



DINAS A SIR CAERDYDD  
CITY AND COUNTY OF CARDIFF

**COUNCIL SUMMONS**

THURSDAY, 12 SEPTEMBER 2019

**GWYS Y CYNGOR**

DYDD IAU, 12 MEDI 2019,

You are summoned to attend a meeting of the **COUNTY COUNCIL OF THE CITY AND COUNTY OF CARDIFF** which will be held at Council Chamber - County Hall, Atlantic Wharf, Cardiff CF10 4UW on Thursday, 12 September 2019 at 4.30 pm to transact the business set out in the agenda attached.

**Davina Fiore**  
**Director of Governance & Legal Services**

County Hall  
Cardiff  
CF10 4UW

6 September 2019

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Promotion of equality and respect for others | Objectivity and propriety | Selflessness and stewardship  
Integrity | Duty to uphold the law | Accountability and openness

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<i>Item</i>		<i>Approx Time</i>	<i>Max Time Allotted</i>
<b>1</b>	<b>Apologies for Absence</b> <i>To receive apologies for absence.</i>	4.30 pm	5 mins
<b>2</b>	<b>Declarations of Interest</b> <i>To receive declarations of interest (such declarations to be made in accordance with the Members Code of Conduct)</i>		
<b>3</b>	<b>Minutes</b> <i>To approve as a correct record the minutes of the 18 July 2019.</i>		
<b>4</b>	<b>Public Questions</b> <i>To receive previously notified questions from Members of the Public.</i>	4.35 pm	5 mins
<b>5</b>	<b>Petitions</b> <i>To receive petitions from Elected Members to Council.</i>	4.40 pm	5 mins
<b>6</b>	<b>Lord Mayor's Announcements</b> <i>To receive the Lord Mayor's announcements including Recognitions and Awards.</i>	4.45 pm	5 mins
<b>7</b>	<b>Notice of Vacancy (Pages 7 - 8)</b> <i>Report of the Chief Executive.</i>	4.50 pm	5 mins
<b>8</b>	<b>Audit Committee Annual Report 2018/19 (Pages 9 - 40)</b> <i>Ian Arundale, Chair of the Audit Committee will present the Audit Committee Annual Report for 2018/19.</i>	4.55 pm	15 mins
<b>9</b>	<b>Compliance Reports 2018/19 - Statement of Accounts, Annual Governance Statement and Annual Treasury Management Report (Pages 41 - 324)</b> <i>Report of the Director Corporate Resources</i>  <b><i>Annexe B and C of Appendix 9 are not for publication as they contain exempt information of the description in Paragraphs 14 and 21 of Parts 4 and 5 of Schedule 12A of the Local Government Act 1972.</i></b>	5.10 pm	15 mins

<b>10</b>	<b>Leader and Cabinet Member Statements</b> <i>(Pages 325 - 354)</i>  <i>To receive statements from the Leader and Cabinet Members</i>	5.25 pm	45 mins
<b>Break 6.10 – 20 mins</b>			
<b>11</b>	<b>Notice of Motion</b>  Motion:  Proposed by: Councillor Joel Williams  Seconded by: Councillor Jayne Cowan  Cardiff Council formally adopts and reaffirms the IHRA definition of antisemitism:  “Antisemitism is a certain perception of Jews, which may be expressed as hatred toward Jews. Rhetorical and physical manifestations of antisemitism are directed toward Jewish or non-Jewish individuals and/or their property, toward Jewish community institutions and religious facilities.”	6.30 pm	30 mins
<b>12</b>	<b>Oral Questions</b>  <i>To receive oral questions to the Leader, Cabinet Members; Chairs of Committee and/or nominated Members of the Fire Authority.</i>	7.00 pm	60 mins
<b>13</b>	<b>Urgent Business</b>	8.00 pm	
<b>Unopposed Council Business - 8.00 pm – 5 mins</b>			
<b>14</b>	<b>Appointment of Local Authority School Governors</b> <i>(Pages 355 - 356)</i>  <i>To approve the recommendations of the Local Authority Governor Panel, 10 September 2019.</i>  <i>Report of Director Governance and Legal Services</i>		

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15	<p><b>Committee Appointments</b> (Pages 357 - 358)</p> <p><i>Report of the Director of Governance and Legal Services.</i></p>		
16	<p><b>Appointments of Representatives to Outside Bodies</b> (Pages 359 - 360)</p> <p><i>Report of the Director of Governance and Legal Services.</i></p>		
17	<p><b>Written Questions</b></p> <p><i>In accordance with the Council Procedure Rules, Rule 17(f) Written Questions received for consideration and response will be included as a record in the minutes of the meeting.</i></p>		

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**COUNCIL:****12 SEPTEMBER 2019**

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**REPORT OF THE CHIEF EXECUTIVE**

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**NOTICE OF VACANCY****Reason for this Report**

1. To report to Council the vacancy in the Office of Councillor in the Electoral Division of Whitchurch and Tongwynlais.

**Issues**

2. The Council is required to give public notice of the vacancy in the Office of Councillor that has arisen following the death of Councillor Tim Davies.
3. An election to fill the vacancy must be held in accordance with the provisions of the Local Government Act 1972 within 35 days following the receipt of written notice from two local government electors for the area, on a date fixed by the Returning Officer.
4. The required Public Notice of Vacancy for the Electoral Division of Whitchurch and Tongwynlais was published on 27 August, 2019 and a valid election has been submitted to the Proper Officer.
5. A Notice of Election was published on Thursday, 29 August, 2019, and, if contested, a poll will take place on Thursday, 3 October 2019.

