO intend to issue an unqualified audit report on the financial statements once they have been provided with the Letter of Representation, which is included in Appendix 6. There are no misstatements identified in the financial statements, which remain uncorrected. Any corrected misstatements are shown in the Appendix.
9. The WAO Audit of Financial Statements Report also highlights a number qualitative and quantitative findings, which are summarised below:
 - We have no concerns about the qualitative aspects of your accounting practices and financial reporting.
 - We did not encounter any significant difficulties during the audit.
 - There were no significant matters discussed and corresponded upon with management which we need to report to you.
 - There are no other matters significant to the oversight of the financial reporting process that we need to report to you.
 - We did not identify any material weaknesses in your internal controls that we have not reported to you already.
 - There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.

Cardiff and the Vale of Glamorgan Pension Fund Accounts

10. WAO intend to issue an unqualified audit report on the financial statements once they have been provided with the Letter of Representation, which is included in Appendix 7. There are no misstatements identified in the financial statements, which remain uncorrected. Any corrected misstatements are shown in the Appendix.
11. WAO Audit of Financial Statements Report also highlights a number qualitative findings, as follows:
 - We have no concerns about the qualitative aspects of your accounting practices and financial reporting.
 - We did not encounter any significant difficulties during the audit. There were no significant matters discussed and corresponded upon with management which we need to report to you.
 - There are no other matters significant to the oversight of the financial reporting process that we need to report to you.
 - We did not identify any material weaknesses in your internal controls that we have not reported to you already.
 - There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.

Looking Forward

12. Future years changes in the Statement of Accounts include:-
 - Implementation of new accounting requirements such as International Financial Reporting Standard (IRFS) 9 - Classification of Financial Instruments which is due to be considered for the 2018/19 financial year and IFRS 16 Leases for the 2019/20 Accounts.
 - The need to minimise the period over which the accounts are prepared and also audited as a result of changes in legislation.

Legal Implications

13. No direct legal implications arise from this report.

Financial Implications

14. This report provides Audit Committee Members with the accounts to be submitted to Council for approval at its meeting on 27 September 2018. The report follows the external audit of the accounts and includes both qualitative findings and highlights any significant amendments made to the accounts following the audit.

RECOMMENDATIONS

15. That the Statement of Accounts for 2017/18 and Annual Governance Statement be noted.

CHRISTINE SALTER

Corporate Director Resources

11 September 2018

The following appendices are attached:

Appendix 1 – Statement of Accounts 2017/18 – County Council of the City and County of Cardiff as well as Cardiff Harbour Authority

Appendix 2 – Statement of Accounts 2017/18 – Cardiff and Vale of Glamorgan Pension Fund

Appendix 3 – Annual Governance Statement 2017/18

Appendix 4 – Response to specific queries raised by Audit Committee following their review of the draft accounts in June 2018.

Appendix 5 – Wales Audit Office - Audit of the Financial Statements Report 2017/18 (ISA 260) and Letter of Representation – County Council of the City County of Cardiff

Appendix 6 – Wales Audit Office - Audit of the Financial Statements Report 2017/18 (ISA 260) and Letter of Representation – Cardiff and Vale of Glamorgan Pension Fund

Appendix 7 – Wales Audit Office - Audit of the Financial Statements Report 2017/18 (ISA 260) and Letter of Representation – Cardiff Harbour Authority

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Statement of Accounts 2017/18

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



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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

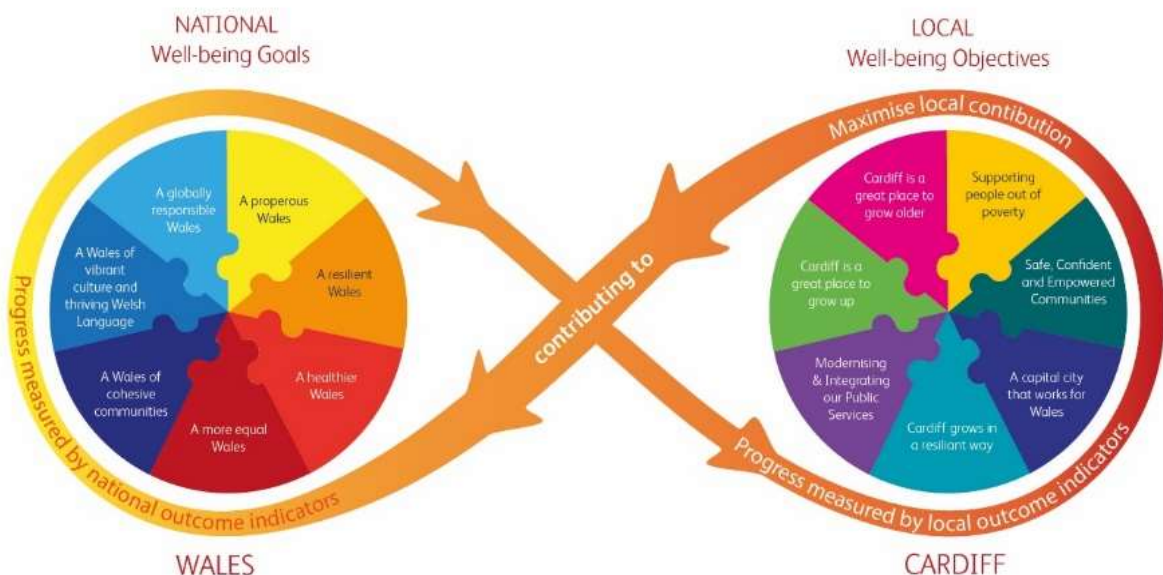
To meet these challenges, the Council has embarked on a programme of action, with commitments and targets to move forward in the face of severe budget challenges faced by all public services.

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.

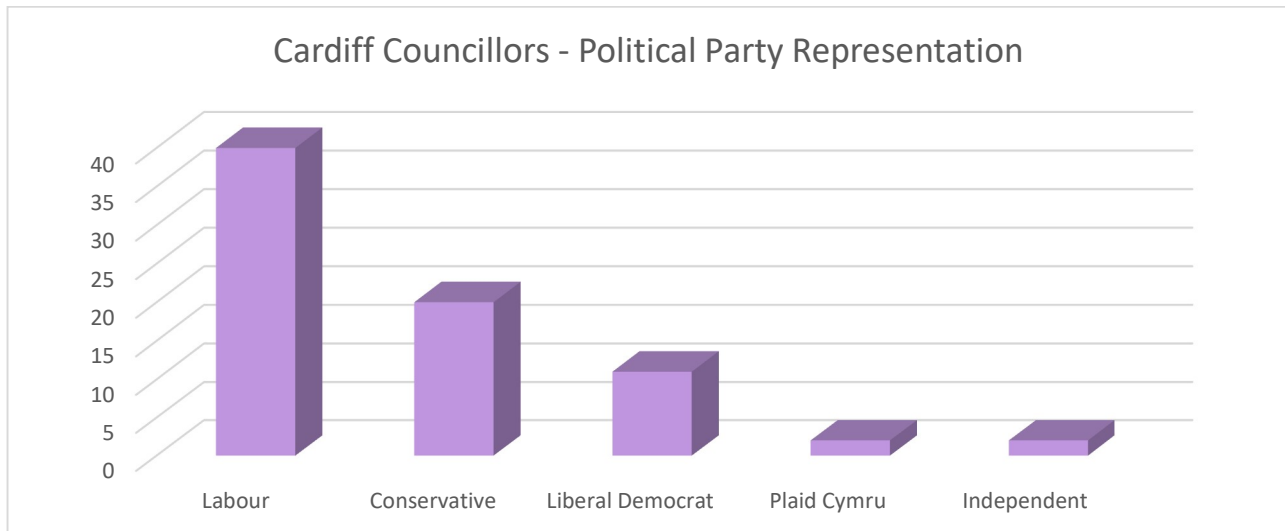


The plans set out how we will continue to invest in and improve our schools, build more affordable housing, tackle homelessness, and protect the city's most vulnerable people. The Council has bold plans for tackling congestion and air pollution, improving recycling rates and keeping our streets clean, 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

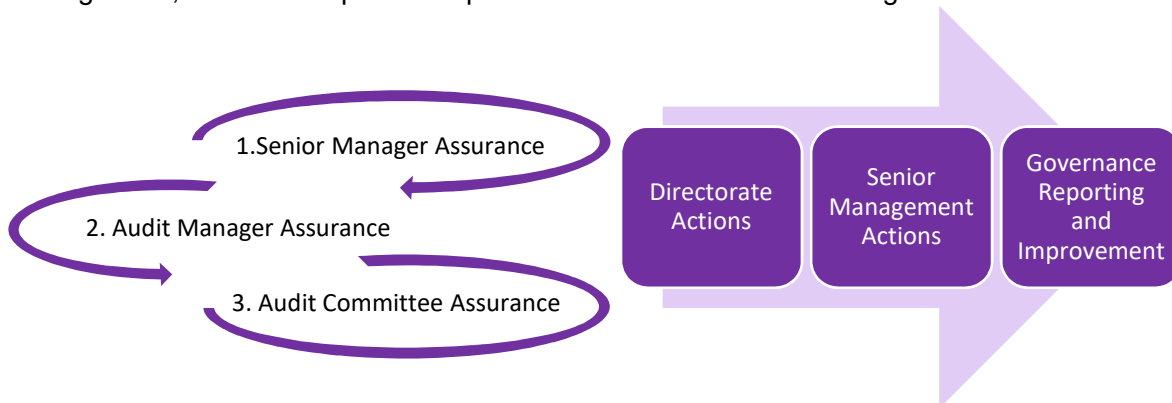


Our Governance

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. This is available on the Council's website at the following address.

<https://www.cardiff.gov.uk/ENG/Your-Council/Council-finance/Managing-the-Councils-Finances/Documents/2017-18/Annual%20Governance%20Statement%202017-18.pdf>

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.



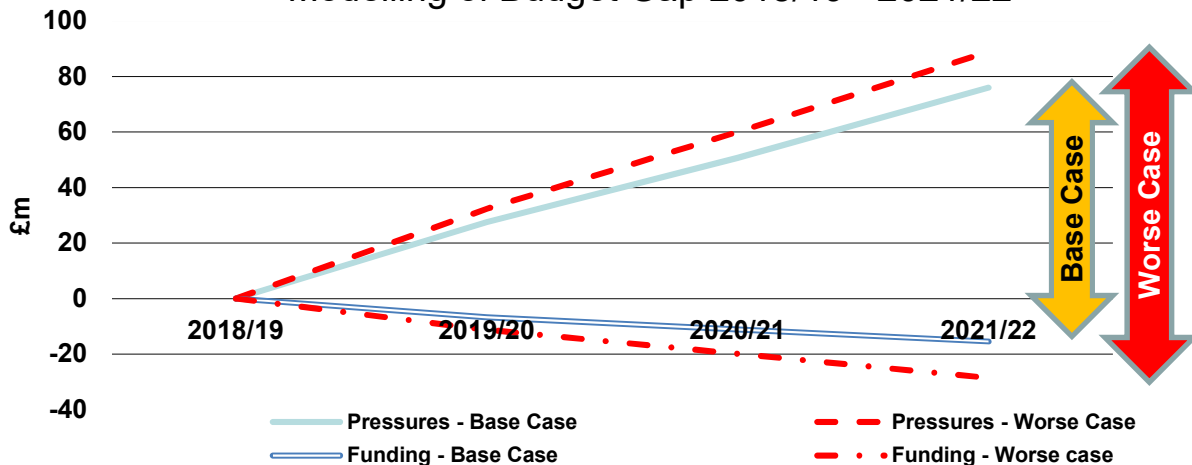
Future Financial Outlook, Risks and Uncertainties

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 at the following address.

<http://cardiff.moderngov.co.uk/documents/s20270/Item%20-%20Budget%20Report%202018-19%20for%20Council%2022%20Feb%202018.pdf>

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

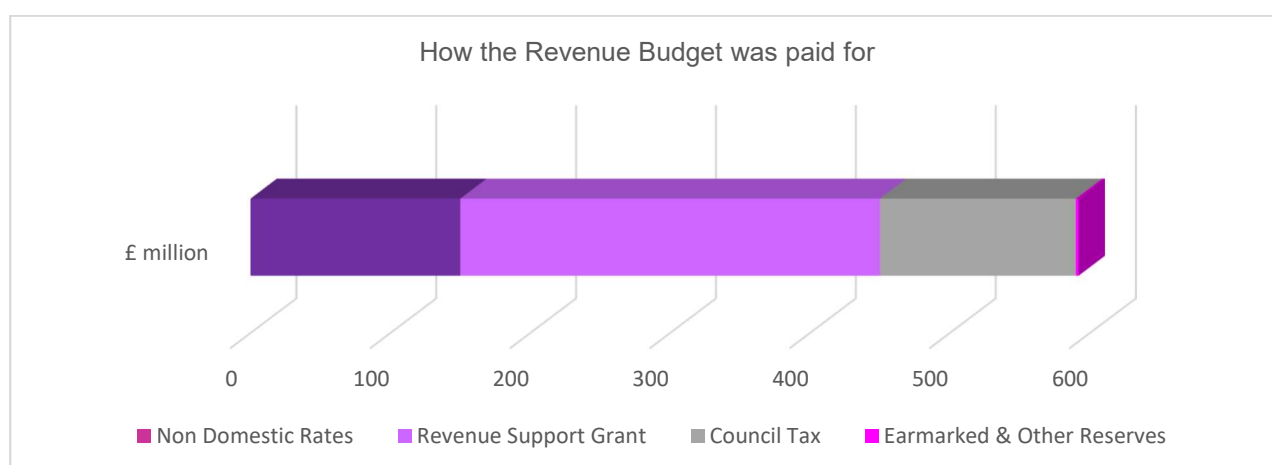
The final revenue outturn shows expenditure within the overall 2017/18 net revenue budget of £586.984 million. During the year contributions were also made to a number of strategic earmarked reserves that

will support financial resilience and benefit the Council in the medium term. Performance is shown below:-

Directorate	Net Expenditure Budget £000	Net Expenditure Outturn £000	Variance (Under)/Over £000
City Operations	34,800	34,790	(10)
Communities, Housing & Customer Services	43,390	43,009	(381)
Corporate Management	25,851	25,800	(51)
Economic Development	13,358	15,001	1,643
Education & Lifelong Learning	249,150	250,499	1,349
Governance & Legal Services	6,055	6,055	0
Resources	19,709	19,371	(338)
Social Services	153,549	156,319	2,770
Directorate Outturn Subtotal	545,862	550,844	4,982
Capital Financing	33,717	34,567	850
General Contingency	3,000	0	(3,000)
Summary Revenue Account inc Council Tax collection and NDR refunds and Discretionary Rate Relief	4,405	1,573	(2,832)
Total Council Outturn	586,984	586,984	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.

This is reflected in the overall directorate outturn position showing a Directorate overspend of £4.982 million and an £850,000 overspend on capital financing. A balanced position was achieved without having to make unplanned drawdowns of reserves and balances. Overspends were partially offset by a £3.000 million general contingency budget, held to reflect the quantum, risk and planning status of the proposed savings in 2017/18, as well as by savings in Council Tax collection, NDR refunds on Council properties and the Summary Revenue Account.



- 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 £155.429 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 94.

- 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 £30.569 million on interest, provision for repayment of debt and to pay towards capital expenditure

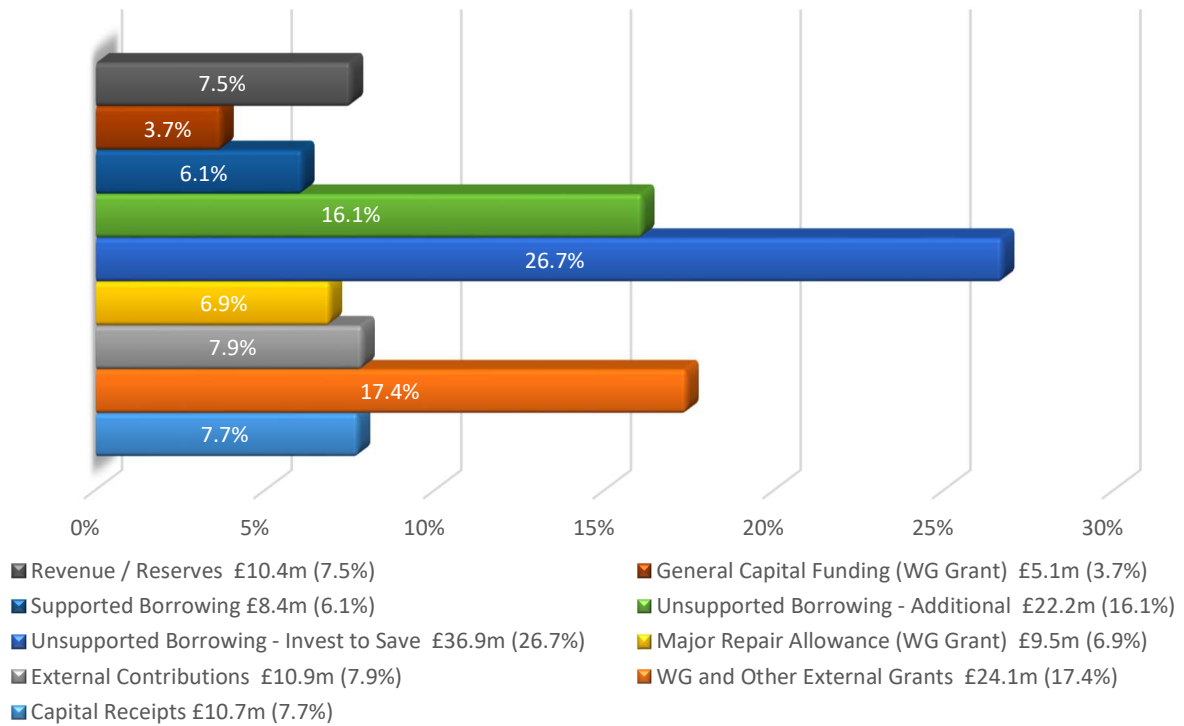
Capital Expenditure and Funding

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 Llanedeyrn.	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. This is part of the Council commitment of £28.4 million towards the £120 million Investment Fund.	5.7
Other	Modernising ICT to improve business process; Energy efficiency measures in Council buildings; harbour asset renewal; completion of new Lamby Way Household Waste Recycling Centre; day centre improvements; new facilities to support service delivery for children.	7.3
Public Housing	Investment and improvement of current housing stock and the creation of new housing through the delivery of the Cardiff Living Programme.	24.8

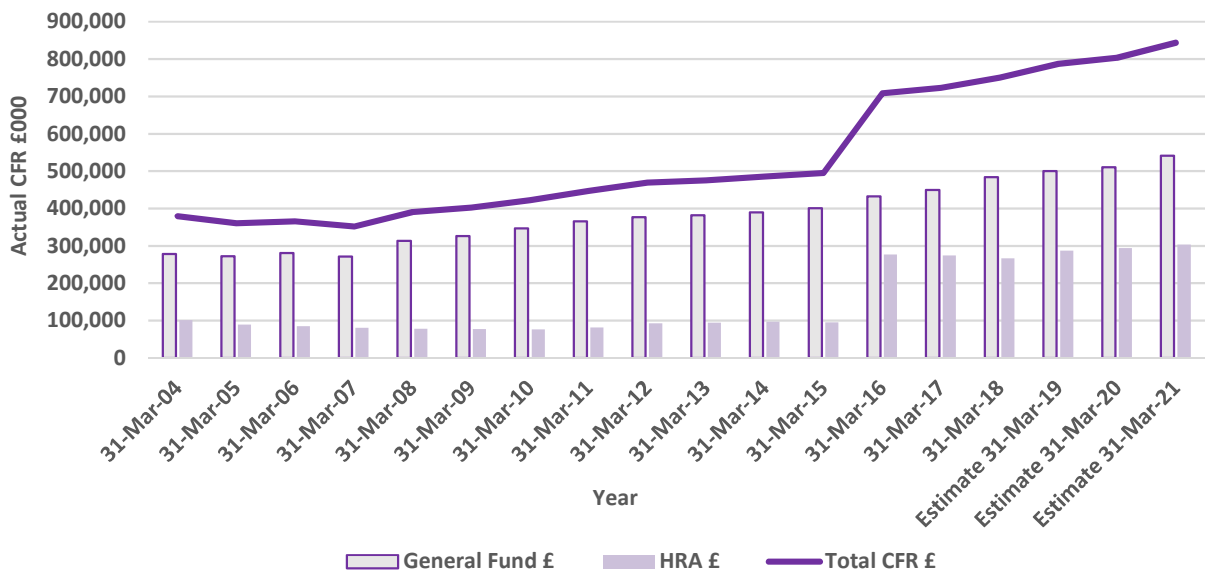
The Council pays for its capital expenditure from a number of sources. This includes borrowing money. Borrowing and any associated interest costs must ultimately be repaid in a prudent way from existing and future income. Expenditure of £61.1 million during 2017/18 is to be paid for by borrowing.

Funding of Capital Expenditure



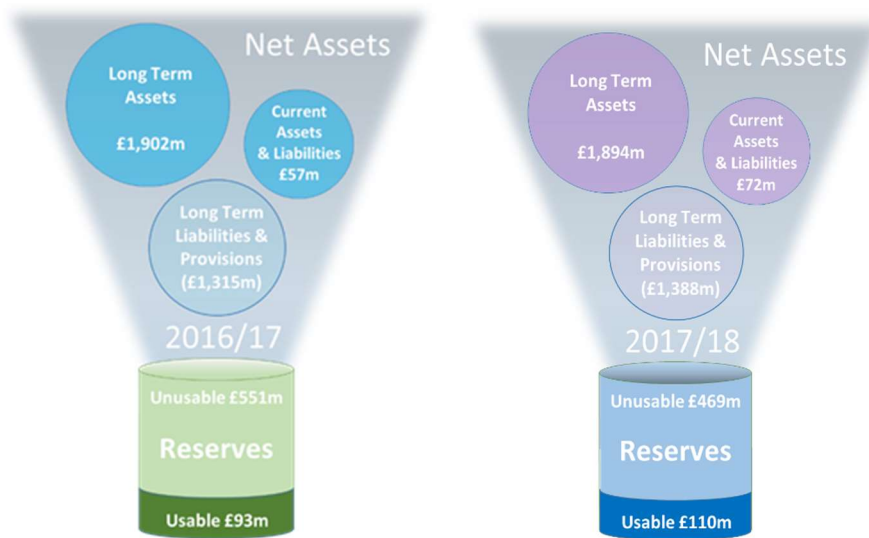
Capital incurred historically by borrowing but yet to be paid for from future revenue or capital income from the General Fund and HRA is termed the Capital Financing Requirement (CFR). Each year, a prudent amount is charged to our revenue budgets to reduce this. In 2015/16 additional borrowing was taken 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.

Capital Financing Requirement Trend



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.

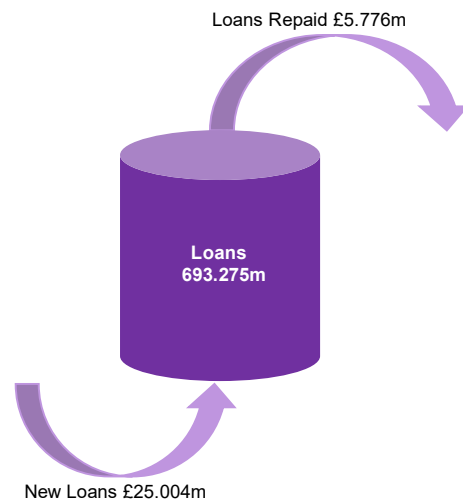
Financial Assets and Liabilities

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.

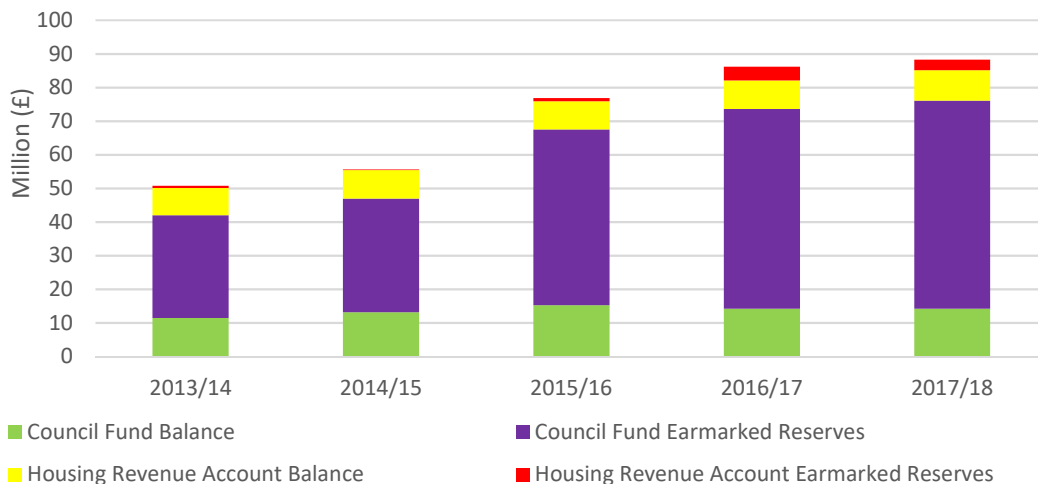
- The cost to the Council during the year for pension liabilities is £44.030 million.
- The Council's future liability in respect of pension benefits payable, compared to assets held, is £643.282 million at 31 March 2018 based on the latest actuarial assumptions which can fluctuate between years. This has increased by £56.559 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).

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

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

Opinion

I have audited the financial statements of:

- The County Council of the City and County of Cardiff; and
- The County Council of the City and County of Cardiff Group

for the year ended [insert date] under the Public Audit (Wales) Act 2004.

The County Council of the City and County of Cardiff's financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement and the related notes, including a summary of significant accounting policies.

The County Council of the City and County of Cardiff's Group financial statements comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of the County Council of the City and County of Cardiff's and the County Council of the City and County of Cardiff's Group as at 31 March 2018 and of their income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's or group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The responsible financial officer is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18;
- The information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

In the light of the knowledge and understanding of the council and the group and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Governance Statement.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

Certificate of completion of audit

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 18, the responsible financial officer is responsible for the preparation of the statement of accounts, including the County Council of the City and County of Cardiff's Group financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the council's and group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Audit Report

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Anthony J Barrett
For and on behalf of the Auditor General for Wales
Date:

24 Cathedral Road
Cardiff
CF11 9LJ

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).

The accounting convention adopted in the Statement of Accounts is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The accounts have been prepared on a going concern basis i.e. on the assumption that it will continue to be in existence for the foreseeable future. All operations were classified as continuing and there were no significant acquisitions or discontinuations of service during the financial year.

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.

In addition, International Reporting Standard 15 – Revenues from Contracts with customers will be introduced.

Overall, the impact of both 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 debtors are not considered to be collectable the balance is reduced by a provision for doubtful debt.

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 twenty four 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 note 31 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 expenditure 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 twelve months of the year-end. They include such benefits as wages and salaries, paid annual leave, bonuses and paid sick leave for current employees. They are recognised as an expense for services in the year in which employees undertake service for 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 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 creditor. Pension strain is payable to the Pension Fund over five 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:

- the Teachers' Pension Scheme, administered by the Teachers Pensions Agency
- the Local Government Pension Scheme, via membership of the Cardiff and Vale of Glamorgan Pension Fund administered by the Council.

The Council accounts for pension costs in the main accounting statements in accordance with International Accounting Standard 19 (IAS19). This requires recognition 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 Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme. The arrangements mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet.

Defined Benefit Schemes

The Cardiff and Vale of Glamorgan Pension Fund is a defined benefit scheme and the liabilities for the scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method. This is an 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 and projections earnings for current employees.

Liabilities are discounted to their value at current prices, using data from a basket of high quality corporate bonds and government gilts.

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

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

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.

The change in the net pensions liability is analysed in the following components:

- the current service cost (the increase in the liability as a result of pension earned by employees in the year rather than the cost of contributions paid into the fund) is charged to the net cost of services
- past service costs (the increase in the liability arising from current year decisions whose effect relate to pension earned by employees in earlier years) cover items such as the provision of enhanced or discretionary benefits on retirement and are charged to Corporate Management
- gains and losses on settlements and curtailments (the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits) are also charged to Corporate Management
- the net interest on the net defined benefit liability is the net interest expense for the period that arises from the passage of time and is shown within the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

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 and losses as a result of updating values from the last actuarial valuation to reflect conditions at the balance sheet date.

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 material, 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 of income or expenditure are not expected to recur frequently or regularly, but when they occur and when they are material in terms of understanding financial performance. They are included in the Comprehensive Income and Expenditure Statement as a separate line.

10. Financial Assets

Financial assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They 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 recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They 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 the same levels as stated under the Financial Assets accounting policy.

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

Grants and other contributions are accounted for on an accruals basis and recognised when:

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

Revenue

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 longer any reasonable assurance that the conditions will be met, sums received will not be recognised as a receipt of grant but as a repayment due to the awarding body and held on the Balance Sheet as a liability if it remains unpaid.

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.

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 and is shown as a creditor, as the unused element could be returned to the funder. Where a non-specific grant such as the General Capital Grant or Major Repair Allowance were to remain unapplied, it would be held as Capital Grants Unapplied Reserve.

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 and Capital Expenditure and Other Contributions Receipts in Advance.

13. Heritage Assets

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

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. The valuations are undertaken by A. N. Schoon, Antiques and Fine Art Valuer.

The unique nature of heritage assets makes reliable valuation complex. These difficulties are recognised by the Code and therefore many individual assets are not recorded in the accounts, but additional narrative disclosures are made about the nature and scale of such assets. Accordingly, only paintings, artefacts and civic regalia are shown at fair value in the Balance Sheet and revalued externally at least

every three years, based on an insurance valuation. The last valuation took place in 2016/17 and the next is due to take place in 2019/20

No depreciation charge is made on heritage assets.

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 initially set between 3-5 years, and reversed in the Movement in Reserves Statement via transfer to the Capital Adjustment Account.

Gains or losses arising from disposal are recognised in the surplus or deficit on the provision of services

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 held solely to earn rentals and/or for capital appreciation. Following a review, these are deemed to include:

- ground leases
- land held for future development as strategic sites
- all other land and buildings that meet investment property criteria, mainly shop premises.

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 are Chartered Surveyors registered in accordance with the Royal Institution of Chartered Surveyors. Full valuations are undertaken every other year, with a desktop review undertaken annually. The last valuation was in 2016/17 and the next will be due in 2018/19.

Fair Value is deemed to be the market value assessed for each asset reflecting highest and best and market conditions at the balance sheet date. Local comparable rental evidence and market yields have been utilised for comparison purposes.

Investment properties are not depreciated. 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 if it meets the following criteria:

- be available for immediate sale in its present condition
- sale must be highly probable
- be actively marketed or have identified prospective purchasers
- the sale expected to be completed within one year.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where this results in a loss, this 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.

The figures disclosed for 2016/17 in relation to Cardiff Bus have been amended to be consistent with the final accounts received for the company during 2017/18.