**Legal Implications**

6. The relevant legal requirements are set out in the body of the report. The election must be conducted in accordance with the requirements of the Local Government Act 1972 and the Representation of the People Act 1983 (and all other relevant electoral law). Detailed legal advice will be available to those officers making arrangements for the election.

**Financial Implications**

7. Any costs arising from the election will need to be found from within the existing budgetary resources of the Council.

## **RECOMMENDATION**

It is recommended that the Council notes the Vacancy in the Office of Councillor for the Electoral Division of Whitchurch and Tongwynlais and arrangements made for an election to fill the vacancy.

**Paul Orders**

**Chief Executive**

6 September 2019





# Audit Committee Annual Report 2018/19

Cardiff Council



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

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## **1. Foreword by Ian Arundale (Chairperson of the Committee)**

I am pleased to present this report, which provides an overview of the Audit Committee's work in the municipal year 2018/19. I have been well supported by the strong teamwork of the Committee this year. I wish to firstly record my thanks to my Deputy Chair Hugh Thomas who delivered the role of chairing the Audit Committee for the meeting that I could not attend this year.

I wish to record my thanks to all Elected Members and the Independent Lay Members who have served on the Committee this year. Members from across the political groups have come together in an effective way in our five meetings this year. It is also encouraging to report well-attended meetings, and indeed attendance at wider training and information events, given how busy Members are in fulfilling other roles and responsibilities.

Towards the end of the year, we saw changes to our Committee membership, as due to other commitments Councillor Jayne Cowan and Councillor Chris Lay stood down from the Audit Committee. At the municipal year-end, we then saw Councillor Mary McGarry and Councillor David Walker standing down. I must express my gratitude to our departing Members for their firm commitment and the value they brought to the Committee during their periods of membership.

We welcomed Councillor Susan Goddard and Councillor Joel Williams as new Audit Committee Members in our meeting of April 2 2019. We have already felt the benefits of their contributions, through active participation in meetings and their keen interest in our role. At the year-end, Council has approved that Councillor Ashley Lister will be joining our Audit Committee for 2019/20, who I would like to take the opportunity to welcome. At the time of writing, the Audit Committee has one vacant Conservative seat. To support any new Members of the Audit Committee, a programme of Induction training is attended prior to their first attendance at Audit Committee, and as a group, we have established a programme of training to ensure we continue to develop and effectively deliver our important role.

This year we have also seen changes in important officer positions. Firstly, from March 2019 Christopher Lee, an experienced Section 151 Officer and Director from Rhondda Cynon Taf, has taken up the role of Section 151 Officer and Corporate Director Resources. We welcome Chris to this role with confidence in his skills and ability, and send our appreciation and very best wishes to Christine Salter, who has left the Council after many years of consistent and valued Council service. We have also gained a new Internal Audit Manager from October 2018. Chris Pyke, an experienced audit and risk management practitioner, provides a full time resource to the Audit Team following a period of leadership and management by Ian Allwood the Head of Finance, who I thank for his time, support and commitment.

Throughout the year, Audit Committee has continued to receive highly valued professional support from Accountancy, External Audit (Wales Audit Office), Internal Audit, Risk Management and Treasury Management. Additionally, we have invited officers to attend Committee to respond to concerns raised by Members or identified through various Committee reports, such as those from internal and external audit.

The Audit Committee has undertaken a number of more focussed reviews of various corporate risks through which we have provided challenge, sought assurance and raised recommendations in areas where we considered it appropriate.

The Committee has continued to receive systematic reports from members of the Senior Management Team (SMT), on their directorate control environments, comprising governance, risk management and internal control / assurance arrangements. This approach has provided a good opportunity for us to engage with members of SMT individually, and to seek relevant assurances in these areas.

We have reviewed our work programme at each Committee meeting, taking account of changing risks and priorities through the reports and information we receive from Members, Officers, external stakeholders and other Committees of the Council. Our Work Programme has been busy this year with a wide range of matters brought before the Committee.

We acknowledge the importance of our broad role to a range of stakeholders, and have reflected on the effectiveness of governance, risk management and control in providing an overall assurance opinion and informing the Council's Annual Governance Statement 2018/19.

We have also taken the time to review our performance to give confidence to those relying on our work. In January 2019, we held a self-assessment workshop against the best practice CIPFA framework. We strengthened our self-assessment from prior years, by also completing an individual assessment against the core areas of the CIPFA knowledge and skills framework. This enabled us to identify strong overall collective skills, with an opportunity for further development in particular areas of a more technical nature. We have established arrangements to receive targeted training from lead Council Officers in these areas. All elements of our review and our action plan for improvement are appended to this report.

The Committee has taken forward networking and engagement initiatives this year. I have engaged in reciprocal Audit Committee visits with the Chairs of Leeds and Swansea Council Audit Committees, in order to share ideas, initiatives and best practices. These visits have proved valuable to understand different approaches and methods of effective Audit Committee delivery. As we enter 2019/20, we are working towards holding a Welsh Local Authority Audit Committee Chairperson Network in the autumn to further progress opportunities for shared learning and development.

To support wider awareness of our work, findings and outcomes, we published our first Audit Committee Newsletter in October 2018. The intention is to publish a newsletter twice a year to continue to communicate our work, and to support the Council's culture of accountability and assurance.

Looking forward to 2019/20, the financial challenges facing the Council and public services will continue through reduced funding and increasing demand for services and ever improving performance. Within this context, the importance of an effective Audit Committee remains critical.



## 2. The Role of the Audit Committee

The Audit Committee's role is to increase public confidence in the objectivity and fairness of financial and other reporting and provide independent assurance over governance, risk management and control processes.