23. Property, Plant, Equipment

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

Recognition:

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

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

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

The Council recognises 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:

- 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% in the current valuation to adjust beacon values to existing use value.
- Other Land and Buildings - 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.
- Vehicles, Plant, Furniture and Equipment, Infrastructure Assets, Community Assets and Assets under Construction – depreciated historical cost.
- Surplus Assets are valued at Fair Value, based on highest and best use.

Revaluation:

Council dwellings, other land and buildings and surplus assets are required to be revalued periodically. Asset revaluations take place with an effective date of 1 April of the financial year and are undertaken by professional valuers.

Accounting Policies, Critical Judgements and Assumptions

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 or source any external valuation services. This ensures finance 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 minimum 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. The planned valuation timetable is shown below:

Asset	2017/18	2018/19	2019/20
Council Dwellings		X	
Other Land & Buildings - Schools			X
Other Land & Buildings – Other		X	
Surplus Assets	X	X	X

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.

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 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 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 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

Accounting Policies, Critical Judgements and Assumptions

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	Range of remaining useful life in years
Council Dwellings	50
Land	n/a
Buildings	3-65
Vehicles, Plant, Furniture and Equipment	5-15
Infrastructure*	7-120
Community Assets and Surplus Assets	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 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 Movement in Reserves Statement so that there is no net charge against Council Tax or rent for the expenditure. Certain reserves are maintained to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits. These 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 figures that are based on assumptions or estimates about the future or that are otherwise uncertain. Whilst these take into account historical experience, current trends, professional guidance and other relevant factors, actual results could be different. The main items in the Council's Balance Sheet at 31 March 2018 for which there is a risk of adjustment in future financial years are:

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
Valuation, where required of Property, Plant and Equipment assets, Heritage assets and Investment properties	Valuation of property interests involves assessment of a number of variables such as market conditions, useful life, cost of reconstruction, assessment of condition, use of a discount factors for social housing etc. Valuations are undertaken on a more frequent basis than the minimum 5 year period to ensure valuations and impact of assumptions are regularly reviewed. Indications of any significant impairment are considered annually. Valuations are undertaken by qualified Chartered Surveyors, or experts in the relevant field 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 or experience.	Any changes to valuations and any associated depreciation charges to services for non-current assets are required to be reversed out in the accounts, so this will not have an impact on Council Tax or rents.
Financial Instrument assets	These are reviewed annually for significant impairment using data such as historic risk of default and other reviews of recoverability. For financial assets not quoted on a recognised exchange or where it is difficult to provide accounting valuations where required e.g. valuations of the	Any change in the fair value of Cardiff City Transport Services Ltd as a result of the use of multipliers can be significantly variable, however this 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
	Council's shareholding in Cardiff City Transport Services Ltd, an estimate using multipliers of Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) are used.	
Provisions	The Council makes a number of provisions for liabilities that it may face where a reasonable estimate of value can be made at the balance sheet date. In most cases these are subject to legal claims such as those for insurance. Provisions relating to landfill sites subject to a high level of estimation primarily given the length of period over which they are to be considered. Professional internal and external advice is used to determine the need and value of provisions.	The outcomes of assumptions will have an impact on the Outturn in future years, however due to the uncertain nature of these events, are difficult to quantify
Arrears	At 31 March 2018, the Authority 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 or provision for doubtful debts is assumed which may, or may not be sufficient.	Improvements in collection will improve future reported Outturn position, however where customers are finding it difficult to pay this will require increases in the level of provisions currently set aside.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, inflation, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Professional actuaries are engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions are difficult to measure as they interact in different ways.

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		239,651	(191,395)	48,256
6,762	(469)	6,293	Corporate Management		13,455	(3,164)	10,291
64,316	(44,397)	19,919	Economic Development		85,033	(48,519)	36,514
348,120	(100,654)	247,466	Education & Lifelong Learning		385,757	(100,473)	285,284
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	1,117,265	(515,908)	601,357
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		2,502	(38)	2,464
59,390	(19,784)	39,606	Financing and Investment Income & Expenditure		48,973	(738)	48,235
0	(41,191)	(41,191)	Recognised Capital Grants & Contributions		0	(50,734)	(50,734)
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

2016/17				Note	2017/18		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
2,063	(649,996)	(647,933)	Taxation & Non-Specific Grant Income	2,070	(670,045)	(667,975)	
		(1,761)	(Surplus)/Deficit on Provision of Services			32,247	
		(26,098)	Revaluation Gains	29		(2,262)	
		10,169	Revaluation Losses	29		2,128	
		784	Impairment losses on non-current assets charged to the Revaluation Reserve			361	
		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			33,503	
		2,719	Total Comprehensive Income & Expenditure			65,750	

*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	(53,869)	0	21,622	0	0	(32,247)	0	(32,247)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(33,503)	(33,503)
Total Comprehensive Income and Expenditure	(53,869)	0	21,622	0	0	(32,247)	(33,503)	(65,750)
Adjustments between accounting basis & funding basis under regulations (note 1)	56,321	0	(21,940)	0	14,115	48,496	(48,496)	0
Net Increase/(Decrease) before Transfers to/(from) Earmarked Reserves	2,452	0	(318)	0	14,115	16,249	(81,999)	(65,750)
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	(81,999)	(65,750)
Balance at 31 March 2018 carried forward	14,255	61,843	8,983	3,223	21,320	109,624	468,663	578,287

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	1,711,579
53,846	Heritage Assets	18	54,099
132,241	Investment Properties	18	103,820
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		1,894,282
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	86,927
18,776	Cash and Cash Equivalents	22	54,057
170,909	Total Current Assets		183,521
(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	(412)
(3,219)	Pensions Strain	26	(2,794)
(586,723)	Net Pensions Liability*	17	(643,282)
(1,314,645)	Total Long-Term Liabilities		(1,388,064)
644,037	NET ASSETS		578,287
	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		255,582
876,075	Capital Adjustment Account		852,323
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	468,663
644,037	TOTAL RESERVES		578,287

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

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		32,247
(97,213)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	32	(150,438)
48,392	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	32	45,934
(50,582)	Net cash flows from operating activities		(72,257)
99,661	Purchase of property, plant and equipment, investment property and intangible assets		126,518
9,093	Purchase of short-term and long-term Investments		0
7,579	Other payments for investing activities		936
(9,009)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(24,818)
(40,942)	Capital Grants		(45,621)
(3,590)	Capital Contributions		0
62,792	Net cash flows from investing activities		57,015
(14,645)	Cash receipts from short-term and long-term borrowing		(25,004)
(6,220)	Other receipts from financing activities		(2,826)
7,231	Repayments of short-term and long-term borrowing		7,791
(13,634)	Net cash flows from financing activities		(20,039)
(1,424)	Net (increase)/ decrease in cash and cash equivalents		(35,281)
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	54,057

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	51,244	9,699	0	(60,943)
Revaluation losses of non-current assets	41,333	268	0	(41,601)
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	2,464	0	0	(2,464)
Movement in the value of held for sale assets	0	0	0	0
Capital grants and contributions applied	(38,879)	(11,855)	0	50,734
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	56,321	(21,940)	14,115	(48,496)

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

	Balance 31 March 2017 £000	Contributions		Balance 31 March 2018 £000
		From Revenue £000	To Revenue £000	
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

Notes to the Financial Statements

	Balance 31 March 2017 £000	Contributions		Balance 31 March 2018 £000
		From Revenue £000	To Revenue £000	
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
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.

Notes to the Financial Statements

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 support the feasibility costs, implementation and financial implications of city wide initiatives.

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.

Notes to the Financial Statements

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.

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	5,247	48,256
Corporate Management	25,800	(15,509)	10,291
Economic Development	15,001	21,513	36,514
Education & Lifelong Learning	250,499	34,785	285,284
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	14,373	601,357
Other Income and Expenditure	(537,519)	(31,591)	(569,110)
(Surplus) or Deficit on Provision of Services	49,465	(17,218)	32,247

Notes to the Financial Statements

	Council Fund	HRA Balance
Opening Balance as at 1 April	14,255	8,438
Surplus/(Deficit)	0	545
Closing Balance as at 31 March	14,255	8,983

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)
	Council Fund	HRA Balance	
Opening Balance as at 1 April	14,255	8,438	
Surplus/(Deficit)	0	0	
Closing Balance as at 31 March	14,255	8,438	

4.1. Note to the Expenditure and Funding Analysis

The adjustments between Accounting and Funding basis are analysed further in the following table.

Notes to the Financial Statements

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	5,032	885	(670)	5,247
Corporate Management	10,760	854	(27,123)	(15,509)
Economic Development	18,433	1,217	1,863	21,513
Education & Lifelong Learning	31,273	913	2,599	34,785
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	101,002	6,682	(93,311)	14,373
Other Income and Expenditure from the Expenditure & Funding Analysis	(46,280)	14,690	(537,518)	(569,108)
(Surplus) or Deficit on Provision of Services	54,722	21,372	(630,829)	(554,735)

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)

Notes to the Financial Statements

i. Adjustments for capital purposes

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

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

ii. Net Change for Pension Adjustments

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

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

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

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

4.2. Expenditure and Income Analysed by Nature

As well as by Directorate, the Council's expenditure and income analysed by type is shown below.

	2016/17 £000	2017/18 £000
Employee Benefits Expenses	430,055	445,984
Other Service Expenses	568,272	574,135
Depreciation, Amortisation & Impairment	64,418	111,832
Change in Fair Value of Investment Properties	9,105	2,502
Interest Payments	32,250	31,781
Precepts & Levies	46,698	48,641
Transfer to Council Tax Bad Debt Provision	0	2,070
Loss on Sale of Non-Current Assets	32,158	29,136
Total Expenditure	1,182,956	1,246,081
Fees, Charges & Other Service Income	(236,267)	(205,283)
Depreciation, Amortisation & Impairment	(3,826)	(9,531)
Change in Fair Value of Investment Properties	(18,805)	(38)
Interest and Investment Income	(979)	(700)
Income from Council Tax and Non-Domestic Rates	(606,742)	(619,311)
Grants and Contributions	(309,152)	(351,825)
Gain on Sale of Non-Current Assets	(8,946)	(27,146)
Total Income	(1,184,717)	(1,213,834)
Surplus & Deficit on the Provision of Services	(1,761)	32,247

Notes to the Financial Statements

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	139
Cardiff Port Health Authority	115	114
Newport Health Authority	5	5
	17,034	17,115

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: Statement of Accounts for each Joint Committee are available on the lead authority's website.

Committee	Purpose	Lead Authority	2016/17 £000	2017/18 £000
Cardiff Capital Region City Deal* (CCRCD)	To co-ordinate and discharge Councils' obligations in relation to the City Deal	Cardiff Council	42	183
Central South Consortium Joint Education Service	To provide a regional approach to improvement in schools	Rhondda Cynon Taf Council	1,505	1,436
Glamorgan Archives*	Management and administration of the Glamorgan Records Office	Cardiff Council	212	209
Prosiect Gwyrdd*	To manage residual waste treatment	Cardiff Council	32	32
Regional Adoption Service	To share best practice, develop and improve adoption services	Vale of Glamorgan Council	472	488
Shared Regulatory Service	To provide environmental health services	Vale of Glamorgan Council	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.

In relation to CCRCD, capital contributions of £5.743 million are included in the accounting statements.

Notes to the Financial 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 (141,288 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 £2.070 million. The remaining balance of £155.429 million is the Council Tax attributable to the Council, as part of the Council's Outturn for 2017/18.

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 (48.6p in 2016/17 and 49.9p 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:

Notes to the Financial Statements

	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

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 £24,373 (£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.

Notes to the Financial Statements

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	8
	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	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	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.
- 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).

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 £		
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
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

Notes to the Financial Statements

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 Post title	Salary, fees and allowances £	Taxable benefits £	Compensation for loss of employment			Employers pension contribution (22.9% of salary) £	Total £
			Received via payroll (taxable) (a) £	Received via creditors (non taxable) £	Enhancement of Retirement Benefits £		
Paul Orders, Chief Executive	171,700	0	0	0	0	39,319	211,019
Corporate Director Resources & Section 151 Officer (a)	131,300	0	0	0	0	7,517	138,817
Assistant Director Children's Services (b)	130,519	0	0	0	0	0	130,519
Director Education & Lifelong Learning	121,200	0	0	0	0	27,755	148,955
Director Social Services	121,200	0	0	0	0	27,755	148,955
Director Communities, Housing & Customer Services	121,200	0	0	0	0	27,755	148,955
Director Economic Development	121,200	0	0	0	0	27,755	148,955
Director City Operations	121,200	0	0	0	0	27,755	148,955
Assistant Director Adult Services	82,416	0	0	0	0	18,873	101,289
Assistant Director Housing & Communities	82,416	0	0	0	0	18,873	101,289
Assistant Director Customer Services & Communities	82,416	0	0	0	0	18,873	101,289
Assistant Director of Commercial Services	82,416	0	0	0	0	18,873	101,289
Chief HR Officer	82,416	0	0	0	0	18,873	101,289
Head of Service, Finance	82,416	0	0	0	0	18,873	101,289
Head of Performance & Partnerships	82,416	0	0	0	0	18,873	101,289
Director Governance & Legal Services & Monitoring Officer (Commenced 19/09/2016) (c)	64,640	0	0	0	0	14,803	79,443
Assistant Director Education & Lifelong Learning (Commenced 01/10/2016) (d)	41,208	0	0	0	0	9,437	50,645

Notes to the Financial Statements

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

Notes to the Financial Statements

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.

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 0 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 organisations including public bodies in which members had an interest (£15.777 million in 2016/17) and income was received of £15.990 million (£13.927 million in 2016/17). Grants totalling £3.678 million (£790,960 in 2016/17) were paid to organisations in which members had an interest.

Officer's emoluments are shown in note 10 to the Core Financial Statements. In 2017/18, for organisations 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). This figure is also included in the income for members' as there are representatives for officers and members on the board.

Subsidiary Companies include Cardiff City Transport Services (Cardiff Bus) and its subsidiary Vale Busline Limited, Cardiff Business Technology Centre (CBTC), Cardiff Business Council and Atebion

Notes to the Financial Statements

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 (£46,168 in 2016/17).

Related Party Balances

The following balances were held in respect of related parties including public bodies:

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:

	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

Notes to the Financial Statements

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.

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.

Notes to the Financial Statements

	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.

Basis for estimating assets and liabilities

The latest actuarial valuation of the Council's liabilities including the unfunded benefits in the Cardiff and Vale of Glamorgan Pension Scheme 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

Notes to the Financial Statements

*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.

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
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.

Notes to the Financial Statements

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
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.

Notes to the Financial Statements

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)	(33.52)
Total gain/(loss) –unfunded liabilities	2.76	(1.64)	(9.81)	(2.36)	(0.87)
Cumulative gain/(loss)	(299.54)	(351.03)	(338.96)	(354.68)	(389.07)

Notes to the Financial Statements

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

	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%

Notes to the Financial Statements

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%
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 22 to 37.

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	32,934	4,587	14,943	84	14	54,899	125,094
Impairment losses/reversals to RR *	0	(361)	0	0	0	0	0	(361)
Impairment losses / reversals to SDPS **	(25)	(7,130)	0	0	0	0	(1,458)	(8,613)
Derecognition - disposals	(1,479)	(1,000)	(3,401)	0	0	(567)	0	(6,447)
Reclassified (to)/from Held for Sale	0	(582)	0	0	0	(5,975)	0	(6,557)
Other reclassifications	3,243	(864)	17	3,746	0	22,348	(28,271)	219
Revaluation increases /(decreases) to RR*	0	27	0	0	0	(844)	0	(817)
Revaluation increases /(decreases) to SDPS**	0	(20,209)	0	0	0	(16,396)	0	(36,605)
At 31 March 2018	574,175	770,760	37,887	624,214	19,736	39,572	67,725	2,134,069
Depreciation								
At 1 April 2017	16,941	26,169	21,127	310,904	0	0	0	375,141
Depreciation charge	9,072	16,571	4,927	22,135	0	0	0	52,705
Depreciation written out on impairment	0	(262)	0	0	0	0	0	(262)
Derecognition - disposals	(42)	(723)	(3,401)	0	0	0	0	(4,166)
Depreciation written out to SDPS **	0	(97)	0	0	0	(27)	0	(124)
Reclassifications	0	(27)	0	0	0	27	0	0
Depreciation written out on revaluation	0	(804)	0	0	0	0	0	(804)
At 31 March 2018	25,971	40,827	22,653	333,039	0	0	0	422,490
Net Book Value:								
At 31 March 2018	548,204	729,933	15,234	291,175	19,736	39,572	67,725	1,711,579
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	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	P, P & E under construction	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1 April 2016	537,762	773,882	37,178	587,344	19,620	36,299	30,800	2,022,885
Additions	17,980	21,954	4,821	11,093	32	351	33,876	90,107
Impairment losses/reversals to RR *	0	(588)	0	0	0	(196)	0	(784)
Impairment losses / reversals to SDPS **	(153)	(2,443)	(325)	0	0	(21)	(32)	(2,974)
Derecognition - disposals	(1,186)	(25,659)	(5,183)	0	0	(1,430)	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.

Notes to the Financial Statements

Investment Properties

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

2016/17 £000		2017/18 £000
110,471	Balance at 1 April	132,241
13,207	Additions	1,036
0	Impairment	(2,502)
(1,182)	Disposals	(26,774)
0	Reclassified (to) / from Held for Sale	0
45	Other Reclassifications	(219)
0	Revaluation increases / (decreases) to RR*	32
9,700	Revaluation increases / (decreases) to SDPS**	6
132,241	Balance at 31 March	103,820

* 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.

Notes to the Financial Statements

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*	120,366	0	120,366
97	Heritage Assets	53	0	53
0	Assets Held for Sale	0	0	0
13,207	Investment Properties	1,036	0	1,036
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	(55,363)	0	(55,363)
(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	750,755	22,409	773,164
	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)	28,748	(1,020)	27,728
14,496	Increase in Capital Financing Requirement	26,321	(1,020)	25,301

*The difference between this figure for 2017/18 and the figure in the non-current assets note on page 71 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)

Notes to the Financial Statements

Significant capital expenditure contractual commitments

At 31 March 2018, the significant capital expenditure commitments scheduled for completion in 2018/19 and future years is £53.211 million (£35.588 million 2016/17) represented by the following:

	£000
High School in the West	18,378
Cardiff Living Programme	14,417
Maelfa High Rise Refurbishment	4,520
Gabalfa and Glan Ceubal Primary School	4,022
Hamadryad Primary School	3,735
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	53,211

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:-

Notes to the Financial Statements

	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	54,046	54,046
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	88,090	88,090
Investments at Fair Value	13,691	0	13,691	13,996	0	13,996
Total Investments	13,691	84,900	98,591	13,996	88,090	102,086
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)

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

Notes to the Financial Statements

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. 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:

Notes to the Financial Statements

	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.

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	83,900	88,090

Notes to the Financial Statements

Credit Risk	Likelihood of Default	31 March 2017 £000	31 March 2018 £000																											
	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.																													
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="margin-left: 20px;"> <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	45,592
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	24,154
83,754	Total Debtors Net of Impairments	86,927

22. Cash and Cash Equivalents

31 March 2017 £000		31 March 2018 £000
223	Cash	207
15,992	Bank (including cheque book schools)	48,339
2,561	Short-term deposit with banks and building societies	5,511
18,776	Total Cash and Cash Equivalents	54,057

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	(12,608)
(7,907)	Other Local Authorities	(9,713)
(1,594)	NHS Bodies	(1,442)
(4)	Public Corporations & Trading Funds	(11)
(61,943)	Other Entities and Individuals	(64,154)
(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 102 to 122. The interests in the other organisations are considered immaterial in terms of both the turnover and

Notes to the Financial Statements

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 £000
(32,007)	Turnover and other income	(30,488)
31,686	Operating and other expenditure	32,840
(321)	Net (Profit) / Loss before Taxation	2,352
92	Taxation	(439)
(229)	(Profit) / Loss after Taxation	1,913

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

31 March 2017 Final * £000		31 March 2018 £000
21,972	Bus and other operating assets	23,014
5,056	Current Assets	3,079
(4,823)	Less Current Liabilities	(6,079)
(4,998)	Creditors: Amounts falling due after more than one year	(5,559)
(1,117)	Provisions & Long term liabilities	(776)
(1,169)	Deferred Taxation	(1,044)
(3,821)	Pension Liability	(3,583)
11,100	Total Assets less Liabilities	9,052
	Represented by:	
4,618	Share Capital	4,618
3,319	Retained Earnings	1,271
3,163	Revaluation Reserve	3,163
11,100	Net Worth	9,052

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 been audited but not certified. The company's auditors are Deloitte. The 2016/17 figures have been restated for Cardiff Bus final accounts, as these were not available at 30 September 2017.

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. An unqualified audit opinion has been issued in respect of the accounts for the year ended 31 March 2018.

Cardiff Business Council Ltd. (company number 08650575)

Cardiff Business Council was 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 was closed in December 2017 and is due to be deregistered from Companies House in 2018/19.

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 2017/18 the Council made no funding payments and received no income (£1,244 in 2016/17). 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. Atebion Solutions commenced trading 01.03.2018

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).

The company's auditors are MHA Broomfield Alexander. An unqualified audit opinion has been issued in respect of the accounts for the year ended 31 March 2018.

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.

Notes to the Financial Statements

City Deal - CSC Foundry Ltd has a deferred purchase arrangement (circa £2.4 million) in place in respect of its initial building and land. The lessee has an option to purchase the asset between years 6-11. The CSC Foundry project has an initial lifespan of 11 years. Should the lessee not exercise their purchase option, the settlement of the deferred purchase price would fall upon CSC Foundry in year 11. Monmouthshire CC is required to act as guarantor to that arrangement happening.

Year 11 has been used as the backstop date to discount future purchase price back to present day value, with an annual provision made for the difference over 11 annual instalments.

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

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.

Notes to the Financial Statements

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

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	2,262
(10,953)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(2,489)
15,145	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(227)
(2,448)	Difference between fair value depreciation and historical cost depreciation (charged to Capital Adjustment Account)	(2,357)
(7,897)	Accumulated gains on assets sold or scrapped	(756)
(10,345)	Amount written off to the Capital Adjustment Account	(3,113)
258,922	Balance as at 31 March	255,582

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.

Notes to the Financial Statements

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	(60,943)
36,062	Reverse previous impairment on revaluation	6,876
(38,118)	Revaluation losses on Property, Plant and Equipment	(41,601)
(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)		(130,789)
2,448	Adjusting amounts written out of the Revaluation Reserve (historic cost adjustment)	2,357
(82,486)	Net written out amount of the cost of non-current assets consumed in the year	(128,432)
	Capital financing applied in the year:	
7,675	Capital Receipts	10,682
10,829	Direct Revenue Financing	10,407
41,191	Grants and contributions	50,734
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		107,144
9,700	Movements in the value of Investment Properties	(2,464)
0	Movement in the value of Held for Sale assets	0
876,075	Balance as at 31 March	852,323

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

Notes to the Financial Statements

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 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.

Notes to the Financial Statements

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)

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)	(42,913)
Developers' Contributions	(1,413)	(7,821)
Total	(467,494)	(478,950)
Credited to Services (Revenue Grants & Contributions)		
Central Government Bodies	(256,021)	(272,330)
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)	(2,474)
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	(412)
0	Other Local Authorities	0
0	NHS Bodies	0
0	Public Corporations and Trading Funds	0
0	Other Entities and Individuals	0
(974)	Total	(412)

Notes to the Financial Statements

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)

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.

Notes to the Financial Statements

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.

The Council and HMRC are in discussions with a view to resolving a purportedly under-declared landfill tax assessment received by the Council from 1 April 2015, for waste tipped at Lamby Way Landfill site. HMRC assess that some materials disposed of should have had the standard rate of tax applied rather than a lower rate, the difference in tax rates being £80 per tonne. Given this is a specialist and technical area, the Council has engaged Pricewaterhousecoopers environmental tax specialists to support the Council's approach to demonstrating that materials tipped were eligible for lower rate tax.. Work is being undertaken to understand the quantity and nature of materials disposed of to demonstrate that the 'qualifying fines' regime does not apply. The Council aims to respond to HMRC queries in October 2018. Subject to this, and relevant HMRC rules, there is the risk that the Council may be required to pay tax, as well as a penalty and interest on under declared tax. In the event of assessments being upheld, the Council would consider the merits of an appeals or mitigation process. Given the additional work required and technical nature of the assessment, it is not possible to quantify or provide a reliable estimate of any liability at this stage and so no provision is created in the accounts as at 31 March 2018.

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	(96,682)
(18,062)	Charges made for retirement benefits (IAS19) less employers contributions	(23,022)
2,005	Contributions (to)/from provisions	5,520
(32,158)	Gain/loss on disposal of non-current assets	(30,844)
36	Increase/(decrease) in stock	(46)
(6,214)	Increase/(decrease) in debtors	386
4,031	(Increase)/decrease in creditors & super fund	(5,750)
(97,213)		(150,438)

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	(4,800)
41,191	Capital grants/contributions recognised in CI&E	50,734
(1,745)	Other cash items which effect investing or financing activities	0
48,392		45,934

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).

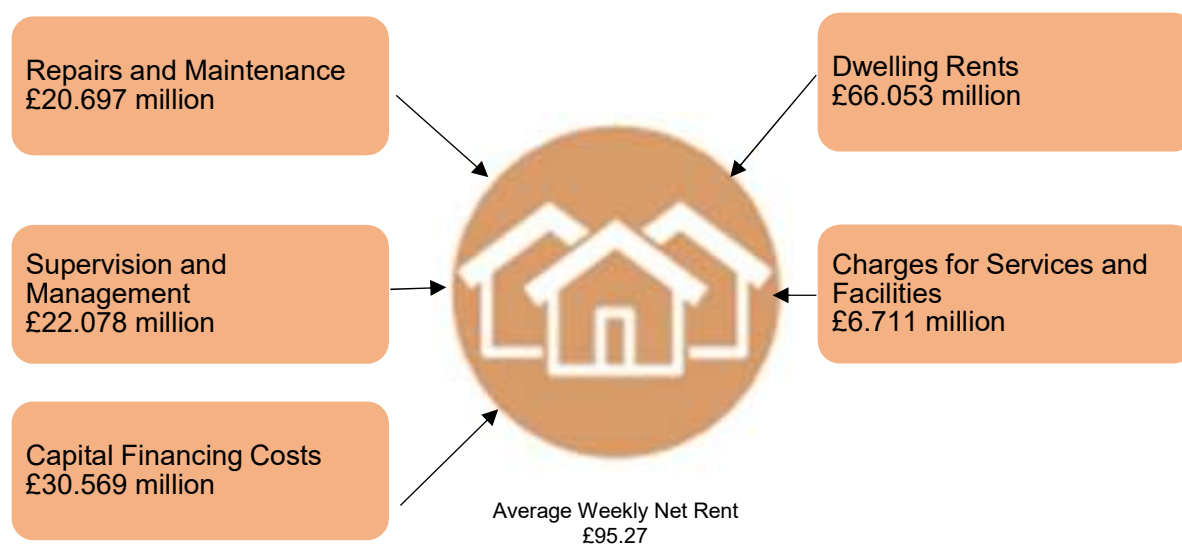
A 30 year business plan and financial model, completed on an annual basis for submission to Welsh Government, provides financial forecasts and performance and service information for the HRA. The plan includes our approach to maintaining the Welsh Housing Quality Standards, energy efficiency, remodelling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

Expenditure

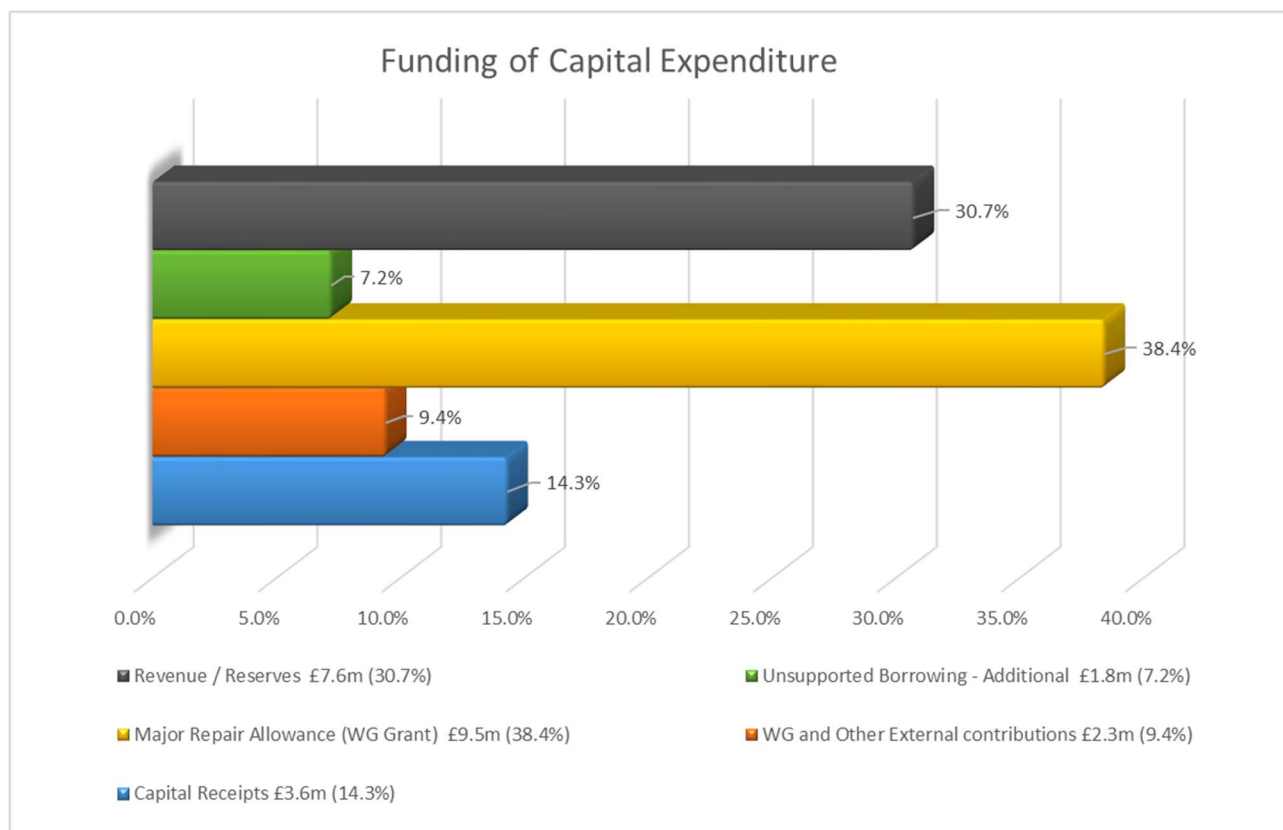
Income



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 22 and 37 and key accounting terms are detailed on pages 144 to 150.

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	8	10,164
25	Sums directed by the Welsh Government that are expenditure in accordance with the Code	9	55
39	Debt management costs		45
49,489	Total Expenditure		53,836
(63,253)	Dwelling rents		(66,105)
(98)	Non-dwelling rents		(80)
(6,067)	Charges for services and facilities		(6,711)
(69,418)	Total Income		(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)

Notes to Housing Revenue Account

1. Adjustments between Accounting Basis and Funding Basis Under Regulations

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	8	9,699
0	Revaluation losses of non-current assets	8	268
122	Reverse previous impairment on revaluation	8	(12)
0	Amortisation of intangible assets	8	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	9	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.

3. 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:

Notes to Housing Revenue Account

31 March 2017			31 March 2018	
Arrears	Bad debt provision		Arrears	Bad debt provision
£000	£000		£000	£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).

4. Pension Costs

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

	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	178	884

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

5. Housing Stock

The Council's housing stock is shown below:

	31 March 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

6. 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

Notes to Housing Revenue Account

2016/17 £000		2017/18 £000
2,095	Other land & buildings	600
466	Vehicles, plant & equipment	96
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
	<u>Sources of Finance:</u>	
(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.

7. 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)

8. Depreciation, Impairment and Revaluation Charged

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

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

Notes to Housing Revenue Account

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

	2016/17 £000	2017/18 £000
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) which is a wholly owned subsidiary with limited liability. At the point of drafting these accounts, the accounts for Cardiff Bus had been audited but not certified.

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 22 to 37 with the following additions and exceptions:

Key accounting terms

Key accounting terms are detailed on pages 144 to 150.

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. 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.

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		123,655	(67,005)	56,650
239,620	(189,528)	50,092	Communities, Housing & Customer Services		239,651	(191,395)	48,256
6,762	(469)	6,293	Corporate Management		13,455	(3,164)	10,291
64,316	(44,397)	19,919	Economic Development		85,029	(48,519)	36,510
348,099	(100,633)	247,466	Education & Lifelong Learning		385,750	(100,473)	285,277
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		1,140,977	(537,542)	603,435
29,367	0	29,367	Police and Crime Commissioner for South Wales		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	(27,165)	1,970
78,918	(9,060)	69,858	Other Operating Expenditure		77,776	(27,165)	50,611
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		2,502	(38)	2,464
59,651	(19,791)	39,860	Financing and Investment		49,266	(738)	48,528

Group Comprehensive Income and Expenditure

			Income & Expenditure				
0	(41,191)	(41,191)	Recognised Capital Grants & Contributions		0	(50,734)	(50,734)
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	(670,045)	(667,975)
92	0	92	Tax expenses - Corporation Tax payable/(owing)		(439)	0	(439)
1,206,593	(1,208,583)	(1,990)	(Surplus)/Deficit on Provision of Services		1,269,650	(1,235,490)	34,160
		(26,098)	Revaluation Gains				(2,262)
		10,169	Revaluation Losses				2,128
		784	Impairment losses on non-current assets charged to the Revaluation Reserve				361
		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				135
		2,152	Other Comprehensive Income & Expenditure				33,988
		162	Total Comprehensive Income & Expenditure				68,148

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	(53,869)	0	21,622	0	0	(32,247)	0	(1,913)	(34,160)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(33,853)	(135)	(33,988)
Total Comprehensive Income and Expenditure	(53,869)	0	21,622	0	0	(32,247)	(33,853)	(2,048)	(68,148)
Adjustments between accounting basis & funding basis under regulations	56,321	0	(21,940)	0	14,115	48,496	(48,496)	0	0
Net Increase / (Decrease) before Transfers to/(from) Earmarked Reserves	2,452	0	(318)	0	14,115	16,249	(82,349)	(2,048)	(68,148)
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	(82,349)	(2,048)	(68,148)
Balance at 31 March 2018 carried forward	14,255	61,843	8,983	3,223	21,320	109,624	459,652	4,433	573,709

Group Balance Sheet

31 March 2017 Restated £000		Note	31 March 2018 £000
1,714,131	Property Plant & Equipment:	7	1,733,392
53,846	Heritage Assets		54,099
132,241	Investment Properties		103,820
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		1,201
1,910,417	Total Long Term Assets		1,903,666
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	87,850
22,336	Cash and Cash Equivalents	10	55,804
175,850	Total Current Assets		186,439
(14,972)	Short Term Borrowing		(13,440)
(89,867)	Short Term Creditors	11	(91,316)
(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		(117,370)
(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		(412)
(3,219)	Pensions Strain		(2,794)
(590,544)	Net Pensions Liability		(646,865)
(1,169)	Deferred tax liability		(1,044)
(1,325,749)	Total Long Term Liabilities		(1,399,026)
641,857	NET ASSETS		573,709
	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		258,745
876,075	Capital Adjustment Account		852,323
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)		7,752

Group Balance Sheet

31 March 2017 Restated £000		Note	31 March 2018 £000
548,482	Unusable Reserves		464,085
641,857	TOTAL RESERVES		573,709

Group Cash Flow

2016/17 Restated £000		Note	2017/18 £000
(1,990)	Net (Surplus) /Deficit on the provision of services		34,160
(98,375)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	14	(152,883)
48,290	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	14	45,725
(52,075)	Net cash flows from operating activities		(72,998)
99,975	Purchase of property, plant and equipment, investment property and intangible assets		126,943
9,093	Purchase of short-term and long-term Investments		0
7,579	Other payments for investing activities		936
(9,092)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(24,889)
(40,942)	Capital Grants		(45,621)
(3,590)	Capital Contributions		0
0	Proceeds from short-term and long-term investments		0
63,023	Net cash flows from investing activities		57,369
(14,645)	Cash receipts from short-term and long-term borrowing		(25,004)
(5,966)	Other receipts from financing activities		(2,826)
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)	Net cash flows from financing activities		(17,839)
24	Net (increase)/ decrease in cash and cash equivalents		(33,468)
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		55,804

Notes to Group Accounts

NOTES TO THE GROUP ACCOUNTS

The notes to the Council's Core Financial Statements as set out on pages 44 to 93 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	10
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	3
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. Cardiff City Transport Services Ltd have separately recognised related party transactions between itself and the Council, and also between itself and its own subsidiary, but not between itself and any other limited company or organisation.

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	30
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	40
Total	523	518

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	3,127
	4,534	4,473

The group was committed at 31 March 2018 to making payments of £4.225 million under operating leases in 2017/18 (£3.955 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

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	13,257

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
181	Vehicles, Plant & Equipment	209

Notes to Group Accounts

5. Pensions

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

	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)	(22,320)
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	45,440
Presented by:		
<i>Employers Contributions charged to Council Tax:</i>		
Employers Contributions Payable to the Scheme	(39,640)	(40,820)
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)	(45,440)

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 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 City of Cardiff 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 costs charged in the income statement for the money purchase scheme of £613,000 (£707,000 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. The defined contribution section closed to new entrants from 9 April 2013, from which date a money purchase section 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

Notes to Group Accounts

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.

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 19.3% of pensionable pay from 1 April 2018. 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 2018 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 method.

The principal assumptions used by the actuary were:

	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 S2PXA tables, relevant to year of birth rated up two years, with future improvements in line with the CMI2016 projection model with a long-term trend rate of 1.0%. The assumptions are that a member aged 65 at the disclosure 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 disclosure 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	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

Notes to Group Accounts

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 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 administration	(906)	(885)	(914)
Analysis of amount credited/(charged) to interest receivable/payable			
Expected return on pension scheme assets	1,072	1,142	981
Interest on pension scheme liabilities	(1,120)	(1,110)	(995)
Net finance income/(charge)	(48)	32	(14)

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

Notes to Group Accounts

2019/20. In addition to this rate, Cardiff City Transport Services Limited is required to pay £360,000 per annum.

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.

The contribution rates certified for the company at the 31 March 2016 valuation are 25.4% of pensionable pay plus an additional annual contribution of £360,000 from April 2017 to March 2020.

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 20.6 years (2017: 20.3) if they are male and for a further 22.4 years (2017: 22.2) 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 21.7 years after retirement (2017: 21.6) if they are male and for a further 23.6 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

Notes to Group Accounts

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)

	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)

Notes to Group Accounts

	31 March 2016 £000	31 March 2017 £000	31 March 2018 £000
Actuarial gain/(loss) in the primary statements	(790)	150	(250)
At 31 March	(3,670)	(3,180)	(3,200)

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

The Group and the Company	31 March 2017 £000	31 March 2018 £000
Cardiff City Transport Scheme	641	383
Cardiff & Vale of Glamorgan Pension Scheme	3,180	3,200
Deferred Tax Asset	(726)	(681)
Total	3,095	2,902

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	32,934	7,905	14,943	84	14	54,899	128,412
Impairment losses/reversals to RR *	0	(361)	0	0	0	0	0	(361)
Impairment losses / reversals to SDPS **	(25)	(7,130)	0	0	0	0	(1,458)	(8,613)
Derecognition - disposals	(1,479)	(1,000)	(5,214)	0	0	(567)	0	(8,260)
Reclassified (to)/from Held for Sale	0	(582)	0	0	0	(5,975)	0	(6,557)
Other reclassifications	3,243	(864)	17	3,746	0	22,348	(28,271)	219
Revaluation increases /(decreases) to RR*	0	27	0	0	0	(844)	0	(817)
Revaluation increases /(decreases) to SDPS**	0	(20,209)	0	0	0	(16,396)	0	(36,605)
At 31 March 2018	574,175	776,126	79,204	624,214	19,736	39,572	67,725	2,180,752
Depreciation								
At 1 April 2017	16,941	26,304	45,054	310,904	0	0	0	399,203
Depreciation charge	9,072	16,678	7,375	22,135	0	0	0	55,260
Depreciation written out on impairment	0	(262)	0	0	0	0	0	(262)
Derecognition - disposals	(42)	(723)	(5,148)	0	0	0	0	(5,913)
Depreciation written out to SDPS **	0	(97)	0	0	0	(27)	0	(124)
Reclassifications	0	(27)	0	0	0	27	0	0
Depreciation written out on revaluation	0	(804)	0	0	0	0	0	(804)
At 31 March 2018	25,971	41,069	47,281	333,039	0	0	0	447,360
Net Book Value:								
At 31 March 2018	548,204	735,057	31,923	291,175	19,736	39,572	67,725	1,733,392
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.

9. Debtors

31 March 2017 Restated £000		31 March 2018 £000
45,535	Central Government Bodies	45,784
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	24,565
84,844	Total Debtors Net of Impairments	87,850

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	(12,608)
(7,916)	Other Local Authorities	(9,741)
(1,594)	NHS Bodies	(1,442)
(4)	Public Corporations & Trading Funds	(11)
(64,198)	Other Entities and Individuals	(67,514)
(89,867)	Total Creditors	(91,316)

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)

Cardiff Bus insurance provision represents the provision for insurance claims payable by the company in respect of outstanding claims.

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
Commutated 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)	(99,237)
Charges made for retirement benefits (IAS19) less employers contributions	(17,842)	(22,618)
Contributions (to)/from provisions	2,005	5,520
Gain/loss on disposal of fixed assets	(32,204)	(30,862)
Cardiff Bus Taxation	(92)	439
Increase/(decrease) in stock	68	(89)
Increase/(decrease) in debtors (exc capital)	(5,805)	265
(Increase)/decrease in creditors (exc capital creditors) & super fund	4,683	(6,301)
	(98,375)	(152,883)

Notes to Group Accounts

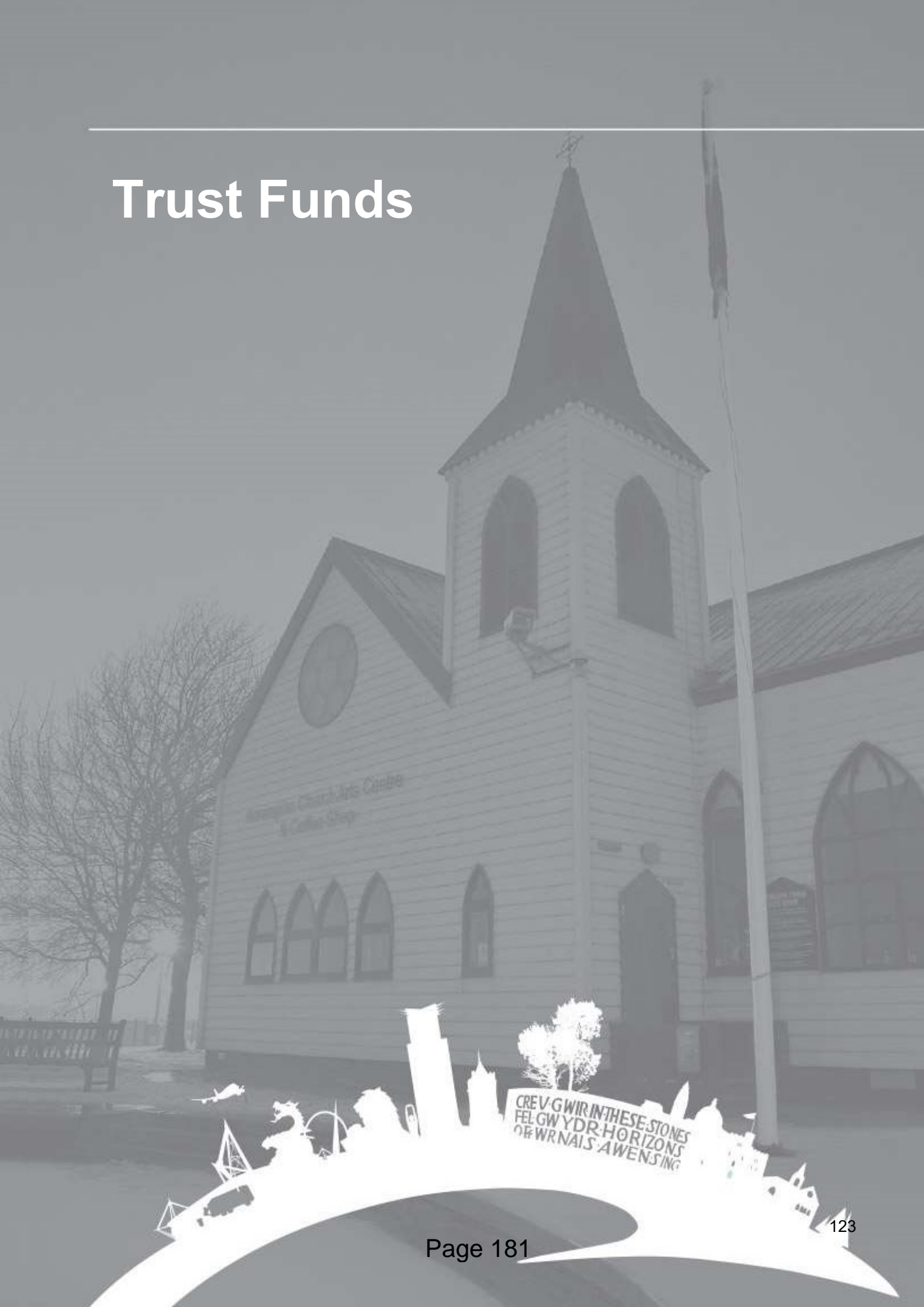
Adjust for items included in the net surplus/deficit on provision of services that are investing and financing activities

	2016/17 Restated £000	2017/18 £000
Net gain/(loss) on sale of non-current assets	8,946	(4,800)
Repayments of liabilities under finance leases	0	(209)
Capital grants/contributions recognised in I&E	41,191	50,734
Other cash items which affect investing or financing activities	(1,847)	0
	48,290	45,725

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.

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.

Cardiff Further Education Trust Fund/Craddock Wells Trust (525512) – Provision of premises for educational purposes and grants to eligible students. The property provided by the trust is used by the Council as the site for Cardiff High School.

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.

The Council **administers** the following charities, their purpose being:-

R Fice Memorial Trust (702695) – Provide financial assistance to those playing brass instruments

The Howardian Trust (1019801) – Provide financial support to young people in the former catchment area of Howardian High School.

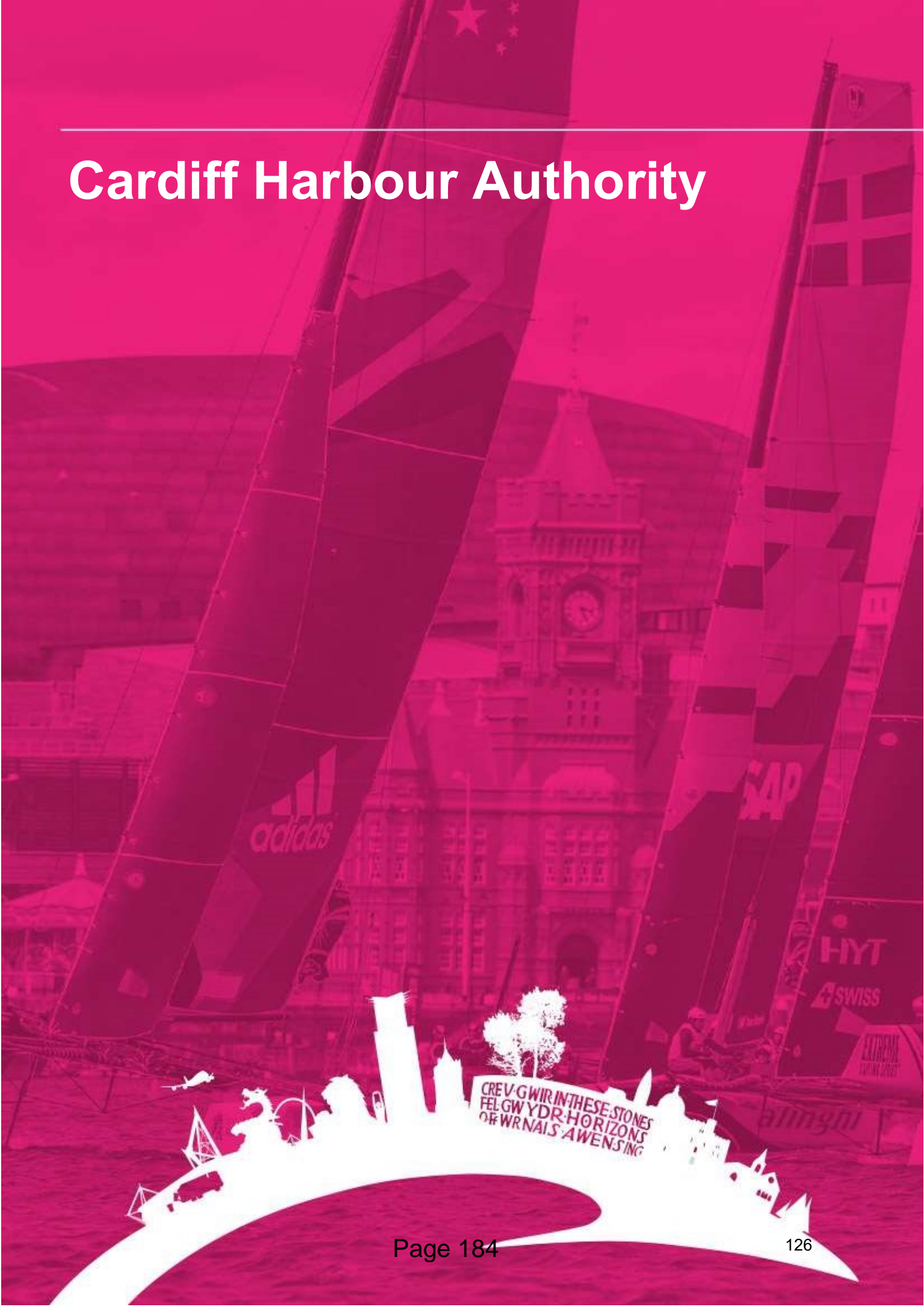
A financial summary for each fund follows. Detailed financial statements may be obtained from:

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



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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 31 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 31 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).

Total Capital expenditure 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. The Harbour Authority has operated within budget but statutory adjustments including capital charges are the reason the Comprehensive Income and Expenditure Statement is showing 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

Opinion

I have audited the financial statements of Cardiff Harbour Authority for the year ended 31 March 2018 under the Public Audit (Wales) Act 2004.

Cardiff Harbour Authority's financial statements comprise the Comprehensive Income and Expenditure Statement and the Balance Sheet

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Cardiff Harbour Authority as at 31 March 2018 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of Cardiff Harbour Authority and in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Cardiff Harbour Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The responsible financial officer is responsible for the other information in the Foreword to the accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit, the information contained in the Foreword is consistent with the accounting statements and related notes

Matters on which I report by exception

In the light of the knowledge and understanding of the Council and Cardiff Harbour Authority obtained in the course of the audit, I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

Certificate of completion of audit

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing Cardiff Harbour Authority's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Anthony J Barrett
For and on behalf of the Auditor General for Wales
Date:

24 Cathedral Road
Cardiff
CF11 9LJ

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	Range of remaining 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 - the general reserve for accumulated operational surpluses which can be used to fund future expenditure commitments and as a contingency against unforeseen events. The Harbour Authority only holds one unusable reserve - the revaluation reserve. 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	(774)
(959)	Fees and Charges	(886)
(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		312
870	Current Assets		730
(399)	Creditors	5	(397)
(399)	Current Liabilities		(397)
167,805	Net Assets		165,929
	Reserves:		
163,217	General Reserve	1	161,341
4,588	Revaluation Reserve	1	4,588
167,805	Total Reserves		165,929

Notes to the 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	(1,876)	0
163,217	4,588	Closing Balance at 31 March	161,341	4,588

Held within the General Reserve is an earmarked amount reserved for project activities and contingencies. This amount is £382,000 as at 31 March 2018 (£479,000 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	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Investment Assets	PP&E under construction	Total Property, Plant & Equipment	Heritage Assets	Intangible Assets
	£000	£000	£000	£000	£000	£000	£000	£000	£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	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Investment Assets	PP&E under construction	Total Property, Plant & Equipment	Heritage Assets	Intangible Assets
	£000	£000	£000	£000	£000	£000	£000	£000	£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)	(30)
Trade Payables	(322)	(367)
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, being the Wales Audit Office, 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.

External Auditor's Report

We certify that we have completed the audit of the Annual Return for the year ended 31 March 2018 of Cardiff Port Health Authority.

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
- there are no matters or recommendations to draw to the attention of the body.

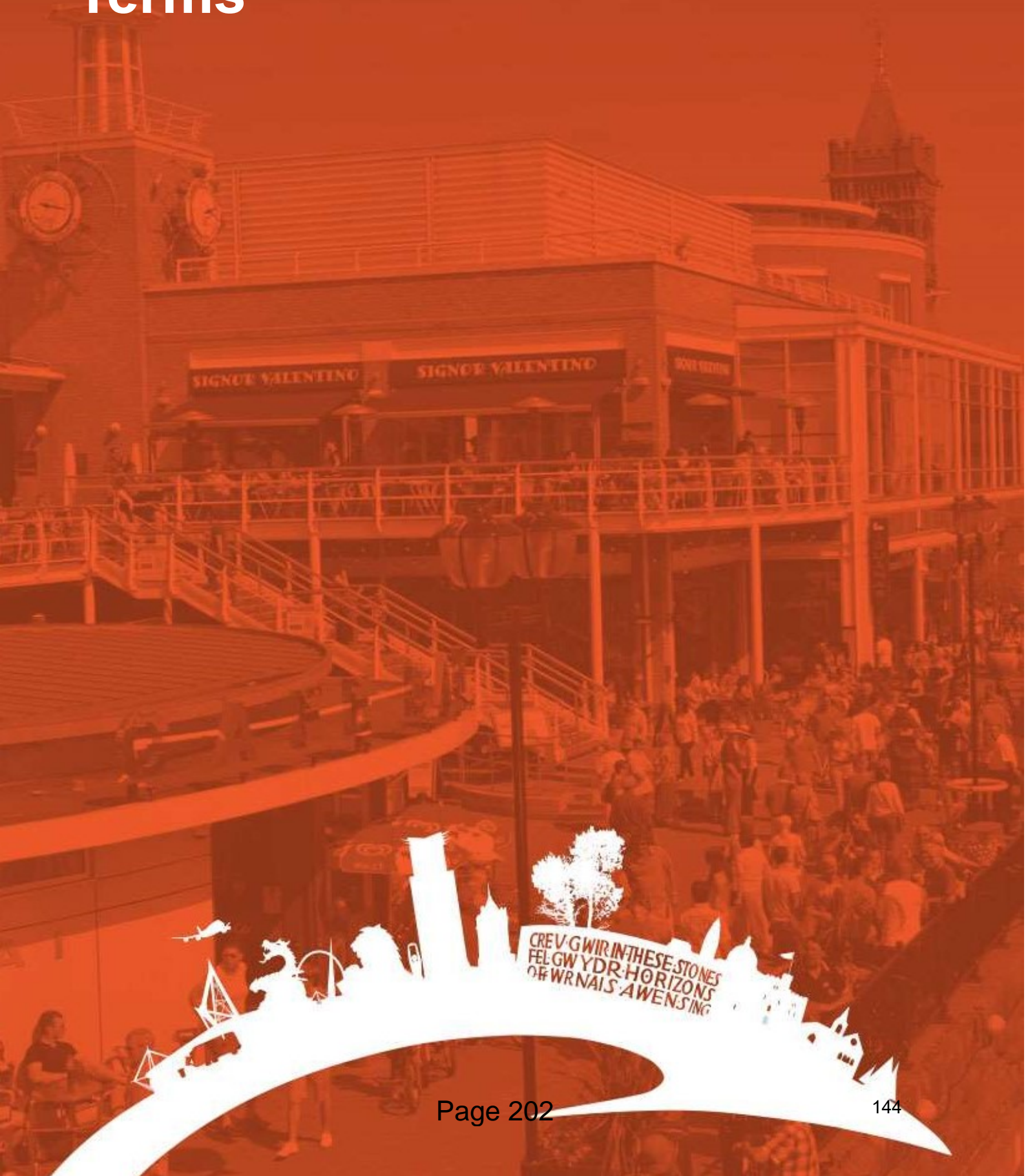
External Auditor's name:

External Auditor's signature

Date:

For and on behalf of the Auditor General for Wales

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.

Glossary of Accounting Terms

Capital Receipts

Income from the sale of capital assets that can be used to fund new capital expenditure schemes, or reduce the underlying need to borrow. Capital receipts cannot be used to fund revenue expenditure, unless they relate to the costs of securing disposal or where a ministerial permission allows.

Carrying Amount

The Balance Sheet value recorded of either an asset or a liability.

Cash and Cash Equivalents

Sums of money available for immediate use and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Chartered Institute of Public Finance & Accountancy (CIPFA)

CIPFA is the leading professional accountancy body which determines accounting standards and reporting standards to be followed by Local Government.

Civil Parking Enforcement

A responsibility granted by Welsh Government designating Cardiff as a "Civil Enforcement Area". This gives the Council direct control over the deployment of enforcement staff across the highway network, allowing enforcement to be targeted more effectively to local needs and transportation strategies.

Community Assets

These are non-current assets that the Council intends to hold in perpetuity which have no determinable finite useful life and, in addition, may have restrictions on their disposal. Examples include parks and historical buildings not used for operational purposes.

Contingent Liabilities or Assets

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not been made in the Council's accounts.

Council Dwellings

Flats and Houses owned by the Council as part of its Housing Revenue Account and provided at an affordable level of rent which is lower than market rent.

Council Fund Balance

The Council Fund Balance represents the cumulative retained surpluses on the Council's revenue budget. It provides a working balance which can be used to cushion the Council against unexpected events or emergencies. It is reviewed annually to ensure it remains at an appropriate level.

Credit Criteria

The parameters used as a starting point in considering with whom the Council may place investments, aimed at ensuring the security of the sums invested.

Credit Rating

A credit rating assesses the credit worthiness of an individual, corporation or country. Credit ratings are calculated from financial history and current assets and liabilities. Typically, a credit rating tells a lender or investor the probability of the subject being able to pay back a loan.

Creditors

Amounts owed by the Council for work done, goods received or services rendered, for which payment has not been made at the date of the balance sheet.

Current Service Cost (Pensions)

Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

Glossary of Accounting Terms

Current Value

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

Curtailment (Pensions)

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

Debtors

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

Deferred Capital Receipts

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

Defined Benefit Scheme (Pensions)

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

Defined Contribution Scheme (Pensions)

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

Depreciation/Impairment/Amortisation

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

De-recognition

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

Direct Revenue Financing

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

Earmarked Reserves

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

External Audit

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

Fair Value

Fair Value is the price that would be received to sell 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.

Glossary of Accounting Terms

Market Loans

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

Net Book Value (NBV)

The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Non-domestic rates (NDR)

A levy on businesses collected by billing Authorities, on behalf of the Welsh Government, and paid into an All Wales Pool. The Pool is then redistributed amongst all Welsh Authorities on the basis of population.

Operating Lease

This is a type of lease, usually of computer equipment, office equipment, furniture, etc. where the balance of risks and rewards of holding the asset remains with the lessor. The asset remains the property of the lessor and the lease costs are revenue expenditure to the Authority.

Pension Fund

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

Precept

A demand levied by one public Authority, which is collected on its behalf by another Authority.

Prior Period Adjustments

These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

Projected Unit Method (Pensions)

An actuarial method of calculating the liabilities of a pension scheme which allows for projected future increases in pensionable pay up to retirement or date of leaving service

Property, Plant and Equipment (PPE)

Tangible assets (i.e. assets that have physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and are expected to be used during more than one year.

Provisions

Amounts set aside in respect of liabilities or losses which are likely or certain to be incurred, but in relation to which the exact amount and date of settlement may be uncertain.

Prudential Code for Capital Finance

The system introduced on 1 April 2004 by Part 1 of the Local Government Act 2003 which allows local Authorities to borrow without Government consent, provided that they can afford to service the debt from their own resources and that any such borrowing is prudent and sustainable. This requires the preparation and approval of various indicators.

Prudent Revenue Provision (PRP)

An amount set aside as a provision each year to repay loans taken out to pay for capital expenditure. This has the effect of reducing the Capital Financing Requirement (CFR).

Public Works Loan Board (PWLB)

The Public Works Loan Board is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. PWLB's function is to lend money from the National Loans Fund to local Authorities and other prescribed bodies, and to collect the repayments.

Recharge

An internal charge for services rendered by one Council directorate or section to another.

Related Parties

Related parties are Central Government, other Local Authorities, precepting and levying bodies, subsidiary and associated companies, Elected Members, all senior officers from Director and above. For individuals identified as related parties, the following are also presumed to be related parties:

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

Reserves

Reserves are also amounts set aside for future use. Reserves may be for a specific purpose in which case they are referred to as 'earmarked reserves' or they may be general reserves (or balances) which every Council must maintain as a matter of prudence.

Revaluation Reserve

The Reserve records the accumulated gains on the non-current assets held by the Council arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

Revenue Expenditure funded from Capital Under Statute (REFCUS)

Represents expenditure that may properly be capitalised under statutory provisions but which creates no tangible asset for the Council e.g. house renovation grants to private individuals or revenue expenditure which would normally be charged to the revenue account, but which can be charged to capital following approval by the Welsh Government.

Revenue Support Grant

General government grant in support of local Authority services. It seeks to even out the effects on the council taxpayer of differences in needs between Authorities.

Settlement (Pensions)

An irrevocable action that relieves the employer of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement.

Surplus Assets

Assets that are not being used to deliver services, but which do not meet the criteria to be classified as either Investment Properties or Assets Held for Sale.