The Local Government (Wales) Measure 2011 requires a Local Authority to have a Committee to:

- review and scrutinise the authority's financial affairs
- make reports and recommendations in relation to the authority's financial affairs
- review and assess the risk management, internal control and corporate governance arrangements of the authority
- make reports and recommendations to the authority on the adequacy and effectiveness of those arrangements
- oversee the authority's internal and external audit arrangements, and
- review the financial statements prepared by the authority.

The Measure also requires Councils to have Lay Members in their Audit Committees. The Council has determined that the membership of its Audit Committee would be twelve Members (eight Elected Members and four Independent Lay Members), which meets the requirement of the Measure and the proposals in the draft Local Government (Wales) Bill. The Terms of Reference of the Committee for 2018/19 was as follows:

### Governance, Risk & Control

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

## Internal Audit

- To approve the Internal Audit Charter.
- To approve the risk-based internal audit plan, containing internal audit's resource requirements, the approach to using other sources of assurances and any work required to place reliance upon those other sources.
- To approve significant changes to the risk-based internal audit plan, including audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- To approve significant interim changes to the risk based internal audit plan and resource requirements.
- To make appropriate enquiries of both management and the audit manager to determine if there are any inappropriate scope or resource limitations.
- To consider reports from the Audit Manager on Internal Audit's performance during the year. These will include:
  - Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work;
  - Regular reports on the results of the Quality Assurance and Improvement Programme;
  - Reports on instances where the internal audit function does not conform to the PSIAS and Local Government Application Note considering whether the non- conformance is significant enough that it must be included in the Annual Governance Statement.
- The opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control together with a summary of the work supporting the opinion – these will assist the committee in reviewing the Annual Governance Statement.
- To consider summaries of specific internal audit reports as requested.
- To receive reports outlining the action taken where the Audit Manager has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- To contribute to the Quality Assurance and Improvement Programme and in particular the external quality assessment of internal audit that takes place at least once every five years.
- To consider a report on the effectiveness of internal audit to support the Annual governance Statement, where required to do so by the Accounts and Audit Regulations.
- To support the development of effective communication with the audit manager.

## External Audit

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

## Financial Reporting

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

## Accountability Arrangements

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

## Training & Development

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

### **3. Our Work in 2018/19**

The Audit Committee receives regular reports in relation to standard agenda themes and receives reports of interest based on risk, governance and internal control matters. Each aspect is reported on below.

#### **Standard Items**

##### **3.1 Finance**

The Corporate Director Resources (Section 151 Officer) has provided financial updates at every meeting to provide Committee Members with an overview of the financial standing of the Council during a period of ongoing unprecedented financial pressure. Members have also received training on financial management and accounting to support our focus on the controls and processes in place to support effective budget management.

The Audit Committee has noted the challenges facing the Council in respect to its budget strategy for both the year hence and the medium term.

The Committee has received and had the opportunity to comment on key finance reports in 2018/19, including:

- Draft Statement of Accounts 2017/18 and Audit Report
- Cardiff & Vale of Glamorgan Pension Fund Statement of Accounts 2017/18 and Audit Report
- Treasury Management reports and updates
- Financial Resilience updates and snapshots
- Draft Annual Governance Statement 2018/19.

As reported in 2017/18, the Audit Committee has continued to express concern about significant overspends and unrealised savings targets in the Social Services Directorate. The Director of Social Services attended Committee in January 2019 in order to provide an update on the challenges facing the directorate as well as providing a full overview of the assurance control environment.

The Committee was advised that the Directorate is taking action to manage its overreliance on agency workers, and implementing strategies to meet an increased demand for Children's Services through the most cost-effective means. Senior Managers have committed to providing a breakdown of Social Services overspends for the last three years and their reasons, to provide further detail for the Committee to consider.

##### **3.2 Governance and Risk Management**

The Audit Committee has formed a view on the Council's governance, risk management and internal control arrangements taking into account the information presented by the Corporate Director Resources (Section 151 Officer), the Wales Audit Office (WAO), the Audit Manager, Risk Management Team and other officers of the Council.



The Audit Committee plays a key role in contributing to and challenging the contents to be included in the Annual Governance Statement (AGS). The AGS is an important governance disclosure document and forms part of the Statement of Accounts.

The Audit Committee considered the AGS as part of the Statement of Accounts 2017/18 in June 2018 and September 2018. The Committee has had early involvement in the draft AGS 2018/19, in which the ‘Opinion of the Audit Committee’ (section 8) will be disclosed.

The Committee has received and had the opportunity to comment on the following governance and risk management disclosures:

Committee Meeting Date	Item Reviewed
June 2018	<ul style="list-style-type: none"> <li>▪ Corporate Risk Management (Q4 Update) 2017/18</li> <li>▪ Senior Management Statement Review Year End 2017/18</li> </ul>
September 2018	<ul style="list-style-type: none"> <li>▪ Corporate Risk Management (Q1 Update) 2018/19</li> </ul>
November 2018	<ul style="list-style-type: none"> <li>▪ Corporate Risk Management (Q2 Update) 2018/19</li> </ul>
January 2019	<ul style="list-style-type: none"> <li>▪ Senior Management Assurance Statement Mid-Year Responses 2018/19</li> <li>▪ Mid-year AGS Action Plan of significant governance issues</li> </ul>
April 2019	<ul style="list-style-type: none"> <li>▪ Corporate Risk Management (Q3 Update) 2018/19</li> <li>▪ Draft AGS 2018/19.</li> </ul>

We considered the Draft Code of Corporate Governance Code prior to its approval and incorporation into the Council’s Constitution in March 2019. Within the Code, the SMAS process is a core mechanism for senior management self-review and open disclosure. We welcome the ongoing development of the SMAS process in line with the Code to provide a wider level of independent challenge from various Council disciplines, and strengthen the assurance provided.