Term Deposits

A term deposit is a money deposit at a banking institution that cannot be withdrawn for a certain "term" or period of time.

Treasury Management

The process by which the Council controls its cash flow and its borrowing and lending activities.

Trust Funds

Funds held in trust which are administered by the Council.



Cardiff & Vale of Glamorgan

Pension Fund
Cronfa Bensiwn

Caerdydd a Bro Morgannwg



Statement of Accounts 2017/18

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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 11,000 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 available on the Council's website at the following address:

<https://www.cardiff.gov.uk/ENG/Your-Council/Council-finance/Managing-the-Councils-Finances/Documents/2017-18/Draft%20Annual%20Governance%20Statement%202017-18.pdf>

Christine Salter
Corporate Director Resources

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 3.0% 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. Other than as permitted or required by the Regulations, employer 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. Since the date the valuation report was signed, HM Treasury, in its response to the consultation on indexation and equalisation of GMPs in public sector schemes, has made an announcement to extend the indexation of GMPs to those reaching State Pension Age on or before 5 April 2021 (previously 5 December 2018). This extension period was not allowed for in the valuation results as the actuarial valuation report was signed off before the announcement, but the increase in liability is not expected to be material.

In addition, amendment Regulations have been laid which provide for exit credits to be repaid to employers on exit, effective from 14 May 2018. It is anticipated that the Administering Authority will consider whether its Funding Strategy Statement should be revised on account of these changes but it is not expected that any surplus repayable to employers on exit will be material to the funding position of the Fund.

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

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

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

10. 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

June 2018

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 County Council of the City and County of Cardiff as administering authority for the Cardiff and Vale of Glamorgan Pension Fund

Opinion

I have audited the financial statements of Cardiff and Vale of Glamorgan Pension Fund for the year ended 31 March 20-18 under the Public Audit (Wales) Act 2004. Cardiff and Vale of Glamorgan Pension fund's financial statements comprise the fund account, the net assets statement and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2018, and of the amount and disposition at that date of its assets and liabilities; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the pension fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Other information

The responsible financial officer is responsible for the other information in the annual report. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I

Audit Report

become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the annual report has been prepared in accordance with the Local Government Pension Scheme Regulations 2013.

Matters on which I report by exception

In the light of the knowledge and understanding of the pension fund and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative report.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of [name of pension fund] in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the financial statements set out on page 5, the responsible financial officer is responsible for the preparation of the financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the responsible financial officer is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Audit Report

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Anthony J Barrett
For and on behalf of the Auditor General for Wales
Date:

24 Cathedral Road
Cardiff
CF11 9LJ

Fund Account

2016/17		Note	2017/18
£000			£000
	Dealings 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)
0	Group transfers from other schemes or funds		(1,088)
(3,241)	Individual transfers from other schemes or funds		(3,846)
(1,460)	Other income (capitalised payments and interest on deficit funding)		(2,633)
(83,237)			(90,880)
	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
119	Group transfers to other schemes or funds		9,694
4,688	Individual transfers to other schemes or funds		6,315
79,051			92,886
(4,186)	Net (additions)/withdrawals from dealings with members of the Fund		2,006
13,370	Management expenses	8	7,902
9,184	Net (additions)/withdrawals including fund management expenses		9,908
	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		(64,906)
(1,652,859)	Opening net assets of the scheme		(2,001,678)
(2,001,678)	Closing net assets of the scheme		(2,066,584)

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 investments		2,049,670
147	UK & overseas tax		153
4,588	Contributions due from employers and deficit funding		4,716
986	Sundry debtors	14	278
1,806	Pension strain costs due within one year		2,152
7,527	Total current assets		7,299
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	(1,263)
(2,214)	Total current liabilities		(2,101)
2,001,678	Net assets of the scheme		2,066,584

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

Accounting policies that have been issued but not yet adopted

At the balance sheet date, the following new standard and amendment to existing standards had been published but not yet adopted by the Code of Practice on Local Authority Accounting in the United Kingdom:

International Financial Reporting Standard 9 Financial Instruments which introduces extensive changes to the classification and measurement of financial assets, and a new "expected credit loss" model for impairing financial assets. This standard is due to be introduced in the 2018/19 code but is not expected to have a material impact on the financial statements.

(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.

Notes to the Accounts

(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.

(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

Notes to the Accounts

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	443	0	0
Cardiff Council	39,968	6,521	561	297
Cardiff and Vale College	662	170	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	927	111	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 & 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	2,807	509	173
Sub-total	58,119	11,181	1,212	506
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	372	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	326	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	157	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	104	0
Sub-total	4,388	1,026	331	0
TOTAL	62,507	12,207	1,543	506

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	Lump Sums on Retirement	Death Grants	Commutation Payments
	£000	£000	£000	£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	11,128
Deferred pensioners	12,697	12,757
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	868
Investment management expenses*	12,297	6,925
Oversight and governance costs	128	109
Total	13,370	7,902

*2016/17 investment management expenses are overstated by £5.505 million due to private equity expenses being included on a cumulative basis rather than just the fees that related to 2016/17. Due to materiality this has not required a prior period adjustment.

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	2,735	(24,619)	27,111	88,328
Sub-total	1,599,878	445,867	(560,540)	451,923	1,937,128
Forward currency	(2,273)	2,573,915	(2,546,860)	(23,849)	933
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	19,015	0
2,097,154	63,838	0	Total financial assets	2,160,225	55,604	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	(2,101)
0	0	0	Borrowings	0	0	0
(158,033)	0	(2,214)	Total financial liabilities	(145,805)	0	(2,101)
1,939,121	63,838	(2,214)	Net financial assets	2,014,420	55,604	(2,101)

b) Net gains and losses on financial instruments

31/03/2017 £000		31/03/2018 £000
352,512	Fair value through profit and loss	65,682
352,512	Total financial assets	65,682
(13,222)	Fair value through profit and loss	(12,228)
(402)	Loans and receivables	113
(13,624)	Total financial liabilities	(12,115)
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	55,604	0	0	55,604
Total financial assets	1,085,525	768,444	361,860	2,215,829
Financial liabilities at fair value	0	0	(145,805)	(145,805)
Financial liabilities at amortised cost	(2,101)	0	0	(2,101)
Total financial liabilities	(2,101)	0	(145,805)	(147,906)
Net financial assets	1,083,424	768,444	216,055	2,067,923

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.

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

Notes to the Accounts

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	278
Debtors	986	278
Management expenses	(1,161)	(1,263)
Creditors	(1,161)	(1,263)
Total	(175)	(985)

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 Annual Governance Statement 2017/18

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



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 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 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.</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 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.</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 Practices, 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, 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</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 those who had held the office of Councillor over the five year term, they were invited to complete a Member Exit Survey 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. Questions on personal experience of bullying and discriminatory behaviours had been included in the Exit Survey at the request of the Standards & Ethics Committee. Personal experience of bullying and discriminatory behaviours were reported at rates of 36% and 31% respectively, and other unacceptable behaviour 15%. Witnessing bullying and discriminatory behaviours between Councillors were reported at 68% and 79% respectively and at 32% and 21% respectively between Councillors and Officers.
28. To address the matters raised in the Member Exit Survey, the employee 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 from May 2017. A follow up Member Survey was undertaken in December 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 June 2018. Personal experience of bullying and discriminatory behaviours were reported at rates of 21% and 15% respectively and other unacceptable behaviour 21%. More detailed analysis of the results by gender and age had been undertaken and it had been found that more female respondents (56%) had experienced bullying and discriminatory or some form of unacceptable behaviours than their male colleagues (50%). This matter has been referred to the All Party Women's Group to consider.

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. Members and Co-opted Members are required to register their personal interests in any business of the authority, and to adhere to associated practices in accordance with the Member Code of Conduct. The disclosures are published on the Council's website within member profile information. 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. The procedures for managing officer's personal interests are due to be reviewed by SMT and the Standards and Ethics Committee next year.
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 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 Gwyrdd 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

108. An Action Plan of Significant Governance issues is owned by the SMT, and formally reviewed and updated on a bi-annual basis. On review of the seven director SMAS returns in May 2018, SMT decided to retain the five governance issues from the prior year on the ongoing AGS Action Plan. The decision was made as it was considered that these issues continue to represent the key areas for development and ongoing monitoring.
109. Each member of the SMT was asked to put forward suggestions of new significant governance issues. The new issues presented were also discussed in SMT in May 2018, and upon review they were considered to be either subsets of existing governance issues from the current action plan, or having a link to a corporate risk, through which they already being managed and reported.
110. As a result of the review, the five issues to carry forward at the year-end position have been updated and are shown in the table below. The issues in the action plan will continue to be managed and formally reviewed on a bi-annual basis in 2018/19.

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>
<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></p> <p>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></p> <p>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.</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>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.

111. 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.
112. 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.
113. It is considered the following may have potential implications on future financial periods and are worthy of note in this statement

Significant Issue	Year End Position 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:

Response to specific queries raised by Audit Committee following their review of the draft accounts in June 2018 for which a written response was required

- 1. Members noted that the cumulative provision for non-payment of Council Tax was in excess of £7 million. Members asked how long debt is allowed to accumulate and officers were asked to explain at what point bad debt is written off. Members asked to be provided with the details of the policy for managing bad debt, in particular the length of time bad debt is allowed to accumulate before being written off.*

There is no automatic write off period as a result of the period of time a Council Tax liability is outstanding. Whilst a prudent provision is made for non collection, the billing and collection of council tax is robustly and vigorously pursued in accordance with a corporate revenues manual and national regulations prescribed in the Local Government Finance Act 1992. Bills, reminders and summonses are issued regularly and promptly throughout the year.

When a charge payer is subject to court proceedings the Council has several options to recover the charge and will choose the most effective. Some debts can be subject to deductions from income support which can take several years to clear the balance.

Debts which cannot be collected as the debtor has moved and cannot be traced are written off as soon as all necessary checks are carried out. Similarly, write offs that arise through insolvency are processed as soon as all the relevant documentary evidence is received.

Once all recovery options have been exhausted, the necessary checks carried out and having consideration of the cost versus benefit of collection of smaller amounts, debts are promptly submitted for write off. This is done in accordance with the Council's financial procedure rules and constitution covering write off of debt, following production of supporting documentation. Write off procedures are reviewed as part of the Internal Audit Plan.

To put the amount of the provision into some context, the cumulative net Council Tax liability from 1993/94 to 2017/18 is over £2.2 billion.

- 2. Members noted that debtors described as 'other entities and individuals' amounted to £24.747 million. Members asked for further details of the categorisation of these debtors, specifically, whether there were any accounts which were responsible for large parts of this figure. The Corporate Director Resources agreed to provide an analysis of these debtors. The Deputy Chairperson requested that this be formally reported at the September meeting of the Committee.*

This note splits debtors at a point in time into various sectoral categories.

5.2 Appendix 4

The main categories of debtor included in this category in the audited accounts (net of any provision for bad debt assumed required) is shown in the table below along with examples of some of the significant amounts.

Category	Amount
Prepayments in 2017/18 for services to be received in 2018/19. Various e.g. Vehicle leases, rent, maintenance contracts, insurance premiums.	£3.7m
Manual debtors. Various e.g. advertising income, Music tuition fees, residential and domiciliary care, parking enforcement penalty charge notices	£4.4m
Customer Balances from invoicing system < £50k	£3.7m
Customer Balances from invoicing system > £50k	£4.2m
Housing Benefit overpayments to be recovered	£1.0m
Council Tax	£2.5m
Housing Rent	£0.4m
Other – Various Recoverable accounts; rechargeable repairs; staff car loans; share of joint committees	£4.2m

3. *Members asked whether information reported to Pension Committee is subsequently reported to Audit Committee, as the pension fund accounts for substantial expenditure. The Corporate Director Resources stated that these issues are not explicitly contained in the Audit Committee Terms of Reference and therefore won't be considered as a matter of course, but they will be included within Internal Audit reports. Members requested officers to consider whether Audit Committee should have awareness of Pension Committee reports and comment further at the September meeting of the Committee.*

The governance arrangements for the Pension Fund include meetings of the Pensions Committee, Investment Advisory Panel and Local Pension Board.

The Pensions Committee comprises 5 elected members of the Council. Meetings are public and all papers are published in advance on the Council web site except those which are exempt from publication.

The Investment Advisory Panel comprises 3 members of the Pensions Committee, an observer from Vale of Glamorgan Council, two independent advisors and the Corporate Director Resources. The Panel always meets in private but approved minutes are presented as confidential items to the Pensions Committee.

5.2 Appendix 4

The Local Pension Board was established in 2015 in compliance with the Public Services Pensions Act 2013 and the LGPS Regulations. The Board is appointed by Full Council and comprises three employer representatives, three scheme member representatives and an independent chair. The role of the Board is to assist the Council to secure compliance with the LGPS Regulations and to ensure the efficient governance of the Scheme. The Board meets in private and currently minutes are not published.

As part of earlier deadlines for approval of the statement of accounts, a review of governance will take place as to whether Pensions Committee is best placed to review and approve the accounts of the Cardiff and Vale of Glamorgan Pension Fund.

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WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Audit of Financial Statements Report – The County Council of the City and County of Cardiff

Audit year: 2017-18

Date issued: September 2018

Document reference: 802A2018-19

5.2 Appx 5

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000.

The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at

infoofficer@audit.wales.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

Contents

The Auditor General intends to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval.

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Summary report

Introduction

- 1 The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of the County Council of the City and County of Cardiff (the Council) at 31 March 2018 and its income and expenditure for the year then ended.
- 2 We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
- 3 The quantitative level at which we judge such misstatements to be material for the Council's accounts is £12,429,000. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
- 4 International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
- 5 This report sets out for consideration the matters arising from the audit of the financial statements of the Council, for 2017-18, that require reporting under ISA 260.

Status of the audit

- 6 We received the draft financial statements for the year ended 31 March 2018 on 15 June 2018, in line with the agreed deadline which is almost two weeks in advance of the statutory deadline of 30 June 2018.
- 7 We have now substantially completed the audit work and we are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with the Corporate Director Resources and Head of Finance.

Proposed audit report

- 8 It is the Auditor General's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
- 9 The proposed audit report is set out in [Appendix 2](#).

Significant issues arising from the audit

Uncorrected misstatements

- 10 There are no misstatements identified in the financial statements, which remain uncorrected.

Corrected misstatements

- 11 There are misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in [Appendix 3](#).

Other significant issues arising from the audit

- 12 In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. We comment below on significant matters that arose, and also on matters that we are required to report to you:

- **The Council has generally sound accounting and financial reporting practices although there is scope for continued improvement to the quality and timeliness of some of the working papers submitted to us to support the draft financial statements.** Overall, we found that the quality of the draft financial statements presented to us for audit was good. We were particularly grateful to the Council for bringing forward some elements of the final accounts preparation work (eg a review of investment properties, accounting policies, disclosure checklist and a skeleton version of the accounts, median remuneration calculation) which meant that we were able to commence our year-end audit work earlier. However, further improvements can be made to the quality and timeliness of some of the working papers compiled to support the draft financial statements. In April 2018, we agreed a 'Schedule of Deliverables' with the finance team with the aim of ensuring that appropriate working papers were available at the commencement of the audit. With a few exceptions (analytical review, Precepts & Levies, Council Tax, NDR and Group PPE consolidation) most of these working papers were available at the agreed time, although not all were located in the expected electronic working paper folder. We agreed that both parties would assess the success of introducing this schedule and that we would look to refine and improve the clarity of the 'deliverables' going forward.

- **We did not encounter any significant difficulties during the audit, however we experienced some delays in receiving supporting documentation requested during the audit process.** We are grateful for the help and assistance provided to us by the staff of the Finance and other departments throughout our audit and we were not restricted in our work.

However, we continued to experience some lengthy delays in obtaining appropriate evidence (eg invoices and other documents) to support our expenditure testing during our interim audit. For example, information for over 60% of our sample was not provided within a week of being requested and there were numerous occasions where the initial information provided was not of the required standard resulting in further information requests/ delays. Following a workshop with a number of the Group Accountants in May, the Council took action to try and improve this position for the final audit, nominating a single point of contact who was responsible for contacting departments to obtain information in respect of our cut-off, debtor and creditor testing. This action achieved some improvement, but the quality of the initial information provided by departments can be further improved upon.

It was also evident that whilst information requested directly from finance staff was received in a timely manner this was not always the case where information was requested from other parts of the organisation. To achieve the early closure deadlines going forward, it will be important for the Council to ensure that all directorates provide information that is both timely and of appropriate quality and that the final accounts production process is seen as a corporate priority and not just the responsibility of Finance.

We also continue to experience some difficulty in identifying individual debtor and creditor transactions for testing as a result of the content and manner in which the transaction reports are produced.

We will work with the Council going forward to explore ways in which some of the difficulties experienced can be resolved more quickly in future years.

- **There was one significant matter discussed and corresponded upon with management which we need to report to you.** The Council have brought one further matter to our attention that has emerged following the completion of the draft financial statements. This issue relates to potentially significant liabilities arising from a purportedly undeclared landfill tax assessment which is disclosed in Note 30 to the accounts 'Contingent Assets/Liabilities'. At the time of writing this report, this would appear to be the most appropriate accounting treatment. However, we understand that the Council continue to discuss the issue with HMRC and so it is possible that the accounting treatment will need to change based on more up to date information. We will provide the Audit Committee with a further update at its meeting on 18 September 2018.

- **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
- **We did not identify any material weaknesses in your internal controls.**
- **There are not any other matters specifically required by auditing standards to be communicated to those charged with governance**

Amendments to the accounts and audit deadlines going forward

- 13 Under the Accounts and Audit (Wales) (Amendments) Regulations 2018¹, in the future the Council and the Auditor General are required to meet earlier statutory deadlines. Under the amended regulations the new deadlines are due to change in stages, with the final change taking effect from 2020-21. **Exhibit 1** sets out the new deadlines.

Exhibit 1: changes in deadlines introduced by the amended regulations

Annual financial statements year	Financial statements signed by the responsible finance officer (Section 151 Officer)	Financial statements approved by the Council and published (with the signed audit certificate or an explanation for its absence)
2017-18	30 June 2018	30 September 2018
2018-19	15 June 2019	15 September 2019
2019-20	15 June 2020	15 September 2020
2020-21 and thereafter	31 May 2021	31 July 2021

- 14 In terms of the 2017-18 financial statements, the Council has made good progress in producing its draft financial statements almost two weeks earlier than the current statutory deadline without sacrificing the quality of the draft financial statements. The date of the Audit Committee meeting at which the audited financial statements are to be considered remains in line with the 2016-17 timetable (ie 18 September). Going forward the Council will need to review its governance arrangements and proposed dates of meetings at which the final accounts are to be approved.
- 15 Given this year's successful outcome, discussions with officers have highlighted their intent to work towards producing the 2018-19 draft financial statements in early June 2019 which will be closer to the statutory deadline that the Council will be required to meet going forward. We will also aim to have our audit substantially complete by early August. To achieve these earlier timescales, we will continue to

¹ <http://www.legislation.gov.uk/wsi/2018/91/contents/made>

work closely with officers throughout the autumn to ensure that the further improvements required to the accounts production process are implemented. A key aspect of these improvements will be to continue to look for opportunities to bring additional audit work forward.

- 16 In addition, we plan to issue a separate Accounts Memorandum report in the autumn which will contain other recommendations arising from the results of our audit work for management to consider where further improvements could be made for 2018-19.

Independence and objectivity

- 17 As part of the finalisation process, we are required to provide you with representations concerning our independence.
- 18 We have complied with ethical standards and in our professional judgment, we are independent, and our objectivity is not compromised. As reported in our Audit Plan dated March 2018, there are some potential conflicts of interest that were brought to your attention. The Audit Manager is a former colleague and friend of the Council's Programme Manager within the Corporate Resources Directorate. In addition, one member of the team's wife works within the Council's Housing Development & Enabling Department and another member of the team's close relatives work within the Council's Electoral Division. I can confirm that appropriate arrangements were introduced to ensure that these officers did not undertake any audit work in respect of the area of the Council's operations where potential conflicts of interest could be perceived to exist. With the exceptions of the above, all other members of my team are independent of the Council and your officers. perceived to exist and there are no relationships between the Wales Audit Office and the Council that we consider to bear on our objectivity and independence.

Appendix 1

Final Letter of Representation

[Audited body's letterhead]

Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

27 September 2018

Representations regarding the 2017-18 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of the County Council of the City and County of Cardiff (the Council) for the year ended 31 March 2018 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and [insert relevant code]; in particular the financial statements give a true and fair view in accordance therewith; and
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- Full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
 - additional information that you have requested from us for the purpose of the audit; and

- unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. There are no uncorrected misstatements.

Representations by those charged with governance

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for ensuring that the Council maintains adequate accounting records.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Council on 27 September 2018.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

[Officer who signs on behalf of management]

Date: 27 September 2018

Signed by:

[Officer or Member who signs on behalf of those charged with governance]

Date: 27 September 2018

Appendix 2

The independent auditor's report of the Auditor General for Wales to the Members of the County Council of the City and County of Cardiff

Report on the audit of the financial statements

Opinion

I have audited the financial statements of:

- The County Council of the City and County of Cardiff; and
- The County Council of the City and County of Cardiff Group

for the year ended 31 March 2018 under the Public Audit (Wales) Act 2004.

The County Council of the City and County of Cardiff's financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement and the related notes, including a summary of significant accounting policies.

The County Council of the City and County of Cardiff's Group financial statements comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of the County Council of the City and County of Cardiff's and the County Council of the City and County of Cardiff's Group as at 31 March 2018 and of their income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical

responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's or group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The responsible financial officer is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18;
- The information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

In the light of the knowledge and understanding of the council and the group and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Governance Statement.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

Certificate of completion of audit

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts, including the County Council of the City and County of Cardiff's Group financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the council's and group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Anthony J Barrett
For and on behalf of the Auditor General for Wales
September 2018

24 Cathedral Road
Cardiff
CF11 9LJ

Appendix 3

Summary of corrections made to the draft financial statements which should be drawn to the attention of those charged with governance

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

Exhibit 2: summary of corrections made to the draft financial statements

Note number and value of correction	Nature of correction	Reason for correction
Expenditure and Funding Analysis Note 4.2 – Expenditure and Income Analysed by Nature	Several amendments to income and expenditure disclosures on the draft note. Prior year figures restated for consistency.	The note did not agree to CIES, plus a number of balances were disclosed as net balances as opposed to having the relevant income and expenditure elements disclosed separately.
Note 6 Participation in Joint Committees £5,744,000	Additional disclosure of capital contribution relating to Cardiff Capital Region City Deal.	This capital contribution was omitted from Note 6.
Note 10.2 Remuneration banding	One employee moved from band £75,000-£79,999 to £105,000-£109,999.	Due to a redundancy payment being processed through the creditor payment system which was omitted from initial salary information.
Note 12 Related Parties £15,990,000	Additional disclosure of income received from organisations in which members have declared an interest.	Disclosure omitted from draft financial statements.

Note number and value of correction	Nature of correction	Reason for correction
<p>Note 18 Non-Current Assets (Non-Current Assets Valuation table)</p> <p>Various</p>	<p>'Surplus Assets' in-year movements revised to record correct signage of 'Reclassified to Held for Sales' ie -£5,975,000 instead of £5,795,000.</p> <p>Associated impact on 'Other Reclassifications' to increase by £11,950,000.</p> <p>Depreciation movements on 'Other Land and Buildings' revised by assorted amounts to record the correct write-outs, de-recognition on disposals and reclassifications.</p> <p>A number of other trivial adjustments relating to specific Non-Current Assets depreciation, revaluation, reclassification and impairment have also been processed.</p>	<p>Incorrect presentation within the Non-Current Asset movement table.</p>
<p>Note 18 Non-Current Assets (Investment properties table) £707,000</p>	<p>Balance impaired by an additional £707,000 to increase impairment to £2,502,000.</p>	<p>Investment property lease reassignment had not been recognised as an impairment.</p>
<p>Note 18 Non-Current Assets (Significant Capital Expenditure Contractual Commitments table) £14,417,000</p>	<p>Value of commitments increased by £14,417,000.</p>	<p>Omission of contracts associated with Cardiff Living new-build housing project from draft financial statements disclosure.</p>

Note number and value of correction	Nature of correction	Reason for correction
<p>Note 21 Debtors analysis and Note 30 Grant Income (Credited to Taxation and Non-Specific Grant Income table) £6,381,000</p> <p>Note 18 Non-Current Assets (Capital Expenditure and Capital Financing table)</p>	<p>'Capital Grants' disclosed in the Note 30 'Credited to Taxation and Non-Specific Grant Income' analysis reduced by £6,361,000, with associated decrease in Note 21 'Central government body' Debtors analysis of £6,381,000.</p> <p>The changes impact on a number of other disclosures - the most significant being the decrease in 'Grant Income' affecting the Closing Capital Financing Requirement to reflect the £6,381,000 increase in borrowing unsupported by government financial assistance.</p>	<p>21st Century schools Welsh Government grant debtor overstated by £6,381,000. This amount should have been recognised as being funded from Welsh Government Local Government Borrowing Initiative.</p>
<p>Note 21 Debtors analysis £907,000</p>	<p>Reclassification of one specific Bad Debt Provision charged against the analysis of Note 21 Debtor balances - increase of £907,000 'Central Government Bodies' and matching decrease within 'Other Entities and Individuals'.</p> <p>One other trivial adjustment relating to a specific Debtor balance has also been processed.</p>	<p>Bad debt provision reclassified between sectors.</p>
<p>Note 22 Cash and Cash Equivalents analysis £19.6 million</p>	<p>Reclassification – 'Bank' increases by £19.6 million, 'Short-term Deposits' decreases by £19.6 million.</p> <p>One other trivial adjustment to year-end Cash balances has also been processed.</p>	<p>Adjustment to cash balance, relating to intra-company cash held by the Council on behalf of bodies it acts as Accountable Body for, was incorrectly classified within the Cash and Cash Equivalents analysis.</p>

Note number and value of correction	Nature of correction	Reason for correction
Note 30 Grant Income (Credited to Taxation and Non-Specific Grant Income table) £5,744,000	Reclassification – ‘Developers’ Contributions’ reduces by £5,744,000. ‘Capital Grants’ increases by £5,744,000.	Consolidation of the Cardiff Capital Region City Deal accounts credited the Council share of the grant income held at year-end to Developers’ Contributions rather than Capital Grants.
Cash Flow Statement and Note 32 Notes to Cash Flow Statement	Some amendments to the Cashflow Statement and supporting Note 32.	Cash Flow Statement and supporting Note were not consistent with other disclosures within the financial statements.
Various narrative amendments throughout the accounts	A number of amendments to narratives and notes to the financial statements have been made to provide additional clarity, correct transposition errors, cross referencing etc.	To ensure correct narrative disclosures and cross references within the body of the financial statements.
Group Accounts - Note 4 Leasing – Finance Leasing table £1,330,000	Disclosure relating to Vehicles, Plant, Furniture and Equipment overstated by £1,330,000.	Error in extracting information from subsidiary accounts.

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WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Audit of Financial Statements Report – Cardiff & Vale of Glamorgan Pension Fund

Audit year: 2017-18

Date issued: September 2018

Document reference: 801A2018-19

5.2 Appx 6

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000.

The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at

infoofficer@audit.wales.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

This document is also available in Welsh.

Contents

The Auditor General intends to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval.

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Summary report

Introduction

- 1 The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Cardiff & Vale of Glamorgan Pension Fund (the Pension Fund) at 31 March 2018 and its income and expenditure for the year then ended.
- 2 We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
- 3 The quantitative level at which we judge such misstatements to be material for the Pension Fund is £20.667 million. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
- 4 International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
- 5 This report sets out for consideration the matters arising from the audit of the financial statements of the Pension Fund, for 2017-18, that require reporting under ISA 260.

Status of the audit

- 6 We received the draft financial statements for the year ended 31 March 2018 on 18 June, in line with the agreed deadline, and have now substantially completed the audit work.
- 7 We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with the Corporate Director Resources and Head of Finance.

Proposed audit report

- 8 It is the Auditor General's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
- 9 The proposed audit report is set out in [Appendix 2](#).

Significant issues arising from the audit

Uncorrected misstatements

- 10 There are no misstatements identified in the financial statements, which remain uncorrected.

Corrected misstatements

- 11 There are minor misstatements that have been corrected by management which are shown below. In addition, following the receipt of updated information from the actuary, the actuarial statement that was included within the draft financial statements has been revised. The minor misstatements are:
- there were a number of narrative changes including an enhanced footnote to note 8 Management Expenses to provide greater clarity and the addition of an accounting policy in note 2 Accounting Policies to consider accounting standards issued but not yet adopted.
 - there were amendments to prior year balances for Note 10 Investments at Market Value, Note 12 Financial Instruments and Note 13 Nature and Extent of Risks Arising from Financial Instruments as they did not agree with the audited version of 2016-17 financial statements. A transposition error on membership numbers within note 7 Membership of the Fund has also been amended.
 - Note 14 Creditors increased by £156,000 as a result of a debtor balance being netted off against creditor balances with a corresponding increase within the debtors.

Other significant issues arising from the audit

- 12 In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were some issues arising in these areas this year:
- **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.** We found the information provided to be relevant, reliable, comparable, material and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.
 - **We did not encounter any significant difficulties during the audit.** Generally, we found the draft financial statements to be of a good quality and received information in a timely and helpful manner and were not restricted in our work. There are some areas where the working papers provided could be improved (eg providing a mapped trial balance which reconciles to each primary statement and note the accounts and greater use

of electronic linkages between working papers and underlying calculations) and we will continue to work with officers to make further improvements to the quality of working papers supporting the accounts and audit process for 2018-19.

- **There were no significant matters discussed and corresponded upon with management which we need to report to you.**
- **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
- **We did not identify any material weaknesses in your internal controls that we have not reported to you already.**
- **There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.**

Independence and objectivity

- 13 As part of the finalisation process, we are required to provide you with representations concerning our independence.
- 14 We have complied with ethical standards and in our professional judgment, we are independent, and our objectivity is not compromised. There was one potential conflict of interest that I brought to your attention in my Audit Plan that was issued in March 2018, but I can confirm that, as planned, this member of staff did not undertake any final accounts work on the pension fund. Therefore, there are no relationships between the Wales Audit Office and the Pension Fund that we consider to bear on our objectivity and independence.

Appendix 1

Final Letter of Representation

[Audited body's letterhead]

Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

27 September 2018

Representations regarding the 2017-18 financial statements

This letter is provided in connection with your audit of the financial statements of Cardiff & Vale of Glamorgan Pension for the year ended 31 March 2018 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

I confirm that to the best of my knowledge and belief, having made enquiries as I consider sufficient, I can make the following representations to you.