We have continued to review the Senior Management Assurance Statements (SMAS) from the Senior Management Team twice a year, and we have also probed members of SMT and sought further assurance through the reports we have received from them individually on their directorate control environments throughout the year.

We considered and informed the development of the Council’s Risk Management Strategy and Policy, prior to Cabinet approval in July 2018. The Committee was very keen for Risk Management to be communicated to officers and stakeholders in a way that engaged participation. Subsequently, the Committee was pleased to receive a summary version of the Strategy and Policy that communicated the core principles in simple language.

We have invited a number of risk owners to attend Committee this year, through which we have completed more focussed reviews on various corporate risks, with a focus on the controls and planned management actions. Further information on our risk reviews is included in section 5 ‘one-off reviews’.

### **3.3 Treasury Management**

The Audit Committee seeks assurance that the Council has complied with the Treasury Management Strategy and Practices, and has demonstrated effective risk and performance management.

Over the past twelve months, the Committee has received reports on the Treasury Management Annual Report, Mid-Year Report 2018/19, Treasury Management Strategy 2019/20 and the Treasury Performance and Practices Reports.

Through the treasury management reports and updates in each Committee meeting, Members have taken the opportunity to scrutinise and challenge the approach adopted and decisions taken. This is a complex area, through which the Committee has delivered its role through probing and scrutinising strategies, reports and data provided.

Upon request, the Committee received a briefing paper, which detailed the focus of the work and assurances provided by our Internal and External Audit Teams. We have also been advised that an external review is also being carried out by the Council's treasury management advisors, to consider areas of compliance, evidence, delivery and review in the form of a policy, procedures and processes health check. We await the outcomes of this work and the opportunity to consider the findings with lead officers.

To further support the Audit Committee in its role, in-house treasury management training is scheduled for delivery to Audit Committee Members in 2019/20.

### **3.4 External Audit (Wales Audit Office)**

The Committee places reliance on the work of the Wales Audit Office (WAO) as the Council's external auditors. The Committee has received key documents throughout the year:

- Audit Progress Updates
- Audit of Financial Statements Report – Cardiff & Vale of Glamorgan Pension Fund 2017/18.
- Annual Audit Plan - Cardiff & Vale of Glamorgan Pension Fund 2018/19.
- Annual Audit Plan 2019/20

The Audit Committee has received regular updates from WAO, led by Ann-Marie Harkin (Engagement / Financial Audit Director), Phil Pugh (Financial Audit Manager) and Sara-Jane Byrne (Performance Audit Manager). In addition to Cardiff specific studies, Audit Committee Members receive a number of other national and regional study updates from WAO in each meeting, with the key findings and messages communicated.

The Committee welcomed the opportunity to comment on the 3-year programme of work of the Auditor General for Wales in December 2018. Comments were fed back to senior Council officers for inclusion in the corporate response. The Audit Committee Chairperson and Audit Manager receive notifications of relevant WAO publications, and consider and circulate reports, which are relevant to the Audit Committee's terms of reference to Members.

The Committee has considered some wider WAO reports in detail, such as a Carmarthenshire 'Audit Committee Effectiveness' report, which was used as a health check, for self-assurance and reflection on our own performance. The health check provided general assurance on the effectiveness of the

Audit Committee, and reinforced the benefits of the networking, communication and targeted Committee training we have been progressing this year.

### **3.5 Internal Audit**

The Committee continues to place reliance on the work of the Council's in-house Internal Audit Team, and welcomes this increase in direct management capacity, following a period of effective strategic and operational leadership by the Head of Finance.

The Audit Manager provides a functional reporting role to the Audit Committee and an administrative reporting role to the Head of Finance (Deputy Section 151 Officer). The Committee has been assured that throughout the year that there have been no impairments to Internal Audit independence or objectivity in accordance with the Public Sector Internal Audit Standards (PSIAS).

The Audit Committee approved the Annual Internal Audit Charter in both March 2018 and April 2019, and approved incremental in-year changes to formalise the allocation of responsibility and reporting arrangements for the new Audit Manager following appointment in October 2018.

The Committee approved the 2018/19 Internal Audit Plan in March 2018, monitored its progress and received an account of any risk-based revisions to planned audits throughout the year. The Committee also considered and approved the 2019/20 Audit Plan in April 2019.

The Committee received the following key documents during the year:

- Internal Audit and Investigation Team Quarterly Progress Reports
- Internal Audit Recommendation Tracker
- Internal Audit and Investigation Team Annual Reports
- Changes to key documents / policies.

The Audit Plan 2018/19 included four audits of a thematic nature to gain assurance in each directorate across the Council. The themed audits were Partnership and Collaborative Governance, Budgeting and Forecasting, Effective Decision Making, and ICT Governance. These audits were substantially completed in the year, and an additional suite of audits targeting value for money assurance, will conclude and report in 2019/20.

An overview of all issued audit reports has been provided to the Audit Committee, with emphasis given to recommendations allocated a priority rating of Red or Red / Amber. The Audit Committee receives and monitors all audit recommendations and the associated management response and updates to the point of implementation.

The number of audit recommendations implemented within agreed timescales requires improvement, with performance at 67% against a target of 90%. It is essential that audit clients prioritise delivering audit recommendations within the timescales they agree to. The Audit Team will be focussing on performance in this area next year and we will keep close attention through the reports we receive and the senior officers that we engage with.