Management representations

Responsibilities

I have fulfilled my responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and the 2017-18 Code of Practice on Local Authority Accounting in the United Kingdom; in particular the financial statements give a true and fair view in accordance therewith; and
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- Full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
 - additional information that you have requested from us for the purpose of the audit; and

- unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects Cardiff and Vale of Glamorgan Pension Fund and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Representations by those charged with governance

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the County Council of the City and County of Cardiff on 27 September 2018.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

[Officer who signs on behalf of
management]

Date: 27 September 2018

Signed by:

[Officer or Member who signs on behalf
of those charged with governance]

Date: 27 September 2018

Appendix 2

Proposed audit report of the Auditor General to the Members of the County Council of the City and County of Cardiff

The independent auditor's report of the Auditor General for Wales to the members of County Council of the City and County of Cardiff as administering authority for the Cardiff and Vale of Glamorgan Pension Fund

Report on the audit of the financial statements

Opinion

I have audited the financial statements of Cardiff and Vale of Glamorgan Pension Fund for the year ended 31 March 2018 under the Public Audit (Wales) Act 2004. Cardiff and Vale of Glamorgan Pension fund's financial statements comprise the fund account, the net assets statement and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2018, and of the amount and disposition at that date of its assets and liabilities; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the pension fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Other information

The responsible financial officer is responsible for the other information in the annual report. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the annual report has been prepared in accordance with the Local Government Pension Scheme Regulations 2013.

Matters on which I report by exception

In the light of the knowledge and understanding of the pension fund and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative report.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of [name of pension fund] in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the financial statements set out on page 5, the responsible financial officer is responsible for the preparation of the financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the responsible financial officer is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Anthony J Barrett
For and on behalf of the Auditor General for Wales
September 2018

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WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Audit of Financial Statements Report – **Cardiff Harbour Authority**

Audit year: 2017-18

Date issued: September 2018

Document reference:

5.2 Appx 7

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000.

The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at

infoofficer@audit.wales.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Contents

The Auditor General intends to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval.

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Summary report

Introduction

- 1 The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Cardiff Harbour Authority (the Authority) at 31 March 2017-18 and its income and expenditure for the year then ended.
- 2 We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
- 3 The quantitative level at which we judge such misstatements to be material for Cardiff Harbour Authority is £183,000. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity
- 4 International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
- 5 This report sets out for consideration the matters arising from the audit of the financial statements of the Authority, for 2017-18, that require reporting under ISA 260.

Status of the audit

- 6 We received the draft financial statements for the year ended 31 March 2017-18 on 15 June 2018 in line with our agreed deadline and have now substantially completed the audit work.
- 7 We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with officers.

Proposed audit report

- 8 It is the Auditor General's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
- 9 The proposed audit report is set out in [Appendix 2](#)

Significant issues arising from the audit

Uncorrected misstatements

- 10 There are no misstatements identified in the financial statements, which remain uncorrected.

Corrected misstatements

- 11 There are misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in [Appendix 3](#).

Other significant issues arising from the audit

- 12 In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were no issues arising in these areas this year:

- **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.** We found the information provided to be relevant, reliable, comparable, material and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.
- **We did not encounter any significant difficulties during the audit.** We received most of the required information in a timely and helpful manner and were not restricted in our work. However, we experienced delays in receiving supporting documentation for our expenditure and creditor testing due to the fact that a number of invoices requested could not be located. In addition, although we were provided with a manual working paper file which was helpful, there are opportunities to improve the co-ordination of the information provided in respect of Plant, Property and Equipment transactions and disclosures.

We will continue to work with officers to make further improvements to the quality of working papers supporting the accounts and audit process and we will also look to issue a separate audit deliverables document prior to the final audit commencing which will identify specific working paper requirements.

- **There were no significant matters discussed and corresponded upon with management which we need to report to you.**
- **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**

- **We did not identify any material weaknesses in your internal controls that we have not reported to you already.**
- **There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.**

Independence and objectivity

- 13 As part of the finalisation process, we are required to provide you with representations concerning our independence.
- 14 We have complied with ethical standards and in our professional judgment, we are independent, and our objectivity is not compromised. There are no relationships between the Wales Audit Office and the Cardiff Harbour Authority that we consider to bear on our objectivity and independence.

Appendix 1

Final letter of representation

[Audited body's letterhead]

Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

27 September 2018

Representations regarding the 2017-18 financial statements

This letter is provided in connection with your audit of the financial statements of Cardiff Harbour Authority for the year ended 31 March 2018, for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and [insert relevant code]; in particular the financial statements give a true and fair view in accordance therewith; and
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- Full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
 - additional information that you have requested from us for the purpose of the audit; and

- unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects the Cardiff Harbour Authority and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.
- Our knowledge of all known partnerships and joint working / collaborative arrangements that would impact on the financial statements.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions.

Representations by those charged with governance

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Council on 27 September 2018.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Officer who signs on behalf of management

Date: 27 September 2018

Signed by:

Officer or Member who signs on behalf of those charged with governance

Date: 27 September 2018

Appendix 2

Proposed audit report of the Auditor General to the those charged with governance of Cardiff Harbour Authority

The independent auditor's report of the Auditor General for Wales to the members of Cardiff Harbour Authority

Report on the audit of the financial statements

Opinion

I have audited the financial statements of Cardiff Harbour Authority for the year ended 31 March 2018 under the Public Audit (Wales) Act 2004.

Cardiff Harbour Authority's financial statements comprise the Comprehensive Income and Expenditure Statement and the Balance Sheet

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Cardiff Harbour Authority as at 31 March 2018 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of Cardiff Harbour Authority and in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Cardiff Harbour Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The responsible financial officer is responsible for the other information in the Foreword to the accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit, the information contained in the Foreword is consistent with the accounting statements and related notes

Matters on which I report by exception

In the light of the knowledge and understanding of the Council and Cardiff Harbour Authority obtained in the course of the audit, I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

Certificate of completion of audit

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing Cardiff Harbour Authority's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Anthony J Barrett
For and on behalf of the Auditor General for Wales
September 2018

24 Cathedral Road
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CF11 9LJ

Appendix 3

Summary of corrections made to the draft financial statements which should be drawn to the attention of those charged with governance

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

Exhibit 1: summary of corrections made to the draft financial statements

Note Number and Value of correction	Nature of correction	Reason for correction
Comprehensive Income & Expenditure Statement £112,000	Capital Grants Applied overstated/Fees and Charges understated.	Figures from the ledger were transposed.
Note 1 and Balance Sheet £186,000	Cash understated/General Reserve understated.	Reserves not updated for final adjustments.
Note 5 - Creditors £19,000	Creditors' Central Government Bodies understated/Trade Payables overstated.	Testing of creditors identified amounts due to Welsh Government classified as Trade Payables.

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CITY OF CARDIFF COUNCIL CYNGOR DINAS CAERDYDD



AUDIT COMMITTEE: 18 September 2018

CORPORATE RISK MANAGEMENT – QUARTER 1 2018/19

REPORT OF CORPORATE DIRECTOR RESOURCES AGENDA ITEM: 6.1

1. To update Audit Committee on the risk management position at the end of quarter 1 2018/19.
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, and an opportunity to raise comments. The last Audit Committee review was on 26 June 2018, at which time the risk management position at quarter 4 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 1 risk management review. The Risk Management Team has also provided advice and guidance on the measurement and reporting of risks. The quarter 1 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 1 are detailed as follows.

Directorate Risks

9. At the end of quarter 1, 296 risks were reported from DRRs. All escalated risks and requests for de-escalation were considered by the SMT in September 2018.
10. It was agreed that 8 directorate risks would be carried forward as SMT escalated risks at the end of quarter 1.

Directorate	Resources	People and Communities	Planning, Transport and Environment	Economic Development	Education & Lifelong Learning	Social Services	Governance & Legal Services
Directorate Risks	134	39	28	32	37	17	9
Risks at SMT Escalation Point	3	1 (shared)	1	1 (shared)	2	1 (shared)	1 (shared)

Corporate Risks

11. The SMT reviewed the escalated directorate risks and corporate risk updates from risk owners as at the end of quarter 1. In consideration of the potential impact on corporate priorities and objectives and the supporting mitigations, the following CRR changes were agreed.
12. **Waste Management** - The residual risk has increased (from C2 to B2) in recognition of the ongoing financial costs required to robustly service an ongoing investigation in the 'Waste' function whilst continuing to deliver services, and in anticipation of a potential material landfill tax liability. The potential landfill tax liability follows HM Revenue and Customs concerns over the Council's categorisation of soil deliveries to Lamby Way. A prudent valuation for the contingent liability together with other potential impacts on the Council's accounts are in the process of being quantified with the support of external consultants, senior and specialist officers in the Council's accountancy function.
13. **Health and Safety and Statutory Building Maintenance** - The 'Health and Safety' and 'Statutory Building Maintenance' residual risks have been reduced from B1 to B2. This is in recognition of improved conditional awareness of the Councils' estate achieved through the deployment of the RAMIS system, coupled with an educational programme for relevant officers in their responsibilities for supporting compliance and for consistent system use. The system now holds statutory obligations for the Council's estate and is the central system for uploading relevant certificates and identifying and closing down remedial actions. At a time when the system continues to be developed and implemented, there is increased understanding of statutory inspections required to maintain premises in line with legal requirements.
14. **Increase in Demand (Childrens' Services)** – This risk has replaced a corporate risk titled 'Social Services Provision', to more specifically focus on managing the impact of high demand in Childrens' Services. Management actions, such as monitoring and addressing demand at the front door; having a focus on preventative services and the impact of signs of safety have highlighted the highest risks. This assessment is and will continue to be based on management assurances and Social Services functions.
15. **Promoting Independence** - Targeted control measures have addressed this strategic-level risk, to satisfy its removal as a corporate risk for management at a subsidiary level. These include the implementation of a whole systems approach (including integration

with Health in order to manage winter pressures); a Strategy to engage more proactively with the market (in order to support better sustainability in domiciliary care) and the implementation of a strengths-based approach.

Reason for recommendation

16. To enable the Audit Committee to monitor and consider the quarter 1 risk management position 2018/19.

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.

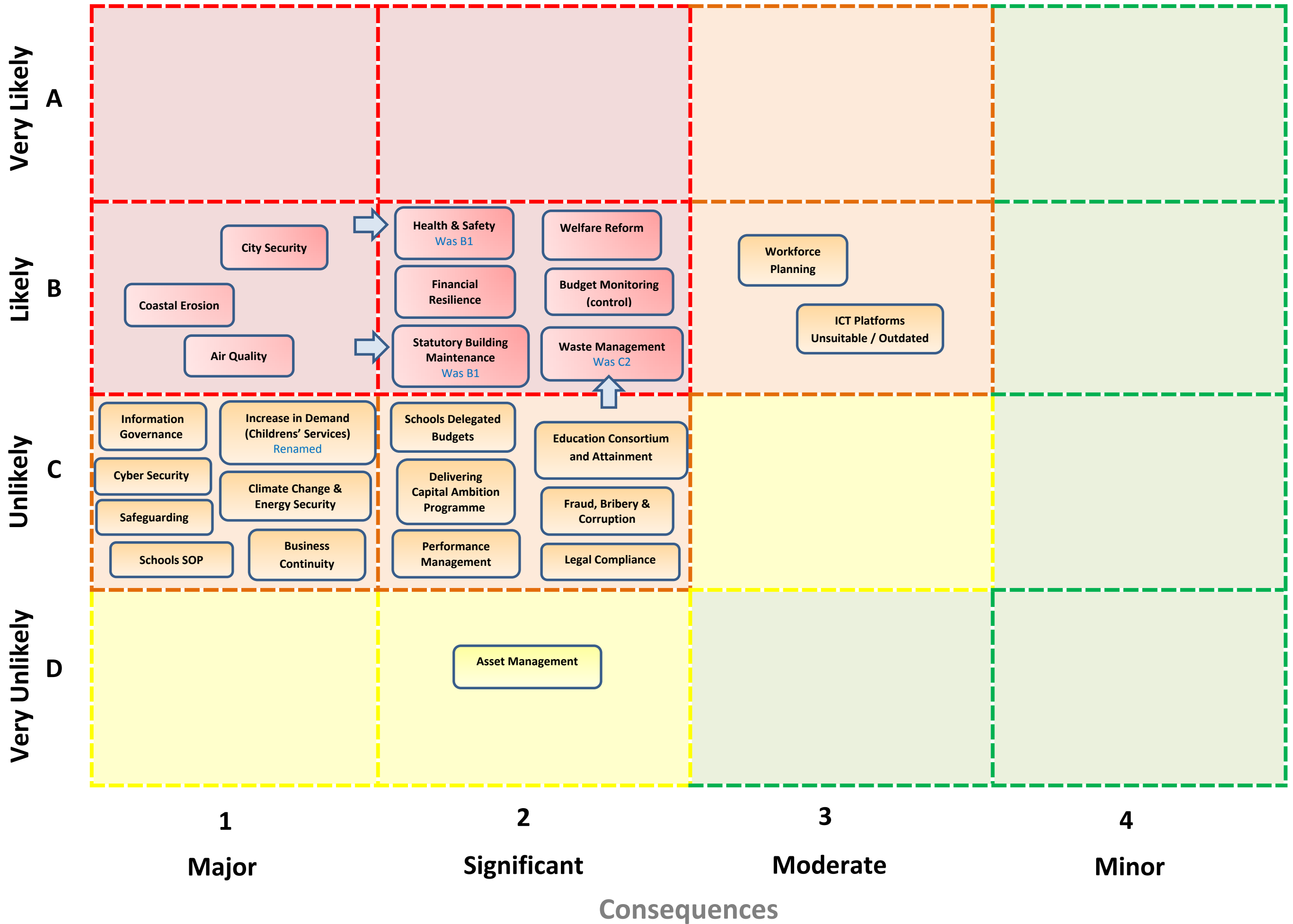
CHRISTINE SALTER CORPORATE DIRECTOR RESOURCES

The following Appendices are attached:

Appendix A - Corporate Risk Map	- Q1 2018/19
Appendix B - Summary Corporate Risk Register	- Q1 2018/19
Appendix C - Detailed Corporate Risk Register	- Q1 2018/19

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Corporate Risk Map – 2018/19 (Quarter 1 Position)



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Risk Description	Inherent Risk	Residual Risk	Risk Owner	Cabinet Member
EVENT DRIVEN RISKS				
1. City Security Major security-related incident in the city as a result of international or domestic terrorism.	High Priority A1	High Priority B1	Christine Salter (Joe Reay) Andrew Gregory	Councillor Huw Thomas Leader
2. Welfare Reform That the Council cannot meet its statutory obligations with the increased demands and reduced budgets placed upon it by the Welfare Reform including: Universal Credit, further reduction in Benefit Cap, size restrictions for social tenants, 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.	High Priority A2	High Priority B2	Sarah McGill (Jane Thomas)	Councillor Lynda Thorne Housing & Communities
3. Cyber Security The ability to protect information systems (hardware, software and associated infrastructure), the data on them, and the services they provide, from unauthorised access, harm or misuse. This includes harm caused by the operator of the system (intentionally or accidentally) as a result of failing to follow security processes. The principal external threat groups to information systems are categorised by HM Government as cyber criminals, states and state-sponsored, terrorists, hacktivists and script kiddies.	High Priority A1	Medium Priority (Red/Amber) C1	Christine Salter (Phil Bear)	Councillor Chris Weaver Finance Modernisation and Performance
4. Waste Management Failure to meet statutory recycling targets and deliver cost effective compliance with waste management legislation.	High Priority B1	High Priority B2	Andrew Gregory (Matt Wakelam)	Councillor Michael Michael Clean Streets, Recycling and Environment
5. Schools Organisation Programme (Band B) Very large scale Capital Programme – Band B (£284m) with tight timescales for delivery, in context of very rapidly growing primary age school population.	High Priority B1	Medium Priority (Red/Amber) C1	Nick Batchelar (Janine Nightingale)	Councillor Sarah Merry Deputy Leader & Education, Employment & Skills
6. Business Continuity Large scale incident/loss affecting the delivery of services. The potential risk is that our most time sensitive activities are not sufficiently resilient and fail, following an incident which impacts on their delivery and that our incident management structure, used in response to internal incidents and external emergencies, also fails in response to an incident	High Priority B1	Medium Priority (Red/Amber) C1	Christine Salter	Councillor Huw Thomas Leader
ONGOING RISKS				
7. Statutory (building, installation & equipment) Maintenance RAMIS holds statutory obligations across the estate and is the central system for uploading of certificates and identifying and closing down remedial actions. The risk from statutory inspections lies with the cost of the remedial works which are required to maintain the premises, installation, equipment in a safe and legally compliant condition. However, the visibility provided by RAMIS allows accurate evaluation of risk and targeting of funds available.	High Priority A1	High Priority B2	Neil Hanratty	Councillor Russell Goodway, Investment & Development
8. Air Quality Poor air quality is the most significant environmental determinant of health. 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.	High Priority A1	High Priority B1	Andrew Gregory (Gary Brown)	Councillor Caro Wild, Strategic Planning & Transport
9. Education Consortium & Attainment The Central South Consortium does not deliver effective services that challenge and support Cardiff schools to improve and Educational Attainment does not improve at the required rate.	High Priority B1	Medium Priority (Red/Amber) C2	Nick Batchelar (Angela Kent)	Councillor Sarah Merry, Deputy Leader & Education, Employment & Skills
10. ICT Platforms Unsuitable/ Outdated The ICT platforms (desktop, software, network, servers, and telephones) will not be able to support the technologies required by the corporate change programme and deliver effective service to the council, or will not provide a reliable service due to age and condition of equipment and systems.	High Priority A2	Medium Priority (Red/Amber) B3	Christine Salter (Phil Bear)	Councillor Chris Weaver Finance Modernisation and Performance
11. Safeguarding Systemic failure in the effectiveness of the Council's safeguarding arrangements together with other statutory safeguarding partners.	High Priority B1	Medium Priority (Red/Amber) C1	Claire Marchant & Davina Fiore	Councillor Susan Elsmore Social Care, Health & Well-being Councillor Graham Hinchey Children & Families Councillor Chris Weaver Finance Modernisation and Performance
12. 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.	High Priority A1	High Priority B2	Christine Salter (Ian Allwood)	Councillor Chris Weaver Finance Modernisation and Performance
13. Budget Monitoring (Control) Failure to achieve the budget set, inclusive of budgeted spend and savings across Directorates, with increased use of emergency finance measures and the drawdown of reserves.	High Priority A1	High Priority B2	Christine Salter (Allan Evans)	Councillor Chris Weaver Finance Modernisation and Performance
14. Performance Management 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.	High Priority B2	Medium Priority (Red/Amber) C2	Christine Salter (Joe Reay)	Councillor Chris Weaver Finance Modernisation and Performance
15. Health and Safety Ineffective compliance of health and safety through poor application and embedding of the Framework for Managing Health and Safety in Cardiff Council.	High Priority A1	High Priority B2	Christine Salter (Donna Jones)	Councillor Chris Weaver Finance Modernisation and Performance

16. Climate Change & Energy Security Un-preparedness to the effects of climate change due to lack of future proofing for key (social and civil) infrastructure and business development, and inability to secure consistent energy supply due to rising energy costs and insecurity of energy supply.	High Priority B1	Medium Priority (Red/Amber) C1	Andrew Gregory	Councillor Michael Michael Clean Streets, Recycling and Environment
17. Coastal Erosion Breach of current defences resulting in widespread flooding.	High Priority B1	High Priority B1	Andrew Gregory	Councillor Michael Michael Clean Streets, Recycling and Environment
18. Information Governance Information handled inappropriately leaves the Council exposed to intervention and financial penalties issued by the Information Commissioner (ICO). This includes information held by Cardiff Schools.	High Priority A1	Medium Priority (Red/Amber) C1	Christine Salter (Vivienne Pearson)	Councillor Chris Weaver Finance Modernisation and Performance
19. Increase in Demand (Childrens' Services) Failure to effectively manage demand resulting in increase in number of looked after children and the service and financial pressures this presents.	High Priority B1	Medium Priority (Red/Amber) C1	Claire Marchant	Councillor Susan Elsmore Social Care, Health & Well-being Councillor Graham Hinchey , Children & Families
20. Delivering Capital Ambition Programme 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.	High Priority B1	Medium Priority (Red/Amber) C2	Christine Salter (Dean Thomas)	Councillor Chris Weaver Finance Modernisation and Performance
21. Legal Compliance Changes in services and staff roles across the Council resulting in: <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: In each case leading to increased risk of challenges. Reduction and changes in front-line services, discretionary and statutory, will lead to increased risks of challenge from users and other stakeholders affected.	High Priority B2	Medium Priority (Red/Amber) C2	Davina Fiore	Councillor Huw Thomas Leader
22. Education – Schools Delegated Budgets Secondary Schools with deficit budgets do not deliver agreed deficit recovery plans, impacting on the overall budgets for all schools.	High Priority A2	Medium Priority (Red/Amber) C2	Nick Batchelar (Neil Hardee)	Councillor Sarah Merry Deputy Leader & Education, Employment & Skills
23. Fraud, Bribery and Corruption Fraud, financial impropriety or improper business practices increase as internal controls are weakened as resources become severely stretched.	High Priority B2	Medium Priority (Red/Amber) C2	Christine Salter (Ian Allwood)	Councillor Chris Weaver Finance Modernisation and Performance
24. Asset Management Ensure effective operation of the Council's Asset Management Board to achieve effective strategic oversight and identified savings.	High Priority B2	Medium Priority (Amber/Green) D2	Neil Hanratty	Councillor Russell Goodway , Investment & Development
25. Workforce Planning Importance of forecasting and planning to build capability and capacity for the future is not fully recognised and embedded.	Medium Priority (Red/Amber) B2	Medium Priority (Red/Amber) B3	Christine Salter (Philip Lenz)	Councillor Chris 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										
1. City Security Major security-related incident in the city as a result of international or domestic terrorism.	Service Delivery / Reputation / Legal / Financial / Health & Safety / Financial / Partnership / Community & Environment / Stakeholders Potential for: <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 to 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 delayed on some elements – planned completion now August 2018 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 	Christine Salter (Joe Reay) & Andrew Gregory Councillor Huw Thomas Leader
2. Welfare Reform That the Council cannot meet its statutory obligations with the increased demands and reduced budgets placed upon it by the Welfare Reform including: Universal Credit, further reduction in Benefit Cap, size restrictions for social tenants, 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.	<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. Sub group in place to consider the impact of changes on Supported and temporary accommodation. Full Service Universal Credit has been implemented in Cardiff. The impact on council rent arrears has already been felt and this is being monitored carefully. Services for private landlords are being further developed to help prevent them withdrawing from the market. The extended facilities in Hubs are working well to provide additional "digital support" to UC claimants. 	Sarah McGill (Jane Thomas) Councillor Lynda Thorne Housing & Communities

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
<p>3. 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>	<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 of 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 To enhance user education and awareness Information Governance Seminars were held for each Directorate during April and May 2018. 	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 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. Cyber Security Awareness training videos to be made available to council officers via e-learning portal. Key areas to be covered: GDPR; good password practice; internet security; scamming information and when to seek advice. 	<p>Christine Salter (Phil Bear)</p> <p>Councillor Chris Weaver Finance Modernisation and Performance</p>
<p>Waste Management</p> <p>Failure to meet statutory recycling targets and deliver cost effective compliance with waste management legislation</p>	<p>Financial</p> <ul style="list-style-type: none"> penalties and loss of grant support continuing financial costs to service due to ongoing investigation accurate measuring / meeting landfill tax contingent liability <p>Legal</p> <ul style="list-style-type: none"> failure to comply with EU recycling waste directive, leading to sanctions, penalties or interventions <p>Strategic</p> <ul style="list-style-type: none"> reputational consequence with citizens and key stakeholders 	B	1	High Priority	<p>The foundations of the current controls (as documented at Q4 17/18) are within the Recycling Waste Management Strategy 2015-2018, located on the council's website:</p> <p>https://www.cardiff.gov.uk/ENG/Your-Council/Strategies-plans-and-policies/Documents/CAB%20Appendix%201%20-%20Recycling%20Waste%20Management%20Strategy%202015%20Eng.pdf</p> <p>Recycling Development:</p> <ul style="list-style-type: none"> The Cabinet has agreed a review of the Waste & Recycling strategy 2015-2018 at its meeting on 15th May 2018, and the draft updated strategy for 2018-2021 has gone to consultation. Implementation of In-Cab and tachograph system has commenced, which will improve service delivery through real time technology, optimisation of routes and identification of waste contamination. The newly installed Auto Sorter for mixed plastics/ fibre products became operational (July 2018) and will improve processing efficiency, reduce rejects and increase recycling. Modelling has been undertaken on best option for managing co-mingled recycling issue, with twin stream concluded as best option Ongoing mgt of Cardiff Organic Waste Treatment contracts (Kelda/ Dwr Cymru) for an Anaerobic Digestion (AD) facility and Open Windrow Composting (OWC) facility to treat source-separated food and green/garden wastes respectively, over a 15 year period Education taking place across Cardiff with focus on key areas for recycling improvement. <p>Wider Governance & Compliance:</p> <ul style="list-style-type: none"> Ongoing investigation in the Waste function has been robustly serviced, and is following a number of lines of enquiry, through which the governance process is being rigorously reviewed. A prudent valuation for a contingent landfill tax liability together with other potential impacts on the Council's accounts are in the process of being quantified with the support of external consultants (PWC), senior and specialist officers in the Council's accountancy function. Prosiect Gwyrdd (Cardiff Council in partnership with other L.A's) - ongoing mgt of contract over 25 years with Viridor, who will produce energy from the remaining 'black bag' waste which historically has gone to landfill, providing the best environmental, cost effective and practical solution for waste after 	B	2	High Priority	<p>Recycling Development:</p> <ul style="list-style-type: none"> Consultation of Waste & Recycling Strategy 2018-2021 to be completed and presented to Cabinet. Actions from strategy to be part of programme monitoring for meeting recycling targets. Completion of In-Cab technology implementation & training Glass trial pilot underway - to be reviewed and rolled out (see detail under Street Scene Projects) A targeted approach to education that is aligned with enforcement to support the removal of contamination from the recycling stream. This may be in a blitz approach to target key areas of concern. Media campaign to promote/encourage removal of contamination from recycling material by citizens <p>Wider Governance & Compliance:</p> <ul style="list-style-type: none"> Review the Waste Data Flow team resourcing to ensure it is sustainable and can provide information in a timely manner. Senior Management to work with WG on explaining the current position and the improvements being put in place. Governance of Waste Data Flow to be reviewed and develop a senior management role within new structure, providing leadership in the area of Waste Data Flow. Introduction of improvements in weighbridge and data systems holding data on waste movements, to improve data management and ease collation of data. Senior Management to have regular engagement and discussions with WG on Cardiff's Waste Strategy and compliance with the WG Blueprint. Ongoing commitment to working with PWC and senior and specialist officers in the Council's accountancy function in relation to landfill tax contingent liability 	<p>Andrew Gregory (Matt Wakelam)</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
					recycling/ composting has been maximised (22% recycling from bottom ash)					
<p>5. 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 (Janine Nightingale)</p> <p>Councillor Sarah Merry Deputy Leader & Education, Employment & Skills</p>
<p>6. 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 magement 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. 71 % 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 26 % 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 9 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 	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 complement 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 community’s resilience. This work should be complete by end of Quarter 2 2018/2019. The BC officer is leading a review of 4x4 resources across the council to support our response capability to future winter storms. 	<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>and Response Policy to support council security arrangements.</p> <ul style="list-style-type: none"> The Business Continuity corporate risk has just gone through a further Internal Audit review and the BC Officer has worked closely with Internal Audit to provide them with the support, evidence, and guidance needed to allow them to review this risk. The Corporate Emergency Management Plan was fully revised and updated in March 2017. The Corporate Incident Management structure and Emergency Management Plan, and the Corporate recovery plan were exercised and validated in a corporate wide exercise on the 29th of March 2017, this exercise also provided an opportunity for individual Business Continuity plans to be activated. 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>7. Statutory (building, installation & equipment) Maintenance</p> <p>RAMIS holds statutory obligations across the estate and is the central system for uploading of certificates and identifying and closing down remedial actions.</p> <p>The risk from statutory inspections lies with the cost of the remedial works which are required to maintain the premises, installation, equipment in a safe and legally compliant condition. However, the visibility provided by RAMIS allows accurate evaluation of risk and targeting of funds available.</p>	<p>Potential consequences of non-compliance with statutory maintenance:</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 implemented across the Council with bi-monthly reporting on statistics to SMT; 200 Building Managers have received training in their responsibilities and use for the RAMIS system, including schools estates staff and Headteachers. Full time officer Administrating RAMIS, providing training and issuing reports from the system to all service areas to push compliance ratings up to a minimum of 80% set by SMT. RAMIS has been embraced by Service Areas and will ensure that the Council is aware of the compliance position on any given asset to avoid any risks to building users and the organisation. <p>Statutory Obligation Compliance</p> <ul style="list-style-type: none"> Electrical Safety Policy Implemented by H&S. 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 uploaded to RAMIS. Spreadsheet database recording property holdings and the status of statutory obligation compliance across entire Council estate integrated into RAMIS. Currently reporting on RAMIS comprises of compliance against 5 main high risk disciplines; Gas Safety Fire (all disciplines) Legionella (Risk Assessment and water quality checks) Fixed electrical systems Top slicing of schools budget to cover the five high-risk disciplines, under review to ensure sufficient funds are available. <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. <p>Conditions Survey of Non Domestic Buildings</p> <ul style="list-style-type: none"> This work is ongoing through 2018/19. <p>Client Liaison Officers</p> <ul style="list-style-type: none"> Client Liaison Officers have impacted positively on building relationships between with schools and other customers/clients, in particular the management/commissioning of statutory obligations and PPM. 	B	2	High Priority	<p>Contractor</p> <ul style="list-style-type: none"> Strengthen monitoring and supervision of contractors undertaking statutory PPM and works; Train all statutory maintenance contractors in the use of RAMIS in order for test certs to be uploaded directly to the system by contractors. Establish a contractor Forum for RAMIS to meet 6 monthly following training. <p>Statutory Obligation Compliance</p> <ul style="list-style-type: none"> Continue to commission investigations / work to complete required compliance testing (and works required) in respect of 'gaps' in compliance identified by reports from RAMIS. Implement new in-house Statutory Obligations Team to manage the undertaking of the statutory obligations surveys/work across the Council. Complete the mandatory Building Managers sessions to ensure that all Council building Duty Holders have a clear understanding of their statutory obligations compliance responsibilities (by end of Qtr 2) Continue with the conditions surveys of the non-domestic buildings (complete 18/19). <p>Landlord / Occupancy Agreement</p> <ul style="list-style-type: none"> Complete Landlord/Occupancy Agreement template and roll out Qtr2/3 18/19. 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 consulted with schools and unions, revised draft to be issued in Quarter 2 <p>Corporate Landlord Programme</p> <ul style="list-style-type: none"> Development and implementation of the new corporate management structure to deliver a corporate Landlord role and delivery programme. 	Neil Hanratty
<p>8. Air Quality</p> <p>Poor air quality is the most significant environmental determinant of health.</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>	A	1	High Priority	<p>Monitoring</p> <p>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>	B	1	High Priority	<ul style="list-style-type: none"> The ANPR survey has been completed and data analysed. Consultants for both Air Quality and Traffic Modelling have been procured. 	<p>Andrew Gregory (Gary Brown)</p> <p>Councillor</p>