Internal Audit is subject to an external review every five years in order to report conformance with the mandatory Public Sector Internal Audit Standards (PSIAS). The Audit Manager of Rhondda Cynon Taf Council carried out this review during 2017/18, and provided assurance that the Internal Audit function conformed to the standards. As part of the Internal Audit Quality Assurance and

Improvement Programme in accordance with the PSIAS, the Audit Committee received ongoing internal assurance through performance reports in each Committee meeting this year, from the Audit Manager that the Internal Audit Service is operating in conformance with the PSIAS.

The Committee will receive a full year overview of audit work completed, and key messages, when the Internal Audit Annual Report is presented to the June 2019 meeting of the Audit Committee. This report will provide the Audit Manager's opinion on the Council's overall position in relation to risk, governance and internal control and an annual review and assurance statement on conformance with the PSIAS.

### **One-off Items**

The Audit Committee has routinely engaged with the Chief Executive and Directors through its programme of work this year for assurance on the control environment for their respective areas of oversight. The Committee has undertaken more focussed reviews of certain corporate risks for which greater assurance has been sought from risk owners. The Committee has required a greater frequency of assurance in respect of governance and controls within Schools and in the Waste Management function, in line with lower levels of audit and management assurance in these particular areas.

### **3.6 Control Environment Reviews**

The Chief Executive attended Audit Committee meetings in June 2018 and April 2019, to provide an outline and assurance on the Council's overall governance, risk management and internal control. The Committee has continued to recognise the challenging financial environment facing the authority, and he has emphasised the importance of the role of the Section 151 Officer, and the SMT in making the interventions necessary to effectively manage Council finances. The Chief Executive has provided the Committee assurance over the frameworks for measuring and managing governance and risk in the Council. In the meeting of April 2019, we has a particular focus on Brexit risk management, for which the Chief Executive provided detailed information and assurances.

Six Directors attended Audit Committee in 2018/19 to provide an overview of their directorate control environments. The remaining Director of Economic Development is scheduled to attend an Audit Committee Meeting in June 2019. The range of assurances and matters for attention across the discussions of governance, risk management and control varied across the various Directorates.

The prominent matters discussed and actions agreed were as follows:

## Directorate Control Environment Reviews 2018/19

### Planning Transport and Environment

Air quality management to reduce air pollution and the impact on health, and coastal flood risk management are the biggest risks being managed by the Directorate.

Committee held a focussed review of coastal flood risk management, for which the details are summarised in section 3.7 of this report.

Management and Internal Audit have kept Committee informed of gaps in areas of Waste Management compliance and control, for which further information is included in section 3.9.

### Housing and Communities

Welfare Reform and Fire Safety have been identified as the greatest challenges for the Corporate Director, and Committee has been assured that significant attention is given to these areas.

Members have discussed that it is not feasible to target a further reduction in the Welfare Reform corporate in light of external factors. Committee has been advised that a key challenge is the need to meet the increased demand for services from an increasing population with less resource.

The Directorate has made strong progress in delivering audit recommendations, and all recent audit reports provided an effective level of assurance.

### Education and Lifelong Learning

Committee has discussed Band B 21st Century School information, and the work underway to manage school building compliance, having received the building maintenance corporate risk quarterly updates throughout the year for monitoring and review.

We have welcomed an update of improvements in school performance and the number categorised as 'Green'. We have received assurance from the Director that School support and intervention are put in place where required to improve financial management and governance.

Further information on our assurance on school governance is included in sections 3.8 and 6.4 of this report.

### Governance and Legal Services

The Director has highlighted that there is an ongoing need to retain knowledge and skills to deliver compliant services, and to effectively respond to challenges.

We have been advised that safeguarding continues to be a significant corporate risk, and the Director has highlighted that the complexity of safeguarding cases being dealt with by Legal Services is growing.

A key priority for Democratic Services is to respond to the Wales Audit Office (WAO) Report 'Overview and Scrutiny – fit for the future?' and that an action plan is in place to address five Proposals for Improvement

### Resources

We have discussed particular corporate risks in addition to receiving our ongoing Section 151 Officer assurances as outlined in section 3.1. We have discussed business continuity arrangements, performance management and record retention, and received information on the current mitigations and future work and developments.

Members were advised of business continuity scenario testing activities and exercises, and the arrangements to support and develop managers in performance management.

### Social Services

Committee has been advised that managing the Safeguarding corporate risk is a key priority for the Directorate. As reported in section 3.1 of this report, an ongoing challenge for the Directorate is the need to effectively manage demand in Children's Services, being mindful of the financial pressure of increases in number of looked after children.

We have been advised that strategies are being implemented to meet the increased demand of Children's services and to manage budget overspends.

We have been advised that the Director was prudent in scoring down her first SMAS assessment at the mid-year position in 2018/19 for which she is working to evidence and achieve the assurances required to report an improved year-end position.

### 3.7 Risk Management Reviews

The Audit Committee has reviewed the Corporate Risk Register on a quarterly basis throughout 2018/19, and undertaken three more focussed corporate risk reviews, for which further information is summarised below.

#### **Cyber security**

Audit Committee invited the Chief Digital Officer to provide an overview of the corporate risk on cyber security. This particular risk was escalated to the Corporate Risk Register (CRR) in quarter 4 2016/17, following requests for heightened monitoring and assurance from the Audit Committee.

The Committee has been advised that cyber security is monitored through a maturity assessment against 10 primary risk factors, in application of the recommended approach by the National Cyber Security Centre (NCSC). Committee was advised that the position is strong overall, whilst the greatest attention is required in the areas of Unsecure Configuration (Unauthorised access & changes, exploitation of software bugs & insecure system configuration), Monitoring (Assessment of how & when systems are being used; detecting & reacting to attacks or accidental user activity) and Corporate Cloud Security (management of externally hosted services).