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
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.	Cardiff currently falls short of the required limits and although improvements are being seen, non-compliance of the legal limits is projected beyond 2020. 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>Development of a Clean Air Strategy: A draft strategy has been developed which outlines the strategic measures required to address the air quality issues in Cardiff, summarised as follows: - 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, changing behaviours - Active Travel Improvements - increase Cycling and Walking - Public Transport Improvements - Buses, Metro, Trains, school travel plans, behaviours - 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.</p> <p>Cardiff's Transport & Clean Air Green Paper 'Changing how we move around a growing city' has also been developed and consulted on.</p> <p>WG Direction: Following the receipt of the Formal Direction from Welsh Government a Cabinet Report titled Air Quality – Welsh Government Direction was submitted and approved by Cabinet on 28th March 2018. 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>A number of Active Travel and Transport mitigations have already been implemented: - 20 mph zones in Cathays, Gabalfa, Canton and Riverside - Launch of bike hire scheme and installation of 250 Next Bikes in the city centre, with usage uptake extremely positive - Car free day to promote active and alternative travel - Active Travel improvement schemes at various locations, to enable and promote safe and sustainable travel to school etc. - A4119 Ph 2b Bus priority measures at Cathedral Rd - Pilot of segregated cycle lane at Maes y Coed Rd</p>				<p>- Work is ongoing to establish the baseline position for Cardiff utilising the ANPR data and transport model - projected for completion by end July 18.</p> <p>- Measures are being discussed and analysed to be utilised for air quality modelling and submission into the feasibility plan by the end of September 2018.</p> <p>- The outcomes of the Transport & Clean Air Green Paper consultation will be used alongside the feasibility study outcomes to inform the development of a White Paper on Transport and Clean Air, to be published in the autumn.</p> <p>- ongoing development and implementation of programme of active travel and transport improvements</p>	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>	<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"> Officers will continue to ensure the agreed commissioning arrangements are refreshed and delivered and impact positively on the performance of schools. A comprehensive review of the Local Authority annex is underway to ensure it is closely related with the priorities contained within the Education Directorate Delivery Plan 2018-2019. Local Authority officers and members of the Consortium have already identified the need to commission more comprehensive support for Governors and support for Federations. 	<p>Nick Batchelar (Angela Kent)</p> <p>Councillor Sarah Merry Deputy Leader & Education, Employment & Skills</p>

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
<p>10. 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>	<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. Potential for income losses from revenue collection impacts. Unable to meet delivery deadlines on both business as usual and transformation projects. 	A	2	High Priority	<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). 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. 	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 Chris Weaver Finance Modernisation and Performance</p>
<p>11. Safeguarding</p> <p>Systemic failure in the effectiveness of the Council's safeguarding arrangements together with other statutory safeguarding partners.</p>	<p>Reputation / Financial / Stakeholders / Service delivery / Legal / Partnership / Community</p> <ul style="list-style-type: none"> 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. Draft Annual Plan for Regional Adults / Childrens Safeguarding Board. WG convened training for authorised officers to undertake APSO Training. 	C	1	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> Awaiting on WG to convene training in relation to Adult Protection Orders for wider awareness for other staff. Review of Adult Protection Procedures is ongoing following a full Board meeting, held 5.6.18. Draft Annual Plan is with the Business Unit, in preparation for the Boards. 	<p>Claire Marchant & Davina Fiore</p> <p>Councillor Susan Elsmore Social Care, Health & Well-being</p> <p>Councillor Graham Hinchey Children & Families</p> <p>Councillor Chris Weaver Finance Modernisation and Performance</p>
<p>12. 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>	<p>Reputational / Financial / Legal / Service delivery / Stakeholder</p> <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 	A	1	High Priority	<p>2019/20 and Medium Term</p> <ul style="list-style-type: none"> The Council has a Financial Resilience Mechanism of £4m, which will be put into operation in the event of the Budget Settlement being 1% worse than expected. This mechanism avoids the need to identify additional directorate savings at short notice and allows time to be allocated for greater level of savings to be delivered. The final 2018/19 Budget was underpinned by Directorate Savings of £14.296m, Use of earmarked Reserves £2.35m and Council Tax at 5%. Robust Monitoring mechanism will consider Month 3 position in order to inform the first Cabinet report in September 2018. The MTFP set out in the 2018/19 Budget Report and now highlights an estimated Budget Reduction Requirement of £91.403m for the medium term (2019/20-2021/22) 2019/20 Budget Strategy considered at Cabinet on 5 July 2018. Potential budget proposals being developed by Directors and being shared informally with Cabinet for further consideration over the summer period. Close working with Policy team in respect of alignment with Corporate Plan and duties under Wellbeing of Future Generations Act. Budget Proposals supplemented by work in partnership with Chief Digital Officer and a roll out of focussed Service Reviews in order to identify savings. Further diligence in respect to the rating of risk of each saving proposal but the responsibility for detail and achievability remains with the 	B	2	High Priority	<p>2019/20 and Medium Term</p> <ul style="list-style-type: none"> Work continues to ensure a set of proposals come forward for 2019/20 and the medium term, which provides a level of assurance that the budget gap for the medium term can be risk managed and bridged. Continue the work that has commenced in respect to 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. Continue to maintain close 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 	<p>Christine Salter (Ian Allwood)</p> <p>Councillor Chris 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
	<p>medium / longer-term planning and that the cycle does not integrate with other business cycles and vice versa.</p> <ul style="list-style-type: none"> 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. 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. The risk of financial intervention and increasing adverse impacts on the community of Cardiff that rely on the services being delivered by the Council. 				<p>directorate.</p> <ul style="list-style-type: none"> The Council regularly reports in relation to its financial performance and monitoring. The Wales Audit Office identified that the Council has a transparent and effective savings approach which supports financial resilience being achieved. 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 (Feb 18), Budget Strategy (Jul) and to Audit Committee. 				<p>triggers against this snapshot continue to be developed and reviewed.</p> <ul style="list-style-type: none"> 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, CADP, Service Plans and Improvement Plans continue in order to further build on work already undertaken in the Budget Strategy Work Programme. 	
<p>13. 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. In the event of an emergency there is the availability of General Reserve should this be required. The final 2017/18 outturn showed a balanced position. However this included an overspend of £4.982m in relation to directorate budgets with shortfalls of £2.854m against 2017/18 savings targets and £2.195m against shortfalls carried forward from 2016/17. The Corporate Director of Resources, Chief Executive and Cabinet Members regularly hold challenge meetings and these will continue for 2018/19 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 the previous year budget proposals continue to be deemed as 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. 	<p>Christine Salter (Allan Evans)</p> <p>Councillor Chris Weaver Finance Modernisation and Performance</p>
<p>14. 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 	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. Engagement work being undertaken with SMT regarding Performance Management 	<p>Christine Salter (Joe Reay)</p> <p>Councillor Chris 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
					<p>Directorate Delivery Plan</p> <ul style="list-style-type: none"> 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 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>15. 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"> Corporate Health and Safety Team appointed and operational. Corporate and team objectives drafted and issued, risk based service area improvement plans being drafted with support. Health and Safety Support Service for schools to be in place for September 2018, recruitment currently in progress. Key areas of improvement for the Council include:- <ul style="list-style-type: none"> Asbestos Management Fire Safety Electrical Safety Gas Safety Legionella Control RAMIS implementation well underway, 200 Building Managers have received training and have access to the system, supported by a full time officer Administering RAMIS. RAMIS Status reported to SMT bi-monthly providing compliance statistics on Phase 1 of implementation – Cyclical statutory inspections for high risk disciplines. RAMIS4Schools further rolled out to schools providing 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, corporate objective for 18/19. 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 has moved at a pace following recruitment to the Corporate H&S Team. 	B	2	High Priority	<ul style="list-style-type: none"> Appointment and Training of Health and Safety Support Officers for Schools with a view of commencing the service from September 2018. A further 111 employees booked in for Building Managers sessions, which include access to RAMIS. Attendance is mandatory to anyone managing Council owned or leased premises. Training of Statutory Maintenance contractors to upload statutory reports and close down reactive tasks on RAMIS is required ASAP, delay in awarding/signing the contract has delayed this key action, resulting in an administration burden for H&S, FM and Housing. Fire Risk Assessments for schools and Corporate Buildings ingoing, information uploaded to RAMIS, so compliance reports can be generated. 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 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. HSE Inspection of Highways Lighting Maintenance and the Council's Electrical Safety Policy. Robust inspection undertaken observations provided by the HSE Specialist Inspectors, action plan drafted and provided to the HSE, following a review of procedures by NICEIC. Action plan to be supported and monitored by H&S. 	<p>Christine Salter (Donna Jones)</p> <p>Councillor Chris 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
<p>16. 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 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 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 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 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 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 	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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					<ul style="list-style-type: none"> 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><u>Sustainable Development Unit</u></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>17. 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 controls to avoid the flood and coastal erosion risk event occurring, however incident management arrangements are in place, which whilst not preventative, represent a level of control. The current ad hoc 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 match funding bid for 18/19 has been submitted & approved subject to WG grant award Formal application for funding and approval from WG 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	<p>Following the approval by Cabinet in March 2018 to progress the delivery of the Rover Way to Lamby Way coastal defence scheme, £638,549 grant has been received from Welsh Government (WG) to develop the Design and Full Business Case for the coastal defence scheme, with WG funding agreed in principal for construction phase, subject to approval of the business case.</p> <p>Next steps:</p> <p>Completion of scoping report for use in tender.</p> <p>Tender process for full business case for preferred option to be procured via the NPS framework.</p> <p>Progression of full business case - anticipated for completion end of 2019.</p>	<p>Andrew Gregory</p> <p>Councillor Michael Michael Clean Streets, Recycling and Environment</p>

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<p>18. Information Governance</p> <p>Information handled inappropriately leaves the Council exposed to intervention and financial penalties issued by the Information Commissioner (ICO). This includes information held by Cardiff Schools.</p>	<p>Reputational / Financial / Legal / Service delivery / Stakeholder</p> <ul style="list-style-type: none"> Leads to the Information Commissioner issuing notices of non-compliance These could consist of: <ul style="list-style-type: none"> a Stop Now Order which would mean that no personal data could be processed by the Council in its entirety An Information Notice which would mean that a service would have to provide information in a very limited period thereby impacting on service delivery Undertaking which requires an Action Plan of Remedial Measures which would be subject to ICO Audit Enforcement Notice requires immediate improvement action to be put in place Financial Penalty up to £500,000 (currently) The General Data Protection Regulation will come into force in May 2018 and puts in place a new Enforcement Regime and financial penalty structure. The maximum fine will be 4% of turnover or 20,000,000 euros 	A	1	High Priority	<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 and reported to Information Security Board, SIRO. ICO Consensual Audit determined that the Council is considered to have a 'reasonable level of assurance' in place Standard Contracts include a clause regarding 3rd Parties processing personal data and obligations in respect of Freedom of Information Processes established through procurement and ICT acquisition processes for ensuring Privacy Impact Assessments are completed if personal data is being processed, including Data Processing Agreement with third party contractors Privacy Impact Assessment Board established to ensure that the Council, when changing systems and processes where personal data is involved, considers relevant legislation. Advice provided to the National Adoption Service, and Service Level Agreements in place 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. 	C	1	Medium Priority (Red/Amber)	<ol style="list-style-type: none"> Completion of the GDPR Implementation Plan (6 months) Improve the IG Training compliance to meet the target of 100% (3 months) 	<p>Christine Salter (Vivienne Pearson)</p> <p>Councillor Chris Weaver Finance Modernisation and Performance</p>
<p>19. Increase in Demand (Childrens' Services)</p> <p>Failure to effectively manage demand resulting in increase in number of looked after children and the service and financial pressures this presents.</p>	<p>Reputational / Community / Legal / Financial / Stakeholders / Service delivery</p> <ul style="list-style-type: none"> Family breakdown leading to children becoming looked after Growth in the number of children entering the looked after system and associated costs for the Authority Insufficient placements to meet need Children are less likely to achieve their potential and to be fully participating citizens Life chances for children are reduced Delays in issuing care proceedings because of existing capacity in both Childrens' and Legal Services 	B	1	High Priority	<ul style="list-style-type: none"> Early Help Strategy Information, Advice and Assistance functions (including implementation of Dewis Cymru and Support 4 Families) Locality working Interface Protocol for Childrens' Services with Children's Team Around Family (TAF) AND Disability Team Around the Family (DTAF) agreed and implemented Families First/Team Around the Family Flying Start FISS Rapid Response Service Adolescent Resource Centre Legal tracker and Legal surgery Direct Payments Young Carers Action Plan 	C	1	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> Partnership arrangements for delivery of Child and Adolescent Mental Health Service (CAMHS) to be reviewed Refresh of Early Help Strategy by 12 months + Mobilisation of New Families First Services by Sept 18 Support for Families Project Board Embedding Improving Outcomes for Children Programme Programme Board and project groups beneath it. Recommissioning of Families First Services for disabled children and young people by 31.3.19 	<p>Claire Marchant</p> <p>Councillor Susan Elsmore Social Care, Health & Well-being</p> <p>Councillor Graham Hinchey Children & Families</p>
<p>20. Delivering Capital Ambition Programme</p> <p>Projects within the Programme fail to deliver the change required to</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. 	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 	C	2	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> Project briefs will continue to be developed during quarter 2. The current Organisational Development Programme will be closed down with programme closure reports being developed during Q1 18/19 and finalised in the early part of quarter 2. 	<p>Christine Salter (Dean Thomas)</p>

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
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.	<ul style="list-style-type: none"> 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. 				<ul style="list-style-type: none"> 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. All Programme Briefs have been signed off by SMT and the relevant programme boards. Project briefs have been developed for a number of projects within the CADP. 				<ul style="list-style-type: none"> Governance arrangements will be reviewed in quarter 3 of 18/19 to ensure the projects within the CADP are being managed effectively. Programme dashboards are being developed with performance leads to ensure we capture both performance and project data, that will then be reported into the relevant Programme Board and SMT. These dashboards should be available during quarter 2 of 18/19. 	Councillor Chris Weaver Finance Modernisation and Performance
<p>21. Legal Compliance</p> <p>Changes in services and staff roles across the Council resulting in:</p> <p>gaps in Council wide knowledge of the local authority framework of responsibilities and duties within which we have to operate;</p> <p>inability to deliver the services in accordance with all duties and responsibilities due to lack of resource:</p> <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>Potential Consequences</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 	Davina Fiore Councillor Huw Thomas Leader
<p>22. 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 exercised the statutory powers of intervention in three 	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 2018. A higher 	Nick Batchelar (Neil Hardee) Councillor Sarah Merry Deputy Leader & Education, Employment & Skills

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					<p>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.</p> <ul style="list-style-type: none"> School Budget Forum has agreed a revised protocol for responding to schools in deficit and this needs regular review with a tightening on the number of deficit budgets accepted. This has been reflected in the harder message contained within the 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 took place in April and early May. The Council will also introduce an increased level of scrutiny of school curriculum plans through support identified with the Central South Consortium. 				<p>response rate than in the previous year is expected and will feed into the discussion regarding the medium term financial plan.</p> <ul style="list-style-type: none"> To arrange workshop sessions in Autumn 2018 with all schools regarding the impact of the Council's MTFP. 	
<p>23. 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 have been reviewed, approved and training roll out is due to be completed by 31 August 2018.. 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. Ongoing delivery of briefings to Schools on fraud and control risks. Cardiff Manager Programme includes session on risk management and compliance / control. 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. 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. 	C	2	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> Communication plan set up in order to raise profile of Fraud awareness and ensuring that consequences of weak controls in place are fully understood across the organisation. This will include 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 as well as undertaking online investigations. Develop and deliver a programme of training for investigatory interview note takers. Fraud Team continue to a sample of Disciplinary Hearing outcomes, challenge consistency of disciplinary sanctions and report findings to the Section 151 Officer and Audit Committee. Review and use the management information produced by HR in respect to the new Disciplinary Policy and the production of management information, by the end of quarter 3 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 Chris Weaver Finance Modernisation and Performance</p>
<p>24. 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 	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 quarter 2, 2018/19 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. Complete Property Condition & Utilization Surveys. Develop a non-operational estate strategy by the end of quarter 4, 2018/19. 	<p>Neil Hanratty</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"> 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. 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>5. 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 communities to which services are delivered. 	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 Technical areas to inform the key skills required for the Directorate going forward. Work has taken place with Cardiff and Vale College to roll out an Essential Skills diagnostic tool to frontline employees through Commercial Services A programme of NVQ study is 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. Workforce planning toolkit presented to SMT in April 2018, and roll out across organisation commenced in first quarter. 	B	3	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> Renewed Workforce strategy for 2018-2021 due to be presented to Cabinet July 2018 Continued roll out of revised toolkit across the organisation during quarter 2 2018 The Council is reviewing its resourcing strategies to ensure that it is a considered employer for young people leaving school, college and universities. As part of the Workforce Strategy Cabinet report, recruitment advertising to be reviewed and processes put in place to ensure that adverts are reaching hard to reach groups Work is taking place to identify areas where the employee group is not representative of the communities and actions identified of what could be done to improve this Actions being taken to improve the accessibility to Welsh language either through the recruitment process or through the training and development of current employees Development to take place of a corporately agreed skills set for the future delivery of services so that all employees and posts can be measured against this skill set to identify learning and development gaps 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. 	<p>Christine Salter (Philip Lenz)</p> <p>Councillor Chris Weaver Finance Modernisation and Performance</p>



**CARDIFF COUNCIL
CYNGOR CAERDYDD**

AUDIT COMMITTEE:

18 SEPTEMBER 2018

**TREASURY PERFORMANCE REPORT – POSITION AT 31
AUGUST 2018**

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 9.1

Appendix 1 of this report is not for publication as it contains exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972.

Reason for this Report

1. The Audit Committee Terms of Reference sets out their responsibility for undertaking scrutiny of the accounting, audit and commercial issues in relation to the Council's Treasury Management Strategy and practices.
2. This report has been prepared to provide Audit Committee Members with performance information and a position statement on Treasury Management as at 31 August 2018.

Background

3. Appendix 1 provides the Committee with position statements on investments and borrowing at 31 August 2018.

Performance

4. At 31 August 2018, investments total £68.9 million. The estimated level of interest receivable from treasury investments is £460,000 including interest earned on behalf of other entities. This is compared to a budget of £275,000. The forecast is based on current levels of investments and cash flow forecasts, with the recent base rate increase in August 2018 potentially feeding through into future investment rates.
5. Borrowing is £689.6 million, with the average rate being 4.63%. The total interest forecast to be payable is £32.3 million compared to a budget of £32.4 million. The variance is due to deferral of the timing of additional external borrowing in 2018/19, assuming £20 million is to be undertaken. Deferring external borrowing and maximising internal borrowing results in short term revenue savings.
6. Based on the above forecasts, the projected level of internal borrowing at 31 March 2019 at Month 4 is £78 million.

Investments

7. Pages 2 and 3 of both Performance Reports consider the position on investments. The charts on the Performance Report show the position at a point in time and investments continue to be closely monitored.
8. The current investments list details each investment, the interest rate, the start date and maturity date. They also link this back to the credit criteria approved by Council in February 2018 by a colour coding which indicates the perceived strength of the organisation.
9. The balance of investments is at a point in time and will fluctuate depending on the timing of income and expenditure e.g. payments to suppliers, receipt of grants, capital receipts etc.
10. The charts that surround this table provide additional information and the key areas to highlight are shown below.
 - **Counterparty Exposure** displays actual investment against the maximum permitted directly with an organisation – This demonstrates that we are not exceeding any exposure limits.
 - **Remaining Maturity Profile of Investments.** Maturities of investments have been spread to achieve a balanced profile.
 - **Investments by Institution.** This expresses the investments held with different institutions as a percentage of the total. It can be seen that investments remain diversified over a number of organisations.
 - **Geographic Spread of Investments** as determined by the country of origin of relevant organisations. All countries are rated AA and above as per our approved criteria.
 - **Investments by Financial Sector.** The majority of investments are with banks.

Borrowing

11. Since the last report for May 2018, maturing borrowing of £3.3 million has been repaid. As set out in the Council's Treasury Management Strategy for 2018/19, considered by audit committee and approved by Council in February 2018, further external borrowing is required in 2018/19. On the assumption that £20 million of new borrowing is undertaken, that difference the difference between the closing Capital Finance Requirement and the level of external borrowing at 31 March 2019 is forecast to be £78 million. This will be reviewed further at Month 6 monitoring.
12. The timing and quantum of any new external borrowing will be considered in conjunction with the Council's treasury advisors, having regard to forecasts for interest rates and performance in delivering the capital programme. Updates would be provided in future reports to Committee.

Reason for Report

13. To provide Audit Committee Members with a performance position statement at 31 August 2018.

Legal Implications

14. No direct legal implications arise from this report.

Financial Implications

15. 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

16. That the Treasury Performance Report for 31 August 2018 be noted.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
05 September 2018

The following appendix is attached
Appendix 1 – Cardiff Council Treasury Management Performance Report – 31 August 2018

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

Document is Restricted

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TREASURY MANAGEMENT ANNUAL REPORT 2017/18**REPORT OF THE CORPORATE DIRECTOR RESOURCES**

AGENDA ITEM: 9.2

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

Reason for this Report

1. The Audit Committee Terms of Reference sets out their responsibility for undertaking scrutiny of the accounting, audit and commercial issues in relation to the Council's Treasury Management Strategy and practices.
2. This report has been prepared to provide Audit Committee Members with the Treasury Management Annual Report before submission to Council in September in accordance with the Council's Treasury Management Policy.

Background

3. Council requires the scrutiny of the accounting, audit and commercial issues of its Treasury Management Strategy and Practices to be undertaken by the Council's Audit Committee due to the technical nature of the documents. The report attached at Appendix 1 provides the Committee with the Treasury Management Annual Report for 2017/18. Audit Committee has already been appraised of the main contents of this report from previous Treasury Management and performance reports.

Issues

4. In accordance with regulatory requirements, reports were submitted to Council in February 2017 indicating the Treasury Management Strategy for 2017/18 and a mid year report in November 2017. The following paragraphs cover the main highlights of the annual report for 2017/18.
5. At 31 March 2018, investments stood at £59.1 million. The annual report includes charts indicating who the investments are placed with and for how long. All investments are deemed recoverable and so no losses are required to be recognised in the Council's Statement of Accounts for activities during 2017/18. Interest receivable from treasury investments totalled £0.4 million during the year.

6. At 31 March 2018, the Council had £693.3 million of external borrowing, with £25 million of new borrowing and £5.7 million of scheduled repayments during 2017/18. Interest payable during the year from its revenue budget on this debt was £31.8 million of which £11.8 million was paid for by the Housing Revenue Account.
7. The level of internal borrowing is £58 million at 31 March 2018. (£50 million at 31 March 2017). Lender Option Borrower Option Loan terms were not changed by the lender during the year, so these were not required to be repaid early, but remain a re-financing risk. Due to restrictive penalty costs, no debt rescheduling was undertaken during the year.
8. At the start of the financial year, the Council is required to set a number of prudential indicators for capital and revenue expenditure. During 2017/18, there was no breach of indicators requiring a separate report to Council. Local affordability indicators are also produced highlighting the percentage of the Council's budgets committed to capital financing costs.

Reason for Recommendations

9. To allow Audit Committee to undertake the scrutiny of Treasury Management in accordance with Council's Treasury Management Policies.

Legal Implications

10. No direct legal implications arise from this report.

Financial Implications

11. This report provides a summary of the Council's Treasury Management activities during 2017/18. The report is required to be submitted to Council to discharge its reporting duties under the Treasury Management Policy adopted by the Council. This requires a report on treasury management at the start of the year, a mid year report and an annual report at the end of the year. The report is to note the activities and position of the prior financial year but highlights the level of investments, borrowing, risks and revenue impact of treasury management decisions.

RECOMMENDATIONS

12. That the Treasury Management Annual Report for 2017/18 be noted.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
05 September 2018

The following appendix is attached:
Appendix 1 – Cardiff Council Treasury Management Annual Report 2017/18

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

Cardiff Council
Treasury Management Annual Report 2017/18



Introduction

1. Treasury management activities are the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
2. The Council carries out its treasury management activities in accordance with a code developed for public services and updated in 2017 by the Chartered Institute of Public Finance and Accountancy (CIPFA).
3. On 25th February 2010, Council approved policies and adopted the four clauses of the treasury management code which are replicated in **Annexe A** for information. Council received a report in February 2017 on the Council's Treasury Management Strategy for 2017/18 and a mid-year review in November 2017.
4. This report provides members with an annual report for the Council's Treasury Management activities for 2017/18. It covers:-
 - the economic background to treasury activities
 - treasury investment strategy and outturn for 2017/18
 - borrowing strategy and outturn for 2017/18
 - debt rescheduling
 - compliance with treasury limits and prudential indicators
 - treasury management issues for 2018/19
5. Council requires the scrutiny of the accounting, audit and commercial issues of its Treasury Management Strategy and practices to be undertaken by the Council's Audit Committee. A number of reports were submitted to the Committee to note and review during the year, with each committee receiving a report on the position and performance of treasury investments and borrowing. Member training has also been undertaken to support Members' scrutiny role.

Economic Background

Growth at the start of the year remained weak as a result of inflation caused by increases in the cost of imported goods feeding through into prices and consequently impacting on consumer disposable income. Market speculation about the timing of increases in UK base rate continued during the year given the series of increases in the United States. The Monetary Policy Committee (MPC) increased bank rate from 0.25% to 0.50% in November 2017 and the Bank of England ended the term funding scheme in February 2018 which had been a cheap source of funds to Banks.

The increase in base rate resulted in increases in investment deposit rates primarily for longer periods. The increase in base rate has also increased shorter term borrowing rates, however longer term rates, whilst volatile, ended the year where they started.

Investments and Outturn

6. The Council's treasury investments include those arising from its own temporary cash balances as well as balances held from activities of Joint Committees for which it is the accountable body.
7. The management of the day-to-day cash requirements of the Council is undertaken in-house with credit advice from Link Asset Services, the Council's Treasury Management advisors. This may involve temporary borrowing pending receipt of income/long-term funds or the temporary lending of surplus funds. These fluctuate daily and arise from a number of sources including differences in timing of revenue and capital cash flows, reserves, provisions and other balances held for future use.
8. The Council invests with institutions listed on the Council's approved lending list and in accordance with investment guidelines established by the Welsh Government as reflected in the Council's investment strategy. Lending to these institutions is subject to the time and size limits laid down on that list. The categories, names, periods and size limits on this list can be extended, varied or restricted at any time by the Section 151 Officer under delegated powers and are monitored closely in conjunction with the Council's treasury advisors.
9. From January 2018, the Council was required to comply with the Markets and Financial Instruments Directive II (MIFID II). Under these regulations, which govern the relationship between the Council and financial institutions we lend to and borrow from, the Council elected for 'professional' status. Whilst this increased administration, this had little impact on the Council.
10. An extract from the investment strategy approved by Council in February 2017 is shown below.

Given the likelihood of internal borrowing and the interest rate forecasts identified above, longer-term investments above one year will be unlikely. The Debt Management Agency Deposit Facility will be used only as a last resort.

11. At 31 March 2018, investments stood at £59.1 million, with a short term investment strategy employed for most of the year. The Council's choice of investments maintained an approach of security where the amount invested is that repayable. **Annexe B** shows with whom these investments were held.
12. A selection of performance indicators and benchmarking charts in relation to investments is included in **Annexe C**. The main areas to highlight at 31 March 2018 are as follows:-
 - Counterparty exposure against the maximum allowed directly with an organisation. This shows that at 31 March 2018 no exposure limits set were breached. This was also the case during the course of the year.
 - Investments held with different institutions as a percentage of the total shows that investments are diversified over a number of organisations and this was a strategy applied where possible during the course of the year.

- The geographic spread of investments as determined by the country of origin of relevant organisations. All investments are in sterling and countries are rated AA and above as per our approved criteria.

- Using historic data adjusted for current financial market conditions, the probability of any default is low at circa 0.01% of the investments outstanding, £5,905.
- All investments held at 31 March 2018 are deemed recoverable. Accordingly, no impairment losses are reflected in the Council's 2017/18 Statement of Accounts arising from the Council's treasury management activities.
- The overall level of interest receivable from treasury investments totalled £366,000 in 2017/18. The average returns achieved compared to industry benchmarks are shown in the table below.

	Return on Investment 2016/17		Return on Investment 2017/18	
	Benchmark 7day / 3month (%)	Achieved (%)	Benchmark 7day / 3month (%)	Achieved (%)
In-house	0.20/ 0.32	0.62	0.22/ 0.29	0.44

- The benchmarks are the average of the 7 day London Interbank Bid Rate (LIBID) and 3 month LIBID respectively. These represent the average rate during the course of the year for investments for those periods. Performance exceeded benchmarks, due to availability of notice accounts offering higher deposit rates and undertaking longer term deposits where appropriate.

Borrowing and Outturn

- Long term borrowing is undertaken to finance the Council's capital programme. The main sources of borrowing are currently the Public Works Loan Board (PWLB) and the Money Markets.
- At 31 March 2018, the Council had £693 million of external borrowing. This was predominantly fixed interest rate borrowing payable on maturity.

31 March 2017			31 March 2018	
£m	Rate (%)		£m	Rate (%)
617.2		Public Works Loan Board	631.8	
51.0		Market (Lender Option Borrower Option)	51.0	
3.0		Welsh Government	4.6	
2.8		Other	5.9	
674.0	4.74	Total External Debt	693.3	4.64

19. Total interest payable on external debt during 2017/18 was £31.8 million of which £11.8 million was payable by the Housing Revenue Account (HRA). In total £35.4 million was set aside from General Fund and HRA revenue budgets in line with the Councils approved policy on provision for debt repayment.
20. Extracts from the borrowing strategy approved by Council in February 2017 are shown below.

The Council will aim to manage its debt portfolio on a long-term basis with a high regard to the effects on current and future Council Tax and Rent Payers.

The Council's Borrowing Strategy for 2017/18 and the capital financing revenue budgets included in the MTFP will consider all options to meet the long-term aims of:

- *Promoting revenue cost stability to aid financial planning and avoid a stop-start approach to service delivery, although it is recognised that this may have a financial impact.*
- *Pooling borrowing and investments to ensure the whole Council shares the risks and rewards of treasury activities.*
- *Reduction over time in the average rate of interest on overall Council borrowing*
- *Ensuring any refinancing risk is manageable each financial year, using opportunities to re-profile borrowing where cost effective to do so both in the short and long term.*
- *Ensuring borrowing plans are aligned to known capital expenditure spending plans, the useful life of assets created, financial reserve levels and consistent with the prudent provision for the repayment of any such expenditure paid for by borrowing.*

External verses internal borrowing

Whilst interest rates for borrowing are greater than interest rates the Council receives for investments (the cost of carry), it makes financial sense to use any internal cash balances held in the short-term to pay for capital expenditure and minimise costs (Internal Borrowing), rather than undertake external borrowing. However, there is a risk that the Council may have to borrow at higher rates when it does actually need to borrow in future and so this position is kept under continuous review.