Towards the end of the year, Internal Audit work concluded on ICT Governance and Cloud Computing, which has provided broadly effective assurance. The Audit Committee will monitor the progress of the Internal Audit recommendations raised, and will continue to monitor the cyber security corporate risk each quarter.

#### **Coastal flood risk management**

Audit Committee has explored the coastal Erosion Risk Management Programme to mitigate the flood risk from the coastline along Rover Way, as currently defended through a combination of materials and techniques and included on the corporate risk register as an individual risk since quarter 3 2017/18.

Committee was advised of the flood risk mitigations planned, and that the full business case is expected to be completed within a year, with construction completed by 2024. The Committee was assured that a flood event prior to completion of the defences is not anticipated, but that in such an event a multi-agency response could be invoked.

The Audit Committee was assured with the planned mitigations, whilst raising the following recommendations, for which progress will be monitored through management updates.

- Review the resilience of local incident management plans, and develop specific plans for a flood event arising from the coastal erosion corporate risk
- Develop an engagement strategy to communicate to those most at risk
- Report progress to a future Audit Committee meeting.

#### **Brexit**

As the uncertainty around Brexit increased as the year progressed, we worked alongside PRAP in our review of the planning and preparation for Brexit, to seek to deliver our distinct roles in co-ordination.

In reviewing risk management arrangements, we communicated with the Leader and the Chief Executive from whom we received written information on the management of Brexit risks.

We utilised the Chief Auditor Networks in Wales and in UK Core Cities, to identify the approaches and actions being taken by other Audit Committees. A number of Scrutiny and Audit Committee Members also attended an Academy Wales Brexit Event, through which we received best practice risk management and scrutiny guidance.

Given the importance of this work, we brought forward our annual invite to the Chief Executive to early April, where we discussed the detail around Brexit risk management. We appreciate the time taken by the Chief Executive in early April to attend our Committee to provide an outline of the various processes and systems underway to manage Brexit related risks. We have recognised the importance of strong communication, and welcomed continued information to those involved in delivery and oversight on this complicated and important area.

Brexit was escalated to the Corporate Risk Register in quarter 3 2018/19, through which we will receive ongoing visibility and assurance over Brexit risk management, through the quarterly risk management reports we receive.

### **3.8 Education and Lifelong Learning Assurance**

The Director of Education attended Audit Committee in September 2018 to report on School Governance and Financial Deficits. It was reported that 9 schools, (4 Primary and 5 Secondary Schools) carried forward deficit balances into the financial year 2018/19, which 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. This matter continues to be monitored through the corporate risk register mechanism.

Committee was advised that there were 59 schools with a balance 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 school's annual delegated budget (a threshold agreed after consultation with schools). The Committee will continue to monitor the control of surplus balances in order to be satisfied that value for money principles are being upheld.

School governance has continued to be highlighted as an area for improvement, with two primary schools receiving an unsatisfactory Internal Audit opinion in 2018/19 (Pontprennau Primary and St. Peters RC Primary). In view of an ongoing need for regular assurance in this area, Audit Committee has arranged to receive an update from the Director of Education and Lifelong Learning twice a year on the monitoring, controls and progress of governance improvements in Schools for which an assurance gap has been identified. This is with the understanding that Audit Committee can request the attendance of those directly responsible for School Governance at a Committee meeting in the event that assurances are not considered as acceptable.

### 3.9 Waste Management Assurance

There have been some well-publicised concerns about the robustness of controls in relation to the Waste Management function. There have been a series of investigations into allegations of fraud, and once matters have concluded within the Waste Management Service, Audit Committee will consider the terms of reference for Post Investigation Reviews to ensure lessons are learned.

In the meantime, the Audit Committee has increased the frequency of its meeting invites to Senior Officers in Waste Management, as there is a greater need for information and assurance. The Audit Manager has also responded with an increased level of Internal Audits taking place throughout 2018/19, which have focussed on the effective operation of key systems, processes and practices to safeguard assets and deliver compliant operations.

Committee has recognised that there is a lot of work to do, as two internal audits have recently provided an unsatisfactory audit opinion and others have recognised a need for major improvement, but Senior Management have engaged well with the Committee and with our Internal Audit Team. They have been open with the Internal Audit Team on the areas where they have the greatest need for assurance, advice and support, and the Committee will keep a continued close eye on the delivery of improvements required.

## 4. Audit Committee Self-Assessment

In January 2019, the Audit Committee held a self-assessment workshop, to review its performance against a best practice CIPFA framework. The assessment process was strengthened this year to include an Individual Assessment against the CIPFA core knowledge and skills areas from the framework. This additional process was identified as an action in last year's self-assessment, and was completed in advance of the collective workshop, to enable the results to be reflected upon when considering the overall assessment. The individual assessment was completed by the ten Audit Committee Members who had served on Committee for the year, and had not indicated they were standing down in January 2019.

The Committee also introduced a further process to obtain feedback from those attending Audit Committee meetings on the performance and the value they gained from their attendance.

The components of the overall self-review were as follows for which the outputs are included in **Annex 3**.

- a. Individual Assessment
- b. Collective workshop Results
- c. Feedback from those attending audit committee
- d. Action plan.

At a collective level, the self-assessments have reported strong performance overall. The Audit Committee has identified it could do more to drive awareness and engagement with the annual governance statement, to enhance value for money assurance through lines of inquiry, and to develop its contribution to partnership and counter-fraud assurance. Each of these areas are being targeted through further Chairperson networking to share best practices, communication to promote awareness and contribution to good governance, and through Audit Committee interactions with senior officers.



The individual assessments have identified a strong balance of skills overall, but have identified four technical areas where further training is merited, namely Financial Management and Accounting, Internal Audit, Counter Fraud and Treasury Management. To support the Audit Committee to develop in these areas, an in-house training programme is being rolled out, which commenced in April 2019 and is focussing on core knowledge and effective application.

In January 2019, the Committee considered that it did not have the visibility it required of its value to the organisation. To provide information in this respect, the Committee introduced a feedback process in April 2019, to obtain the comments and perceptions of those attending Committee meetings. The results to date have shown good or excellent performance overall, that some areas where influence and assurance could be improved, and that there is scope to improve aspects of discussion and engagement. The feedback is in line with the Committee's self-assessment, and reinforces the need to focus on our terms of reference at all times as we engage in each Committee item.

As set out in the action plan for the self-assessment, the Committee is committed to its own development both as individual members and as a collective, for which progress will be reviewed during 2019/20.

## **5. Key Observations 2018/19**

The Audit Committee Work Programme has been developed and discharged with the support of the Wales Audit Office, Internal Audit and other Council Officers, to deliver the Audit Committee terms of reference with a focus on the significant risks and challenges facing the Council.

The Committee has achieved an overview of the Council's priorities, risks and controls through the many items received through its Work Programme. The Committee has focussed on achieving assurance on the consistent approach across directorates to respond to the challenges of maintaining controls, displaying good governance and managing risks. Through engagement with senior officers, and receiving a range of management and independent assurances the Committee has gained a good understanding of the services provided and the challenges faced. We have responded proportionately with assurance and challenge, as appropriate, and documented within section 3 of this report, 'Our Work'.

In addition, the Committee has had the opportunity to challenge and discuss actions taken in response to both External and Internal Audit Reports, and we have undertaken focussed reviews of particular significant Council risks, through inviting senior risk owners to Committee meetings to provide detailed information and assurance. Through this information and engagement we have identified the assurance and coverage required to deliver our role, from which our Annual Opinion for 2018/19 and particular interests for ongoing focus as we move into 2019/20 are documented in the following section (6. Opinion of the Audit Committee 2018/19).

## **6. Opinion of the Audit Committee for 2018/19**

Based on the evidence presented to the Audit Committee during 2018/19, it is the considered view of the Committee that the Council does have, for the most part, sound internal 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 2019/20, include:

## **6.1 Budget Management**

The Audit Committee recognises the sustained financial pressure that the Council is under and notes that whilst the overall financial position was balanced, some particular directorates had significant overspends, for which controls have been in need of improvement.

The Audit Committee continues to raise concerns about the controls in place within directorates to achieve budget savings proposals put forward, which is increasingly important as the financial parameters within which the Council operate become further constrained. The Committee will be interested in the level of savings achieved in 2019/20 and will reinforce expectations for delivery given the significant financial pressures facing the Council.

## **6.2 Internal Control**

The continuing reduction in resources, together with a growing population and greater demand for public services, mean that the Council is facing significant challenges in how it delivers services. At a time when many decisions have to be finance driven, it is essential that internal controls are not neglected or impaired, and that strong controls operate throughout reformed processes and systems.

The Audit Committee has invited senior officers to attend each Committee meeting this year, to account for their delivery of good governance, risk management and internal control. In addition, the Audit Committee has continued to receive the details of all Internal Audits completed, and the respective assurance ratings. We have observed isolated internal control gaps in areas of Waste Management, and within certain Schools and School Traded services. Whilst the number of unsatisfactory Internal Audit opinions remain low, management must maintain sound systems of internal control and promptly address identified weaknesses. The Audit Committee is aware of the allegations of fraud within the Waste Management Service, which have been investigated within the Council and referred to the Police. Once associated disciplinary procedures have concluded, Audit Committee will seek assurance on the robustness of post investigation review.

The Committee receives a list of all Internal Audit recommendations raised and agreed, and visibility of updated management comments until the point of implementation. Whilst the Audit Committee has an overall assurance of internal control, we continue to require officers to account for services or functions where internal control weaknesses have been identified. We continue to challenge any impairment in stewardship and control of public funds and assets, seeking prompt and proportionate management actions. The Audit Committee has approved the 2019/20 Internal Audit Plan and will closely monitor its progress and findings over the year.

## **6.3 Financial Resilience (including Treasury Management)**

In a position of austerity, the Audit Committee will continue its consideration of the framework for financial decisions. The Audit Committee has received updates on financial resilience as part of the

finance updates and has welcomed the assurance to be gained from an ongoing external review of the Council Treasury Management activities, by the Council's Treasury Management advisors. The outputs of this review will inform our focus in 2019/20.

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.

## **6.4 Schools Governance & Compliance**

Audit Committee has raised concerns about governance and compliance matters in schools for some time, which are regularly responsible for a greater proportion of audit reports giving concern. This year, whilst we have received comfort from the assurances given through school governance themed audit work, certain schools have not achieved a satisfactory level of stewardship and internal control.

In view of an ongoing need for regular school governance assurance, Audit Committee has arranged to receive an update from the Director of Education and Lifelong Learning twice a year on the monitoring, controls and progress of governance improvements in Schools for which an assurance gap has been identified. This is with the understanding that Audit Committee can request the attendance of those directly responsible for governance at an individual school level, to a Committee meeting, in the event that assurances are not considered as acceptable.

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.

## **7. Looking ahead to 2019/20**

During the forthcoming municipal year, the Committee will continue to be guided by the Corporate Director Resources, the Audit Manager and the Internal and External Audit teams.