The forecast level of internal borrowing at 31 March 2018 in relation to the CFR is deemed manageable. However, based on the current forecasts of future capital expenditure plans and high level analysis of the sustainability of internal borrowing from the Council's balance sheet position for future years, external borrowing will be required to be undertaken in the medium term.

21. During 2017/18 borrowing of £25.0 million was undertaken. This comprised borrowing of £20 million from PWLB at an average rate of 2.38% and average maturity of 41 years,

also £5.0 million of interest free loans from Welsh Government and Salix for specific capital schemes. Together with the natural maturity of £5.7 million of primarily PWLB loans, the overall effect of new borrowing during the year was to reduce the average rate on the Council's borrowing to 4.64% at 31 March 2018.

22. As part of its loan portfolio, the Council has 6 Lender Option Borrower Option (LOBO) loans totalling £51 million. These are where the lender can request a change in the rate of interest payable by the Council on pre-determined dates. The Council at this point has the option to repay the loan. Apart from the option to increase rates these loans are comparable to PWLB and have no other complications such as variation in interest rates or complex terms.
23. Interest rates on the LOBO's held range between 3.81% and 4.35% which are not unreasonable and are below the Council's average rate of interest payable. Details of the loans are shown in the table below.
24. None of the LOBO's had to be repaid during 2017/18. £24 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. This is a manageable refinancing risk as LOBO's form a relatively low proportion of the Council's overall borrowing at 7.36%.

£m	Rate	Potential Repayment Date	Option Frequency	Full Term Maturity
6	4.28%	21/05/2018	6 months	21/11/2041
6	4.35%	21/05/2018	6 months	21/11/2041
6	4.06%	21/05/2018	6 months	23/05/2067
6	4.08%	01/09/2018	6 months	23/05/2067
22	3.81%	21/11/2020	5 years	23/11/2065
5	4.10%	15/01/2023	5 years	17/01/2078

25. In accordance with the strategy, the Council has been undertaking internal borrowing which is when it uses temporary cash balances it holds in the short term instead of undertaking external borrowing. This is confirmed by a comparison of the Council's external level of debt and Capital Financing Requirement at 31 March 2018 as shown later in this report.

Debt Rescheduling

26. No debt rescheduling or early repayment of debt was undertaken during 2017/18. The main obstacle remains the level of premium (penalty) that would be chargeable on early repayment by the PWLB. The premium payable on the balance of PWLB loans at 31 March 2018, which are eligible for early repayment (£421 million) is £345 million. This premium is payable primarily because:-

- Interest rates on loans of equivalent maturities compared to those held are currently lower

- A penalty rate or lower early repayment rate was introduced by HM Treasury in November 2007, which increased the cost of premiums and reduced flexibility of Local Authorities to make savings. This has been a significant thorn in the ability of local authorities to manage debt more effectively.

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

Compliance with treasury limits and prudential indicators

28. During the financial year the Council operated within the treasury limits and Prudential Indicators set out in the annual Treasury Management Strategy. The actual outturn for 2017/18 Prudential Indicators is shown in the following paragraphs and compared to the original estimates contained in the 2017/18 Budget Report. Future year's figures are taken from the Budget Report for 2018/19 and will be updated in the Budget Report for 2019/20.

Capital Expenditure

29. The "Prudential Code" requires the Council to estimate the capital expenditure that it plans to incur over the Medium Term. The actual capital expenditure incurred in 2017/18 and reported in the Outturn Report to Cabinet in July 2018 and estimates of capital expenditure for the current and future years as set out in the Budget Report of February 2018 are as follows:-

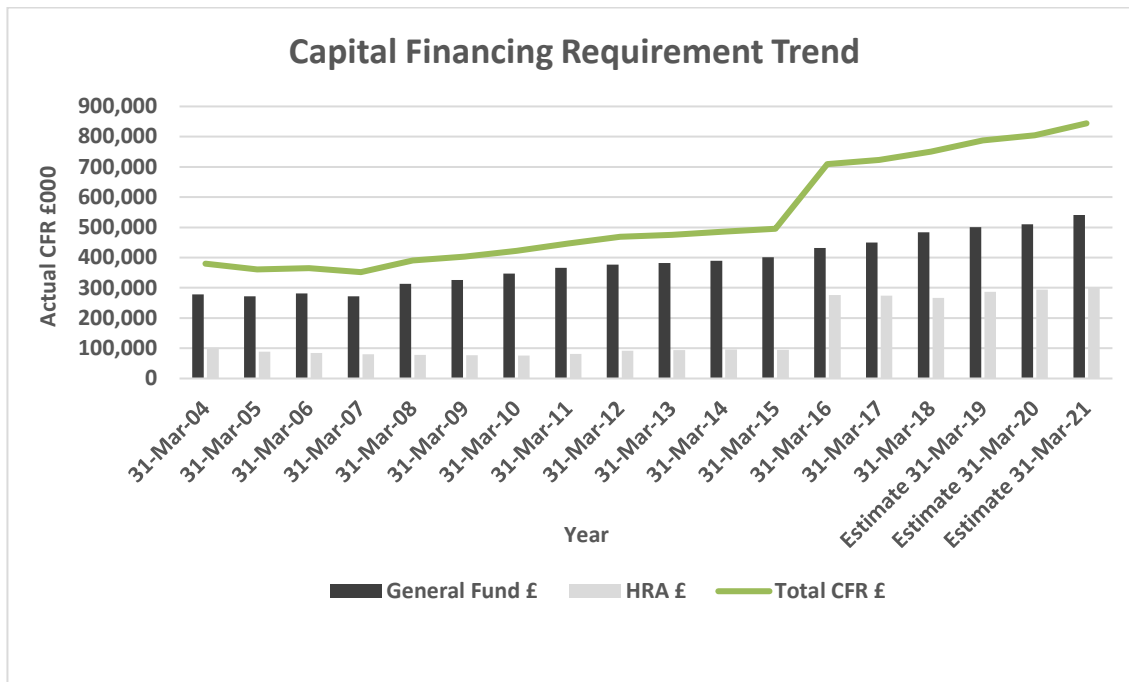
Capital Expenditure					
	2017/18 Actual	2017/18 Original Estimate	2018/19 Estimate Month 4	2019/20 Estimate	2020/21 Estimate
	£m	£m	£m	£m	£m
General Fund	113	113	106	96	131
HRA	25	30	43	30	39
Total	138	143	149	126	170

Capital Financing Requirement (CFR) – The Borrowing Requirement (Excluding Landfill Provision)

30. Where capital expenditure has been incurred without a resource to pay for it immediately e.g. via capital receipts, grants or other contributions, this will increase what is termed the Council's Capital Financing Requirement (CFR) or its need to undertake borrowing. The Council is required to make an annual prudent provision for the repayment of historic capital expenditure from its revenue budget and set at a level that considers previous and future borrowing commitments as well as the period over which the benefits of capital expenditure are expected. This reduces the CFR. Calculation of the CFR is summarised in the following table and results in the need to borrow money.

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

The historic trend in the CFR is shown below, with the increase in 2015/16 reflecting the Housing Revenue Account subsidy buyout as reported previously.



31. The CFR as at 01 April 2017 was £724 million. The actual CFR as at 31 March 2018, estimates for current and future years (estimated in the February 2018 budget) are shown in the table below and exclude non cash backed provisions in relation to Landfill after care provision:-

Capital Financing Requirement (Excludes landfill provision)					
	31.03.2018	31.03.2018	31.03.2019	31.03.2020	31.03.2021
	Actual	Original	Estimate	Estimate	Estimate
	£m	Estimate	£m	£m	£m
General Fund	484	476	500	510	541
HRA	267	282	287	294	303
Total CFR	751	758	787	804	844
External Debt	693				
Over / (Under) Borrowing	(58)				

32. By comparing the CFR at 31 March 2018 (£751 million) and the level of external debt at the same point in time (£693 million), it can be seen that the Council is temporarily using circa £58 million of internal cash balances to finance the Capital Programme at 31 March 2018 (£50 million at 31 March 2017).
33. As set out in the February 2018 Budget Report, the CFR is forecast to increase over the next three years due to additional borrowing for investment in existing assets, new housing, 21st century schools and invest to save schemes. Forecasts will be updated in the 2019/20 Budget Report.
34. The Housing Revenue Account CFR at 31 March 2018 is £267 million. As part of the Housing Finance Reform voluntary agreement with Welsh Government and HM Treasury in 2015/16, a debt cap of £316 million is in place.

Actual External Debt

35. The Code requires the Council to indicate its actual external debt at 31 March 2018 for information purposes. This was £693 million as shown in the earlier paragraphs.

Affordable Borrowing Limit

36. The Council has a statutory duty under section 3 of the Local Government Act 2003 and supporting regulations to determine and keep under review how much it can afford to borrow and to enter into credit arrangements (the "Affordable Borrowing Limit"). This cannot be breached without Council approval. Council must have regard to the Prudential Code when setting this limit which is intended to ensure that total capital investment remains within sustainable limits and that the impact upon future council tax/rent levels is affordable.
37. During 2017/18 the Council remained within the authorised limit of £776 million set for that year.

Operational Boundary

38. The operational boundary is the estimated level of external borrowing and is subject to the timing of borrowing decisions. The boundary was originally estimated at £758 million to match the forecast for the CFR when setting the 2017/18 budget. The actual level of external debt equalled £693 million reflecting the strategy to utilise internal borrowing in the short term.

Maturity Structure of Fixed Rate Borrowing

39. The maturity structure remains within the limits below approved as part of the 2017/18 strategy below. These limits are set to avoid having large amounts of debt maturing in a short space of time, thus being exposed to significant liquidity risk and interest rate risk.

	31-Mar-17		Upper limit %	31-Mar-18			
	%	£m		Loans to Maturity		Loans if LOBO's Paid Early	
				%	£m	%	£m
Under 12 months	0.9	6.0	10	0.7	4.5	4.1	28.5
12 months and within 24 months	0.6	4.0	10	0.5	3.3	0.5	3.3
24 months and within 5 years	1.5	9.9	15	1.9	12.9	5.8	39.9
5 years and within 10 years	3.6	24.2	20	5.1	35.4	5.1	35.4
10 years and within 20 years	22.6	152.2	30	22.4	155.5	22.4	155.5
20 years and within 30 years	24.5	165.0	35	23.9	166.0	22.2	154.0
30 years and within 40 years	30.9	208.7	35	30.4	210.7	30.4	210.7
40 years and within 50 years	12.9	87.0	35	14.4	100.0	9.5	66.0
50 years and within 60 years	1.8	12.0	15	0.7	5.0	0.0	0.0
60 years and within 70 years	0.7	5.0	5	0.0	0.0	0.0	0.0

40. The maturity profile of the Council's borrowing as at 31 March 2018 is also shown in a chart in **Annexe D**. Unless the Council's LOBO loans are repaid early, very little debt matures within the next 10 years. In the medium to long term, efforts will be made to restructure loans maturing in 2056/57 and to review LOBO maturities in order to reduce refinancing risk. Benchmarking undertaken during the year has demonstrated that the Council's maturity profile is not inconsistent with other local authorities where information is available.

Ratio of financing costs to net revenue stream

41. This indicator identifies the percentage of the net revenue stream that is subsumed each year in servicing debt. Financing costs include, interest payable on borrowing and receivable on treasury investments, prudent revenue budget provision for repayment of capital expenditure paid for by borrowing and re-imburement of borrowing costs from directorates in respect of Invest to Save schemes.
42. For the General Fund, net revenue stream is the sum of non-specific WG Grants and Council Tax, whilst for the HRA it is the amount to be met from rent payers.

Ratio of financing costs to Net Revenue Stream					
	2017/18 Original Estimate %	2017/18 Actual %	2018/19 Estimate %	2019/20 Estimate %	2020/21 Estimate %
General Fund – Net Capital Financing Budget	5.77	5.84	5.76	5.79	5.81
General Fund – Gross Capital Financing Budget	n/a	7.47	7.53	7.69	7.95
HRA	30.53	32.63	31.53	33.58	33.10

43. Whilst the net indicator is required by the Prudential Code, it has a number of limitations:
- it does not take into account the fact that some of the Council's budget is outside of its direct control
 - it is impacted by transfers in and out of the settlement.
 - it includes investment income which is unpredictable, particularly in future years.
 - it does not reflect gross capital financing costs for schemes where additional borrowing is undertaken to be repaid from within directorate budgets. From 2018/19, this has been addressed by calculating a gross ratio. Comparators will then be available for future years.
44. Although there may be short term implications, invest to save schemes are intended to be net neutral on the capital financing budget. However there are risks that the level of income, savings or capital receipts anticipated from such schemes will not materialise and would have a detrimental long term consequence on the Revenue budget. This requires careful monitoring when considering future levels of additional borrowing.
45. Accordingly an additional local indicator is calculated for the general fund to support decision making and is shown in the table below for the period up to 2022/23. These indicators, which will be updated in the budget proposals report for 2019/20, show capital financing costs of the Council as a percentage of its controllable budget and excludes treasury investment income on temporary cash balances:-

Capital Financing Costs as percentage of Controllable Budget									
	2011/12	2017/18	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Difference
	Actual	Original Estimate	Actual	Estimate	Estimate	Estimate	Estimate	Estimate	11/12-22/23
	%	%	%	%	%	%	%	%	%
Net	13.47	14.77	14.59	13.87	14.49	15.11	16.46	16.65	23.61
Gross	15.17	19.44	18.60	18.07	19.21	20.56	23.38	24.62	62.29

46. An increasing percentage indicates that a greater proportion of the controllable budget is required for capital financing costs which are committed in the long term. The requirement to meet these additional costs can only come from future savings or from increases in Council Tax. This clearly limits the scope for additional borrowing in future years and reduces the Council's overall flexibility when making decisions on the allocation of revenue resources. The percentages take into account the significant level of savings having to be found in 2018/19 and over the medium term. Careful monitoring of these indicators will be required over the life of the Capital Programme and the Medium Term Financial Plan.

Principal Invested for over 364 days

47. An upper limit for principal invested over 364 days was set at £60 million and this was not breached during the year, primarily due to the strategy adopted of minimising the period for which investments were made during 2017/18.

Treasury Management issues for 2018/19

48. Whilst this report is primarily backward looking in relation to Treasury Activities for 2017/18, some key issues for 2018/19 are :-

- The timing of external borrowing
- Implementing CIPFA Treasury Management Code updates into the Treasury Management Strategy and Policy for 2019/20.

The code was updated primarily as a result of increasing commercialisation activities undertaken by local authorities e.g. investment in property, shares, loans specifically for the purpose of generating a financial surplus. The Code therefore broadens the definition of investments to include treasury as well as non treasury investments and requires that all investments have an appropriate risk management framework. This includes making it explicit in any decision making:-

- the powers under which investment is made
- the governance process including arrangements in place to ensure appropriate due diligence to support decision making
- the extent to which capital invested is placed at risk
- the impact of potential losses on financial sustainability
- the methodology and criteria for assessing performance and monitoring process
- how knowledge and skills in managing such investments is arranged and that these are monitored, reported and highlighted explicitly in the decision making process and due diligence.

49. In accordance with the Council's Treasury Management Policy, Council will receive a further update on Treasury Management issues as part of the 2018/19 Mid-Year Treasury Management report in November 2018.

Christine Salter

Corporate Director Resources

05 September 2018

The following Annexes are attached:-

Annexe A – Treasury Management Policy and Four Clauses of Treasury Management

*Annexe B – Investments at 31 March 2018

*Annexe C – Investment charts at 31 March 2018

Annexe D – Maturity analysis of debt as at 31 March 2018

***Annexes B & C 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**

Annexe A – Treasury Management Policy and Four Clauses of Treasury Management adopted by Council 25/02/2010

Council's treasury management Policy / Activities

1. This Council defines its treasury management activities as: the management of its investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
2. This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications.
3. This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

Four Clauses of Treasury Management

4. In compliance with the First Clause, this Council will create and maintain, as the cornerstones for effective treasury management:-
 - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
 - Suitable Treasury Management Practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities
5. In compliance with the Second Clause, this Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy in advance of the year, a mid-year review and an annual report after the year's close, in the form prescribed in its TMPs.
6. In compliance with the Third Clause, this Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Executive, and for the execution and administration of treasury management decisions to the Corporate Director Resources in accordance with existing delegations, who will act in accordance with the Policy Statement, TMPs and CIPFA's Standard of Professional Practice on Treasury Management.
7. In compliance with the Fourth Clause, this Council requires the scrutiny of the accounting, audit and commercial issues of its Treasury Management Strategy and Practices to be undertaken by the Council's Audit Panel due to the technical nature of the documents.

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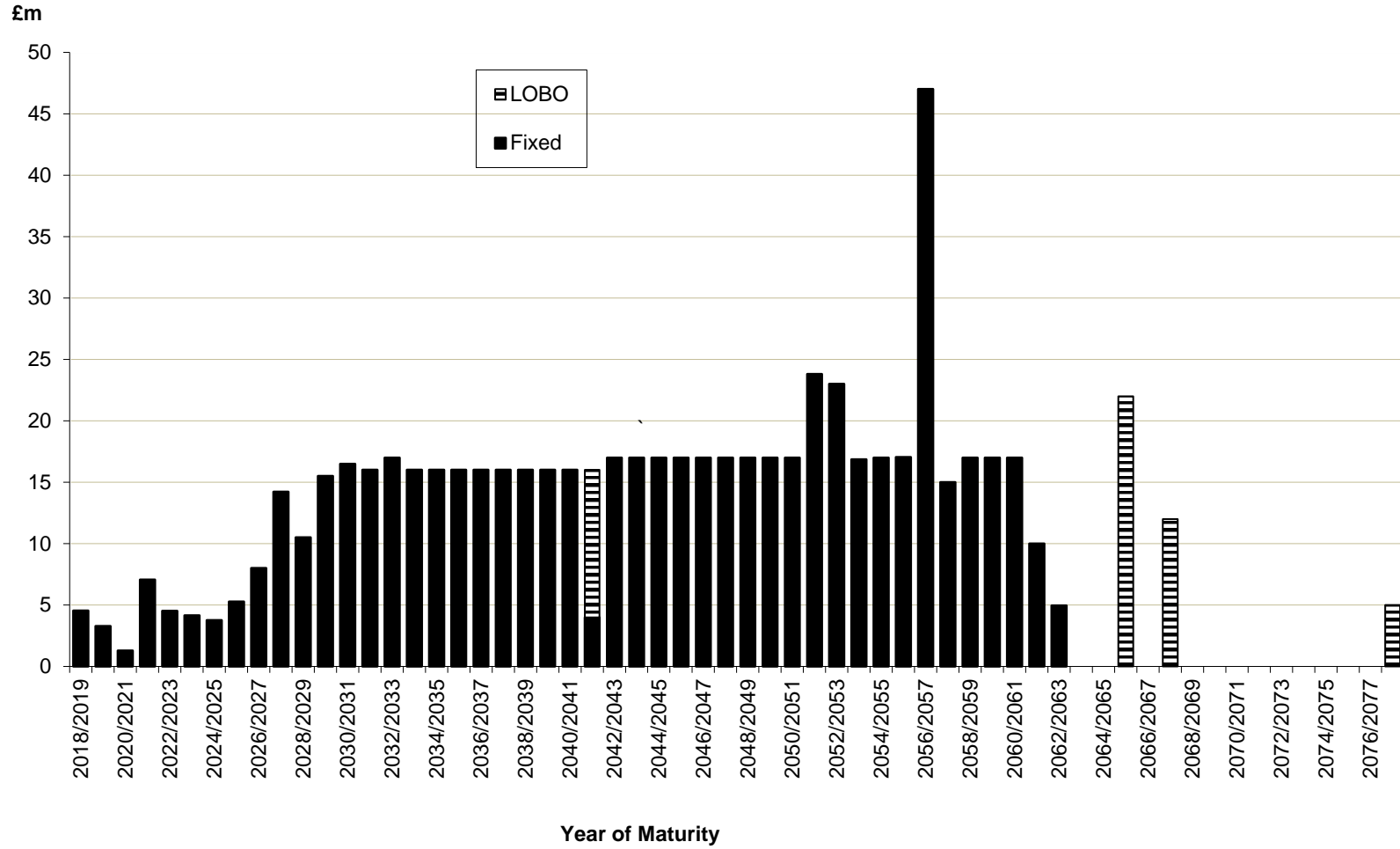
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By virtue of paragraph(s) 14, 21 of Part(s) 4 and 5 of Schedule 12A of the Local Government Act 1972.

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Annexe D – Maturity Profile of Debt at 31 March 2018



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AUDIT COMMITTEE: 18 September 2018

INTERNAL AUDIT PROGRESS REPORT, 2018-19

REPORT OF THE HEAD OF FINANCE

AGENDA ITEM: 10.1

Appendices C, D and E of the 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 Terms of Reference requires that Members consider reports from the Audit Manager on Internal Audit's performance during the year.
2. This report has been prepared to provide Audit Committee Members with an update on the work of Internal Audit as at August 2018 for the current financial year.

Background

3. An Audit Plan is prepared each year in order to provide a measure of the work performed by Internal Audit function. It is important that the plan allows for flexibility so that professional judgement is applied to enable work to be prioritised over the life of the Plan, in order to maximise the use of audit resources and add most value to the organisation in targeting changing risks.
4. The Head of Finance prepares quarterly and half-yearly progress reports, outlining the work undertaken by the audit teams.
5. In line with the provisions of the Public Sector Internal Audit Standards (1100), organisational independence is maintained as the Head of Finance reports functionally to the Audit Committee for all audit-related matters. The Head of Finance reports administratively and otherwise professionally to the Corporate Director Resources.
6. A progress report is prepared which provides a meaningful update on the work of the team and gives an opportunity to consider the changing environment and potentially refocussing on priorities. Prior to presentation to Audit Committee, the progress report is discussed with the Corporate Director Resources.

Issues

7. Over the last two years, the Internal Audit function has been without a direct Audit Manager with the Head of Finance providing the appropriate level of managerial and strategic leadership. Whilst the role had been advertised for recruitment on two previous occasions, the Council was unable to appoint. In reviewing the strategic needs of the Finance function over the medium term a decision was made to recruit for

an Audit Manager. This recruitment process was successful in getting suitable candidates to apply and interviews took place on 10 September 2018. An update will be given to the Audit Committee at the meeting of the decision of the recruitment panel.

8. The accompanying Internal Audit Progress Update (Annex 1) sets out for the period to end of August 2018 the performance of the Internal Audit section in achieving the Internal Audit Plan. The progress update summarises the work performed, revisions to the Audit Plan and provides a summary of the report findings and recommendations made across the Council functions in order to provide the Audit Committee with the assurance that appropriate internal controls are covered. The following paragraphs outline the key messages from the progress update.
9. Forty three reports have been issued for the period covered, twelve of which have been audits in respect to statements of accounts or grants. Of the 31 audit reports issued with an opinion, 72% have been rated as either effective or effective with opportunity for improvement.
10. The Audit Plan has been reviewed and there are a few changes to the plan approved by the Audit Committee in March 2018. One such area is that the approach taken to managing assets by each directorate will be subjected to an audit review in Q4. In addition, there has been an increase in the sample of schools considering catering procedures as a result of conversations with the Director of Education. The progress update also indicates that a thematic review of partnerships and collaborative governance across all directorates will be reported to the Committee in November 2018.
11. The accompanying appendices C and D detail the position in respect to the significant recommendations issued over the period being reported. A hundred and twenty nine Red and Red / Amber recommendations have been completed by the action date with a further 52 Red and Red /amber recommendations that have yet been completed by the action date (some of which have not yet become due). The summary information indicates that priority is being given to Red and Red / Amber recommendations over the Amber / Green and Green recommendations with a greater proportion of Amber / Green and Green recommendations yet to be implemented.
12. Appendix E highlights those red and red / amber recommendations that have had revised dates. Within the detail of the Appendix E, the 34 Red and Red / Amber recommendations that remain open are identified. Some revised dates have passed without action being updated with those establishments being contacted for an update. Whilst this reflects 34 recommendations, it is positive that only two red recommendations remain outstanding having had a revised action date. Work continues at pace with directorates through relationship management meetings and other informal means to encourage prompt implementation of recommendations and this will continue to be reported to audit committee.
13. The report also highlights in Appendix F and G the level of progress being achieved against the PSIAS Action plan where all actions have now been completed and a self-assessment undertaken earlier in the year by the Internal Audit management team. The Audit Committee will be kept aware of progress against the self-assessment through future reports.

14. Investing in the Internal Audit team continues to be a priority with four auditors supported in their pursuit of the IIA (Institute of Internal Auditor) qualification. This investment will provide a solid spine to the Internal Audit function going forward where currently the Internal Audit team has no one IIA qualified.

Legal Implications

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

Financial Implications

16. There are no direct financial implications arising from this report. Whilst funding for the Audit Manager post has been used temporarily to fund additional audit resources the call on that budget has now stopped. Therefore, there are no budget implications arising from the audit manager post being filled.

RECOMMENDATIONS

17. That the Committee notes the contents of the report and approves the proposed changes to the audit plan for 2018/19.

IAN ALLWOOD
HEAD OF FINANCE
18 September 2018

The following are attached:

- Annex 1:** Internal Audit Progress Report, 2018-19
- Appendix B:** Audit Plan as at August 2018
- Appendix C:** Red & red / amber recommendations not yet complete
- Appendix D:** Red & red / amber recommendations completed since last meeting
- Appendix E:** Red & red / amber recommendations with revised action dates
- Appendix F:** PSIAS action plan (updated)
- Appendix G:** Self-assessment (2018/19) action plan

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RESOURCES DIRECTORATE INTERNAL AUDIT SECTION

Internal Audit Progress Report (as at August 2018)

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Appendix F – PSIAS action plan (updated)	
Appendix G – Self assessment (2018/19) action plan	

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 August 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 have been discussed and agreed with the members of the team; any training and development objectives identified by the team have been taken into account when identifying suitable training courses for the team in the next six months.

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 are allocated three months' work at the end of the previous quarter with an expectation their assignments will be effectively managed and delivered within that time scale. This approach focuses on outcomes and is improving performance and timeliness of reporting.

Key information this quarter is shown in **Appendix A**, which shows a list of audits reported for the period April until the end of August 2018 (time of writing this report). This includes assignments carried forward from 2017/18 which were prioritised accordingly in this year's plan.

The opinions given in reports issued to the end of August 2018 are shown below.

	Number of reports	Opinion			Other work undertaken	
		Effective	Effective with opportunity for improvement	Insufficient with major improvement needed		Unsatisfactory
Draft reports issued	6	0	2	2	0	2
Final reports issued	37	6	16	4	1	10
TOTAL	43	6	18	6	1	12

Further to the table above, the other pieces of assurance work undertaken 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
Welsh Local Government Association	Advice and guidance
Creditor Payments and Processes CRSA	CRSA for 2018/19
Flying Start	Audit of Flying Start processes and procedures
City Deal (CCRCD)	Audit of CCRCD for 2017/18 as part of agreed SLA
Asset Management	Draft report being discussed with management
Cardiff Further Education Trust Fund	Audit of accounts

There has also been one consultation assignment – provision of training to Rent Smart Wales – the cost of which will be recovered directly from the service.

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 annual plan has been reviewed and, following discussion with Directors, some changes have been made to the plan to allocate days that had previously been recorded as “unallocated”. The proposed changes are set out in the table below and expanded on in the following paragraphs:

Audit	Original plan days	Revised plan days	Days taken from / given to
Asset management – Planning, Transport & Environment	0	10	PTE unallocated
Asset management – Housing & Communities	0	10	H&C unallocated
Asset management - Economic Development	0	10	Contract audit
Asset management – Social Services	0	10	SS unallocated
Contract audit (unallocated)	30	20	Economic Development
Income procedures in schools – Education	10	20	Education – work in individual schools

Following on from the fundamental audit of asset management within the Council, it is felt that additional reviews should be undertaken in directorates on asset management procedures. This

additional work will be within directorates that have a large number of assets. In most directorates, this work will be accommodated from the days that remained to be allocated to individual assignments; however, within Economic Development, this work will be undertaken using days reallocated from contract audit. There is no change proposed to the audits within Education for asset management as the original plan includes work on schools' estate and use of contractors in schools.

The audit of catering procedures in Education has identified areas for further work, and Internal Audit has been asked by the Director of Education to expand the number of schools visited as part of the sample. This work will be accommodated within the number of days already allocated to that directorate by reducing the number of audit days for work in individual schools.

There will be a reduction in the number of days allocated to Social Services, but these days will be reallocated to further work in creditor payments and processing, including various elements within the Council's P2P project.

The revised plan is set out in **Appendix B**, along with a position statement for audits up to the end of August 2018.

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.

The thematic reviews of partnerships and collaborative governance have been undertaken using a common terms of reference across directorates, albeit with slight amendments where necessary. The reports are being finalised and the key points arising from the reviews will be reported to Audit Committee in November.

The partnerships being reviewed in the audits of partnerships and collaborative governance show that they are well formed. However, the common recommendation arising from the reviews refers to the lack of a Council-wide partnership framework / guidance, to include a clear definition of a "partnership". A framework would standardise the Council's approach to partnership working in order to strengthen accountability, manage risks and rationalise working arrangements.

Work is currently ongoing on the budgeting and forecasting thematic reviews, and these also use a common terms of reference.

The audit of Business Continuity processes in the Council has been issued in draft to management. It has been given an assurance opinion of *effective with opportunity for improvement*, and the key recommendations concern the need to keep all red activity business continuity plans up to date and fit for purpose, and effectively managing any non-compliance with the Council's Business Continuity Policy.

The audit of corporate governance is nearing completion, with the anticipated assurance level being *effective*. Three green / best practice recommendations and one amber / green recommendation will be raised.

2.4 Resources and training received

There have been 1,040 days coded on timesheets to 24th August, against a pro-rata plan of 1,058 days. Of this, 682 days have been chargeable to audits and 20 related to non-audit duties (including Trades Union duties). The temporary contract for the Principal Auditor came to an end on 31st July 2018.

One of the auditors attended a Cyber Security course run by CIPFA, and then disseminated the learning points from the course to the remaining members of the section at two seminars (which were also attended by the Council's ICT Security & Compliance Manager, who provided practical examples). The seminars were well received and encouraged discussion amongst the team on the key risks relating to ICT security in general. Members may be aware that the Council's Chief Digital Officer will be attending the meeting of the Audit Committee in November 2018, and auditors will work closely with officers in her team to further develop skills for use in future audits.

The Council's Post Entry Training scheme is in place for the 2018/19 academic year, and the four members of the team undertaking the IIA qualification have been given further support for their studies. One member of the team is currently studying for Certified Internal Auditor (CIA) Part 3, one for CIA Part 2 and the other two auditors are working toward CIA Part 1.

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.

The Chief Audit Executive also attended a strategic briefing for Chairs of Governing Bodies at the end of June 2018 to discuss the main themes identified during the thematic reviews of schools during 2017/18. Emphasis was placed on the need to have up to date policies and procedures and to have an adequate division of duties; although few questions were raised at the briefing, Chairs of Governors have since been in contact with Internal Audit to seek further clarification and advice.

Audit has issued 32 client questionnaires to August 2018 and has received 23 responses (a response rate of 72%). One question asked of clients is whether they considered that the audit work added value to their service; 18 out of the 23 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, there have been a total of 598 recommendations made to audit clients. These are summarised in the table below, where it can be seen that 254 (43%) have been implemented by the proposed action date and 139 (23%) had not been completed by the proposed action date. The remaining recommendations (34%) have not yet reached their action date.

Appendix C shows the red and red / amber recommendations that are not yet complete (including those that have not yet reached their proposed action date).

Appendix D shows the red and red / amber recommendations that have been completed since the last Audit Committee in June 2018.

Directorate	Recommendations completed by action date				Recommendations not completed by action date				TOTAL NUMBER OF RECOMMENDATIONS RAISED
	Red	Red / Amber	Amber / Green or Green	TOTAL	Red	Red / Amber	Amber / Green or Green	TOTAL	
Economic Development	2	3	8	13			2	2	15
Education and Lifelong Learning	4	8	8	20	5	5	7	17	70
External and grants		1	2	3			1	1	13
Fundamental			3	3					5
Governance and Legal Services		1	3	4					9
Housing and Communities		4	16	20		1	2	4	42
Other assurance	1	4	10	15		1	1	2	27
Planning, Transport and Environment	1	2	2	5	2	1	2	5	34
Resources		3	7	10		2	7	9	32
Social Services		3	10	13	1	5	8	14	39
	8	29	69	106	8	15	31	54	286
Schools	4	89	57	150		28	55	83	312
	12	118	126	256	8	43	86	137	598

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 and the outputs in respect of the Welsh Chief Auditors Group were reported to the meeting of the Audit Committee in June 2018. No output has yet been received from the Core Cities benchmarking group.

The Internal Audit team also has key performance measures as part of the Resources directorate. These are reported on a quarterly basis to Resources management team. The Council's performance targets for 2018/19 audit work and the actual outcome at the end of Q1 are as in the table below (the percentage of the audit plan completed being a new performance indicator for 2018/19):

Performance Indicator	2017/18 Outcome	2018/19 Target	Actual as at end of Q1
The percentage of audit reports delivered within six weeks	74.6%	78.0%	80%
The average number of audit productive days per employee	143.43	170.00	37.90
The average number of final audit reports produced per FTE (excluding schools' thematic reviews)	6.52	10.00	3.19
The percentage of audit recommendations implemented within the agreed timescale	86%	90%	76.92%
The percentage of the audit plan completed	75%	80%	19.20%

The average number of audit productive days per auditor is estimated to be around 50, but the actual at the end of Q1 was 37.9. This is due to a higher than anticipated number of annual leave days being taken in Q1 and some time for non-audit duties, but this is anticipated to improve later in the year.

The average number of reports issued is 3.19 against a 2018/19 target of 10. This reflects the finalisation of work from 2017/18 and the work started in the thematic reviews which are more detailed and have greater time allocations. The average at the time of preparing this report is 4.5, and this figure will increase throughout the year as more reports are issued.

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. Each of the performance indicators shown in the table above (for the team as a whole) are given to individual auditors at the end of the quarter, along with the auditor's individual outcomes. These form part of the discussion with the auditors at the monthly meetings to discuss progress on assignments.

A new way of collecting information on recommendations implemented by clients has been developed and was fully in place from July 2018 for all audit reports issued in 2018/19. Whereas previously, the audit team had to contact each client individually regarding the progress of implementing recommendations (which became very time-consuming and took auditors away

from current audits), SharePoint has been developed with the help of the Council’s SharePoint team to issue automatic reminders for management updates and supply of evidence to support the closure of red and red / amber recommendations.

In addition, it is now possible to more easily identify recommendations where a revised action date has been added; this makes it easier to question managers on how risks are being managed until the recommended actions are fully implemented. The table below shows, by directorate, where revised dates have been added to SharePoint (as at 28.08.18):

Directorate	Number of recommendations with revised dates	Actions now implemented	Actions still open
City Operations	4	2	2
Communities, Housing & Customer Services	1		1
Economic Development	1	1	
Education and Lifelong Learning	31	17	14
Fundamental	1	1	
Other assurance	8	5	3
Resources	4		4
Social Services	22	9	13
	72	35	37
Schools	92	74	18
TOTAL	164	109	55

The below table provides a breakdown of the RAG ratings of recommendations. **Appendix E** provides more detail on the red and red / amber recommendations with revised action dates, and detail of the amber / green and green recommendations is provided to Audit Committee via a separate route.

Directorate	Actions still open
City Operations	2
Communities, Housing & Customer Services	1
Economic Development	
Education and Lifelong Learning	14
Fundamental	
Other assurance	3
Resources	4
Social Services	13
	37
Schools	18
TOTAL	55

Red	Red / amber	Amber / green or green
	1	1
		1
1	5	8
	1	2
	1	3
1	5	7
2	13	22
	14	4
2	27	26

There are two red recommendations that have not yet been fully actioned – one in Education and Lifelong Learning relating to the School Organisation Programme audit, and one in Social Services relating to the Payment to Care Leavers follow up review.

3.4 Self assessment

Audit Committee will be aware that the recent peer review by the Chief Audit Executive of Rhondda Cynon Taf CBC showed no significant deviations from the PSIAS. The management updates have been added to the action plan arising from the review, and Audit Committee will note that all actions have now been closed. The updated action plan can be seen in **Appendix F**.

The Wales Audit Office has taken assurance from this in its assessment of the Internal Audit team as part of the review of the Council's financial systems for the 2017/18 audit. However, the Quality Assurance and Improvement Programme in the Audit Charter specifies that a self-assessment be undertaken annually to ensure conformance with the Code of Ethics and the Standards. The self assessment has been undertaken in Q2 and the action plan arising from the assessment is attached as **Appendix G**.

4. CONCLUSION

4.1 The changes made to SharePoint in recent months have more clearly identified the number of recommendations which have not been implemented by the agreed action dates. The Audit team will work closely with managers to emphasise the need to set realistic action dates for each recommendation. The automatic reminder workflow for managers to update recommendations is

now in effect; it has greatly reduced the time that auditors have had to spend chasing responses, but has had an effect on the updates provided on recommendations. It is hoped that this is a short term effect and, as managers become more used to the SharePoint process, updates will be provided in a timely manner.

Reports Issued in Quarter 2 (as at August 2018)

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
<i>Fundamental / High</i>				
Social Services – governance	Effective			
Social Services – effective decision making	Effective			
Resources – governance	Effective			
Governance & Legal Services – governance	Effective			
Audit of Risk Management	Effective			
City Operations – effective decision making	Effective			
Communities – effective decision making	Effective			
Education – governance (Criegiau)	Effective			
Education – governance (St. Illtyd's)	Effective			
Education – governance (Coed Glas)	Effective			
Education – governance (Hywel Dda)	Effective			Draft report issued
Education – governance (Ysgol Coed y Gof)	Effective			Draft report issued
Economic Development – governance	Effective with opportunity for improvement			
Economic Development – commissioning and procurement	Effective with opportunity for improvement			
Resources – commissioning and procurement	Effective with opportunity for improvement			
Social Services – commissioning and procurement	Effective with opportunity for improvement			
G&LS – partnerships and collaborative governance	Effective with opportunity for improvement			
City Operations – commissioning and procurement	Effective with opportunity for improvement			
Education – governance (Birchgrove)	Effective with opportunity for improvement			

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
Education – governance (Cardiff)	Effective with opportunity for improvement			
Education – governance (Radyr)	Effective with opportunity for improvement			
Education – governance (Danescourt)	Effective with opportunity for improvement			
Education – governance (Holy Family)	Effective with opportunity for improvement			
Economic Development – effective decision making	Effective with opportunity for improvement			
Communities – commissioning and procurement	Effective with opportunity for improvement			
Education – governance (Peter Lea)	Effective with opportunity for improvement			Draft report issued
Education – governance (St. Fagan’s)	Effective with opportunity for improvement			Draft report issued
Fleet Management Information Technology (FMIT)	Insufficient with major improvement needed	2	2	
School Organisation Access and Planning	Insufficient with major improvement needed	3	3	
Medium				
Education – commissioning and procurement (Cantonian)	Effective			
Education – commissioning and procurement (Tongwynlais Primary)	Effective with opportunity for improvement			
Cradle to Grave – Gulliver’s	Effective with opportunity for improvement			
Communities First	Effective with opportunity for improvement			Draft report issued
Music Service	Unsatisfactory	5	5	
Grants / Accounts / External Bodies				
Joint Committee – Glamorgan Archives	Audits undertaken to support the Council’s Statement of Accounts			

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
Joint Committee – Prosiect Gwyrdd				
Joint Committee – Port Health				
Norwegian Church Preservation Trust 2015 - 2017	No assurance opinion given	4	4	
Welsh Local Government Association		Final report issued		
Flying Start		Final report issued		
City Deal		Final report issued		
Rent Smart Wales		Consultation assignment – provision of training		
<i>Other assignments</i>				
Review of banking arrangements – Shirenewton	No assurance opinion given			Briefing paper
Education – summary of thematic audits	No assurance opinion given			Draft report issued

Audit Plan (as at 31.08.18)

See separate sheet

Red & red / amber recommendations not yet complete

See separate sheet

Red & red / amber recommendations completed since last meeting

See separate sheet

Red & red / amber recommendations with revised action dates

See separate sheet

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				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
				Asset Management	10
				To be allocated following further discussion with Director (following appointment)	130
				Commissioning and Procurement	0
				Governance	0
				Effective Decision Making	0
Total		1,200	1,210		1,210
External	Type of engagement	Original audit plan	Revised audit plan	Assignment	Days
External clients	Assurance	10	13	Cardiff Further Education Trust Fund	2
				Joint committees (Glamorgan Archives, Prosiect Gwyrd and Port Health)	10
				WLGA	5
				City Deal 2017/18	0
				City Deal 2018/19	5
				Rent Smart Wales - training	3
				Norwegian Church Trust Fund	0
Grants	Assurance	20	20	Other grants	8
				Education Improvement Grant	0
				Flying Start	0
Total		30	33		33
Contingencies	Type of engagement	Original audit plan	Revised audit plan	Assignment	Days
General Audit		30	28	General Audit	15
				National Fraud Initiative	13
Total		30	28		28
Management	Type of engagement	Original audit plan	Revised audit plan	Assignment	Days
Support for Audit Committee / liaison with WAO	Consultation	50	50	Support for Audit Committee / liaison with WAO	50
Assurance mapping	Consultation	10	10	Assurance mapping	10
CRSA development	Consultation	20	20	CRSA development	20
Work requested by Audit Manager	Consultation	20	20	Work requested by Audit Manager	20
Audit Planning and monitoring	Consultation	20	20	Audit Planning and monitoring	20
Process Development	Consultation	20	20	Process Development	20
Review of Financial Rules etc	Consultation	40	40	Review of Financial Rules etc	40
Consultancy - advice and guidance	Consultation			Consultancy - advice and guidance	
Total		180	180		180
Total chargeable days		2,100	2,101		2,100

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
0	0	10	0
30	40	20	40
0	0	0	0
0	0	0	0
0	0	0	0
296.5	356.5	281.5	275.5
0	0	0	2
10	0	0	0
5	0	0	0
0	0	0	0
0	1	2	2
0	2.5	0	0
0	0	0	0
3.5	2.5	1.5	0.5
0	0	0	0
0	0	0	0
18.5	6	3.5	4.5
0	0	7.5	7.5
12.5	0	0	0
12.5	0	7.5	7.5
12.5	12.5	12.5	12.5
2.5	2.5	2.5	2.5
5	5	5	5
5	5	5	5
5	5	5	5
5	5	5	5
10	10	10	10
45	45	45	45
523	523	528	528
525	525	525	525

Not yet started	
Ongoing	
Final report issued	
Final report issued	
Final report issued	
Fieldwork	Final report issued
Draft report issued	
Draft report issued	Final report issued
	Training delivered
Final report issued	
Fieldwork	Final report issued
Ongoing	Ongoing
Continuous and ongoing	Continuous and ongoing
Continuous and ongoing	Continuous and ongoing
Continuous and ongoing	Continuous and ongoing
Continuous and ongoing	Continuous and ongoing

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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 Title:	PSIAS peer assessment
Audit Assurance:	Effective with opportunity for improvement

REF	FINDINGS	RECOMMENDATIONS	RISK RATING	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	ACTION DATE	UPDATE ON MANAGEMENT RESPONSE	REVISED ACTION DATE	ACTION CLOSED?
Objective 1 - Independence and objectivity - Audit Manager									
1	The Audit Committee is required to approve and periodically review any safeguards put in place to limit impairments to independence and objectivity (see also Standard 1000 Purpose, Authority and Responsibility). Currently, the Audit Charter does not explicitly list areas of other responsibility along with the safeguards that have been put in place (albeit, they are in place in practice).	In order for the Audit Committee to review the safeguards in place, it is recommended that for those functions which the Audit Manager has operational responsibility, they be explicitly listed within the Audit Charter and the safeguards in place to manage independence and objectivity be clearly set out.	Amber / Green	The amendments suggested will be made to the Audit Charter for 2018/19. These will be presented to Audit Committee in draft in January 2018.	Audit Manager	30/01/2018	The amendments suggested were made to the Audit Charter for 2018/19, which was presented to Audit Committee at the meeting on 30/01/2018 and agreed at the meeting on 27/03/2018.		Yes
Objective 2 - Declaring potential conflicts of interest to protect independence and objectivity									
2	A conflict of interest would prejudice an individual's ability to perform his or her duties and responsibilities objectively. In order to manage this process the Audit Manager at Cardiff County Council requests a declaration from all staff annually to ensure there are no potential conflicts and to demonstrate transparency. Whilst this procedure is in place and evidence exists to support the arrangements, the Audit Charter does not explicitly document these arrangements.	It is recommended that the Audit Charter be updated to reflect the practices in place in respect of collating conflicts of interests from audit staff, at least annually.	Amber / Green	The amendments suggested will be made to the Audit Charter for 2018/19. These will be presented to Audit Committee in draft in January 2018.	Audit Manager	30/01/2018	The amendments suggested were made to the Audit Charter for 2018/19, which was presented to Audit Committee at the meeting on 30/01/2018 and agreed at the meeting on 27/03/2018.		Yes
3	Should a potential conflict of interest be reported by a member of the Internal Audit Service, then the Audit Charter should provide detail in respect of how this will be managed. The Audit Charter does not currently document the arrangements in place (albeit, they are in place in practice).	The Audit Charter should be updated to reflect the working practices that are in place in respect of managing conflicts of interests identified by staff – i.e. they are taken into account when allocating individual workloads to auditors.	Amber / Green	The amendments suggested will be made to the Audit Charter for 2018/19. These will be presented to Audit Committee in draft in January 2018.	Audit Manager	30/01/2018	The amendments suggested were made to the Audit Charter for 2018/19, which was presented to Audit Committee at the meeting on 30/01/2018 and agreed at the meeting on 27/03/2018.		Yes
Objective 3 - Draft audit plan report									

REF	FINDINGS	RECOMMENDATIONS	RISK RATING	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	ACTION DATE	UPDATE ON MANAGEMENT RESPONSE	REVISED ACTION DATE	ACTION CLOSED?
4	An overview in respect of compiling the Internal Audit Plan is provided within the Audit Charter. The Standards require the Internal Audit Service to demonstrate a risk based audit plan that also covers as much of the overall control environment as far as is practicable.	In order to demonstrate why audits are included within the Council's Audit Plan, consideration could be given to documenting a rationale/category against each audit.	Amber / Green	The audit plan is prepared using a risk-based approach and this is reported to Audit Committee on an annual basis. However, consideration will be given to documenting the rationale for each audit's inclusion in the draft plan.	Audit Manager	27/03/2018	The suggested action was considered but was not included during the preparation of the draft plan. However, the scope and objectives of each audit are included in the progress report presented to each meeting of the Audit Committee, and this gives members the opportunity to raise any questions. Further consideration will be given to documenting the rationale for each audit when the plan for 2019/2020 is being prepared.		Yes

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

Rating	Criteria
High / 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
Medium / 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
Medium / 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
Low / Green	Best Practice

REPORT CONTEXT

This report has been prepared for the internal use of the Council and is prepared in relation to internal audit, under the requirements as set out in the Council's Financial Procedure Rules which are based on best practice principles as set out in the Public Sector Internal Audit Standards (PSIAS).

Reports are prepared by the staff of the Internal Audit Section based within Resources, where they serve to inform the Section 151 Officer and senior managers across the Council on governance arrangements, primarily around managing risks, the soundness of the control environment and the efficient and effective use of resources.

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Audit Title: CIPFA self-assessment

REF	SELF-ASSESSMENT QUESTION	FINDINGS	RECOMMENDATIONS	RISK RATING	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	ACTION DATE	UPDATE ON MANAGEMENT RESPONSE	REVISED ACTION DATE	ACTION CLOSED?
1	Does the chief audit executive (CAE) periodically review the internal audit charter and present it to senior management and the board for approval?	The Charter is approved by the Audit Committee in the presence of the Section 151 Officer. At present, it is not approved by other Senior Management.	Consideration should be given to presenting the Audit Charter to Senior Management Team, with further consideration given to being countersigned by the Chief Executive.	Green						
2	Does the Board approve decisions relating to the appointment and removal of the CAE?	This is not in place. In accordance with the Constitution of the Council, the Cabinet is responsible for decision making in terms of pay, terms and conditions and redundancy arrangements in relation to employees of the Council. The Employment Conditions Committee is responsible for posts at Chief Officer level and above.	No recommendation to be made as this would be against the Council's current Constitution and agreed pay policy.	Green						
3	Does the risk-based plan set out how internal audit's work will identify and address local and national issues and risks?	The audit plan does not set this out specifically, but consideration is taken of issues raised by Scrutiny Committees and any national risks that may impact upon the Council. These are reported regularly to Audit Committee for consideration either for inclusion within the current year plan or a future year's plan.	Although comment is already made in the progress reports to Audit Committee, Management should consider including information on consideration of local and national issues in the committee reports on the development of the audit plan for the following year.	Green						
4	Has the internal audit activity evaluated the effectiveness of the organisation's ethics-related objectives, programmes and activities?	A governance review was undertaken in 2017/18 and focussed on the framework relating to staff. This will be expanded further in 2018/19 to the effectiveness of other aspects of the Council's ethics-related objectives and activities.	Audits of ethics-related objectives, programmes and activities should be undertaken annually as part of the review of the Council's corporate governance framework.	Amber / Green						
5	Has the internal audit activity evaluated the effectiveness of the organisation's risk management processes by determining that: a) Organisational objectives support and align with the organisation's mission? b) Significant risks are identified and assessed? c) Appropriate risk responses are selected that align risks with the organisation's risk appetite?	An Internal Audit of Risk Management Arrangements was undertaken in 2017/18 and further work will be undertaken in 2018/19. Various aspects of risk management processes were reviewed in 2017/18 as part of individual audits and risk / governance information is used to scope and plan audits.	Whilst it is appreciated that risk and governance are key parts of the planning and scoping of all audits, separate audits of the Council's risk management arrangements should be undertaken annually as part of the review of the Council's corporate governance framework.	Amber / Green						

REF	SELF-ASSESSMENT QUESTION	FINDINGS	RECOMMENDATIONS	RISK RATING	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	ACTION DATE	UPDATE ON MANAGEMENT RESPONSE	REVISED ACTION DATE	ACTION CLOSED?
	d) Relevant risk information is captured and communicated in a timely manner across the organisation, thus enabling the staff, management and the board to carry out their responsibilities?									
6	Does the engagement plan include the engagement's objectives, scope, timing and resource allocations?	This is in place for all assurance engagements, but improvements are needed for consulting engagements.	Consideration should be given to developing a proforma for significant consultation engagements (i.e. those exceeding 10 planned days). The proforma should set out the objectives, scope and respective responsibilities for the engagement (and include resource allocations).	Green						

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

Rating	Criteria
High / 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
Medium / 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
Medium / 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
Low / Green	Best Practice

REPORT CONTEXT

This report has been prepared for the internal use of the Council and is prepared in relation to internal audit, under the requirements as set out in the Council's Financial Procedure Rules which are based on best practice principles as set out in the Public Sector Internal Audit Standards (PSIAS).

Reports are prepared by the staff of the Internal Audit Section based within Resources, where they serve to inform the Section 151 Officer and senior managers across the Council on governance arrangements, primarily around managing risks, the soundness of the control environment and the efficient and effective use of resources.

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AUDIT COMMITTEE: 18 September 2018

INTERNAL AUDIT PROGRESS REPORT 2018/19 – INVESTIGATION TEAM

REPORT OF THE HEAD OF FINANCE

AGENDA ITEM: 10.2

Reason for this Report

1. Audit Committee's Terms of Reference requires that Members consider reports from the Audit Manager on Internal Audit's performance during the year.
2. This report has been prepared to provide Audit Committee Members with an update on the work of the Audit Section's Investigation team, as at 25 August 2018.

Background

3. An Audit Plan is prepared each year in order to provide a measure of the work performed by the Audit function. It is important that this allows for flexibility so that professional judgement can be applied, and work prioritised over the life of the Plan.
4. The Head of Finance prepares quarterly and half-yearly progress reports, outlining the work undertaken by the team.
5. 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.

Issues

6. The progress report can be found at Appendix A and highlights that the team has been reduced by 1 full time equivalent. This in addition to the resource demands of a large scale police investigation have led to a reduced number of investigations completed compared to the previous year.
7. The value of concluded investigations exceeds £27,000 for the period April – August 2018. In terms of value compared to the corresponding period last year the main difference are fraud referrals from schools. It is noted that value of Council Tax cases closed is only slightly down compared to last year.
8. Referrals have reduced compared to the same period last year, primarily due to the cyclical nature of the National Fraud Initiative output but the ability to generate referrals has also contributed.
9. Despite, resource pressures Investigating Officer training continues to be delivered by the team and satisfaction levels remain at 100%.

Legal Implications

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

Financial Implications

11. The report identifies the holding of a vacant post within the investigation team which is supporting the audit financial position to be within budget.

RECOMMENDATIONS

12. That the Committee notes the content of the report.

IAN ALLWOOD
HEAD OF FINANCE
18 September 2018

The following is attached:

Appendix A: Investigation Team - Progress Report August 2018

Investigation Team – Progress Report

Appendix A

Training

In accordance with the Disciplinary Policy, all employees conducting disciplinary investigations are required to attend a mandatory, one day Investigating Officer training course. The course has been created, developed and is delivered by, the investigation team. This year, 4 sessions have been delivered with 26 attendees. All attendees completed feedback forms and the course continues to attain 100% satisfaction with positive feedback.

Resources

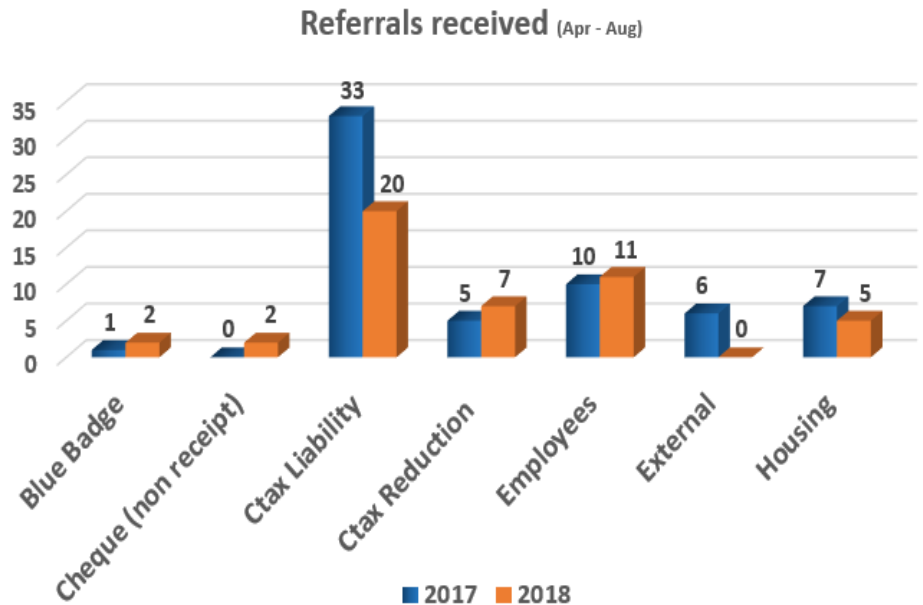


The Investigation Team consists of 1.5fte staff, a Professional Accredited Counter Fraud Manager / Accredited Counter Fraud Specialist, and a Counter Fraud Technician.

A vacant Investigating Officer post has been deleted this year, as part of the budget savings.

Reactive - Referrals

47 referrals were received by the team, compared to 62 for the same period last year:

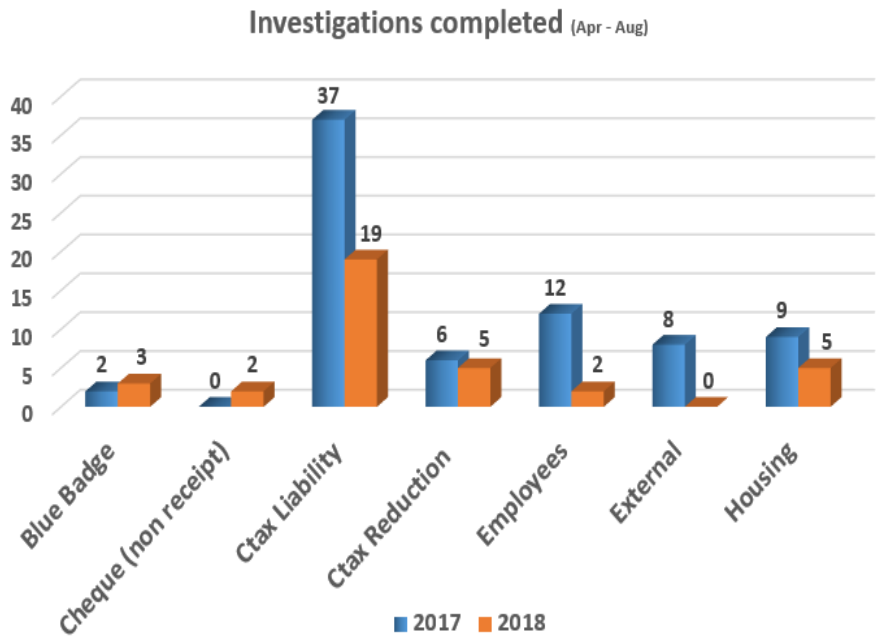


The majority of referrals continue to relate to Council Tax Liability issues, predominantly when a discount or exemption has been granted and eligibility is questioned. These may be received from the Council Tax team, members of the public or data matching.

The number of referrals received has reduced, as a result of the cyclical nature of the National Fraud Initiative output and the reduction in investigation team capacity.

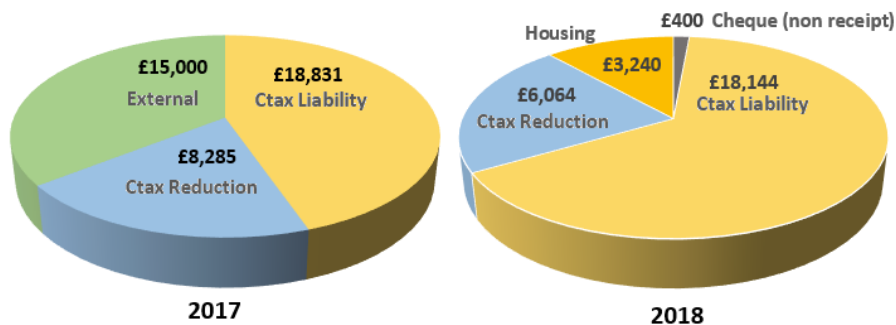
Investigations completed

36 investigations were concluded by the team, compared to 74 for the same period last year:



The ongoing Police and employee investigations within waste continues to have a significant resource impact on the team.

Value of completed investigations April to August



Investigations ongoing

There are 49 ongoing investigations currently assigned to members of the investigation team:



Schools investigations

A number of schools have procured the services of the Investigation Team to conduct independent investigations. A disciplinary Hearing was held during May and another has been scheduled to take place during September.

Audit Committee Action Plan

(Updated following meeting held on 26 June 2018)

Minute No. /Agenda No.	Actions	Timeline	Action Owner
Finance (Budget)			
26.06.18	Cabinet budget strategy report to be circulated to Audit Committee members once published. (emailed to Members 09.07.18)	Completed	IA
26.06.18	Operational policy for writing off bad debt to be provided to Audit Committee members; to include details re the length of time bad debt is allow to accumulate before being written off.	18.09.18	AH
26.06.18	Analysis of categories of debtors to be provided to the Committee. Members wished to clarify whether the £24.747m 'Other Entities and Individuals' figure referred to in the Statement of Accounts included any larger amounts linked to single debtors	18.09.18	AH
26.06.18	Members requested clarification as to the roles and responsibilities of the Audit Committee in respect to Pensions and its relationship with Pensions Committee.	18.09.18	GW/IA
26.06.18	Clarify what briefings and/or advice was offered to Members re retention of emails policy. E mail sent to Members 7.09.18	Completed	VP
Governance & Risk Management			
26.06.18	Para 13 of Good Practice Self-Assessment document to remove reference to PCC and Chief Constable. Self-assessment templates emailed to Members 13.08.18	Completed	CP
26.06.18	CIPFA guidance release on Self-Assessment to be circulated to the Committee. CIPFA's document "Audit Committees – Practical Guidance for Local Authorities and Police, 2018 edition" sent to Members 10.08.18	Completed	IA
26.06.18	Draft AGS Refine the wording to paragraph 27–29 of the AGS to improve the comparability of data from the member exit survey to the follow up member survey. Completed within final draft AGS	Completed	CP
26.06.18	Reference the review of the officer personal interest processes due in 2018/19. Completed within final draft AGS	Completed	CP

Minute No. /Agenda No.	Actions	Timeline	Action Owner
Wales Audit Office (WAO)			
WAO Tracker/Other Studies			
Internal Audit			
Treasury Management			
Operational Items			
18.09.17	Director of Education Report Future Director's report would report on treatment of significant surpluses in school budgets, as well as include school budget alongside the balance.	18.09.18	NB / NH
18.09.17	Future Director's report would include a breakdown of the numbers interventions made in schools and the reasons why.	18.09.18	NB / NH
26.06.18	Director of Education to be asked to report on progress against audit reports on Schools Organisation, Access and Planning and Cardiff & Vale Music Service.	18.09.18	NB / NH
Work Programme			
26.06.18	The following items be considered for addition to the Work programme at appropriate time: <ul style="list-style-type: none"> • Implications for the Authority of Brexit • Invite the Chief Digital Officer to address Audit Committee re: Cybersecurity Risk • Council's performance against the Well-being and Future Generations Act. 	Completed Added to Work Programme	
Outstanding Actions			
Published Scrutiny Letters			

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		
	Paul Orders Senior Management Assurance Statements	Andrew Gregory Update on Internal Control Environment	Davina Fiore Update on Internal Control Environment			
To be Allocated	<ul style="list-style-type: none"> Implications for the Authority of Brexit Invite the Chief Digital Officer to address Audit Committee re: Cybersecurity Risk Council's performance against the Well-being and Long-term Prosperity Act. 					

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