The Audit Committee's programme of work will continue to be aligned to delivering its terms of reference effectively. This will include monitoring the management of the existing matters highlighted in the 'Opinion of the Audit Committee 2018/19' as well any new issues, which require our attention.

The Committee's Work Programme will continue to ensure that its contribution to governance, risk management and control are maximised.

## **8. Audit Committee Membership 2018/19**

The Committee consists of four Independent Lay Members and eight Non Executive Councillors, elected by Council (detailed in Annex 3). Independent members are appointed for no more than two administrative terms with Council Members reappointed annually.

The Committee is serviced by Council Officers, principally the Corporate Director Resources (Section 151 Officer), and the Audit Manager. Representatives from the WAO also attend Audit Committee meetings.

The Audit Committee met on 5 occasions throughout the municipal period 2018/19 on the following dates: 26 June 2018; 18 September 2018; 13 November 2018; 22 January 2019 and 2 April 2019.

## 9. Attendance in 2018/19

Attendance 2018/19	Possible	Actual
<b>Independent Lay Members</b>		
Ian Arundale (Chairperson)	5	4
Hugh Thomas (Deputy Chairperson)	5	4
David Price	5	4
Gavin McArthur	5	4
<b>Non-Executive Councillors</b>		
Councillor Phil Bale	5	5
Councillor Jayne Cowan (stood down on 22.01.19)	4	4
Councillor Stephen Cunnah	5	4
Councillor Susan Goddard (appointed 28.02.19)	1	1
Councillor Nigel Howells	5	4
Councillor Chris Lay (stood down on 15.01.19)	3	1
Councillor Mary McGarry	5	5
Councillor Kanaya Singh	5	4
Councillor David Walker	5	5
Councillor Joel Williams (appointed 28.02.19)	1	1

All Committee Members received induction training prior to attending Audit Committee.

## 10. Audit Committee Contacts

<b>Ian Arundale</b> Chairperson of Audit Committee	<i>Please contact via the Audit Manager</i>
<b>Christopher Lee</b> Corporate Director Resources	029 2087 2300 <a href="mailto:Christopher.lee@cardiff.gov.uk">Christopher.lee@cardiff.gov.uk</a>
<b>Chris Pyke</b> Audit Manager	029 2087 3455 <a href="mailto:cpyke@cardiff.gov.uk">cpyke@cardiff.gov.uk</a>
<b>Ann-Marie Harkin</b> Engagement / Financial Audit Director, Wales Audit Office	029 2032 0562 <a href="mailto:info@wao.gov.uk">info@wao.gov.uk</a>
<b>Phil Pugh</b> Financial Audit Manager, Wales Audit Office	029 2032 0645 <a href="mailto:Phil.Pugh@audit.wales">Phil.Pugh@audit.wales</a>
<b>Sara-Jane Byrne</b> Performance Audit Manager, Wales Audit Office	029 2032 4085 <a href="mailto:sara-jane.byrne@audit.wales">sara-jane.byrne@audit.wales</a>

## Audit Committee Self-Assessment Action Plan

January 2019

Action	Status
1. All Audit Committee Members to ensure they have completed an Individual Assessment (against the CIPFA knowledge and skills framework)	Ongoing Activity <i>To be arranged for newer Members</i>
2. On a periodic basis, Audit Committee to receive briefings, training and questioning guidance on: <ul style="list-style-type: none"> <li>• Treasury Management</li> <li>• Internal Audit</li> <li>• Financial Management and Accounting</li> <li>• Counter Fraud</li> </ul>	Ongoing Activity <i>Commenced April 2019</i>
3. Audit Committee to continue to identify topics for 'focussed' Audit Committee items, and make best use of the reports received from internal /external audit, risk management and finance.	Ongoing Activity
4. Audit Committee to seek greater value for money (VFM) assurance through interactions with senior officers, and to require Directors to provide sufficient information and assurance on VFM in their reports to Committee.	Ongoing Activity <i>Commenced April 2019</i>
5. Audit Committee to request feedback from those invited to attend Committee meetings, on the performance and value of the meeting.	Ongoing Activity <i>Commenced April 2019</i>
6. Audit Committee to make 'recommendations' where appropriate, for the improvement of governance, risk management and control, and to monitor delivery.	Ongoing Activity
7. The Chairperson to continue to: <ul style="list-style-type: none"> <li>• Communicate the work, findings and outcomes of the Audit Committee through biannual newsletters, and to use any webcasting resource available for Committee meetings</li> <li>• Participate in networking opportunities, and to write to Welsh local Authority Audit Committee Chairs, to invite them to participate in a Chair's Network. <i>(Completed in February 2019)</i></li> </ul>	Ongoing Activity

## Audit Committee Assessments

### I. Collective Workshop – Self-Assessment

#### A) Self-Assessment of ‘Effectiveness’

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

Areas the Audit Committee can add value by supporting improvement		Overall Assessment
1.	Promoting the principles of good governance and their application to decision making.	<b>3</b>
2.	Contributing to the development of an effective control environment.	<b>5</b>
3.	Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	<b>4</b>
4.	Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	<b>5</b>
5.	Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence.	<b>4</b>
6.	Aiding the achievement of the authority’s goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.	<b>4</b>
7.	Supporting the development of robust arrangements for ensuring value for money.	<b>3</b>
8.	Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	<b>3</b>
9.	Promoting effective public reporting to the authority’s stakeholders and local community and measures to improve transparency and accountability.	<b>3</b>

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

Good practice questions		Yes	Partly	No
<b>Audit committee purpose and governance</b>				
1	Does the authority have a dedicated audit committee?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Does the audit committee report directly to full council? (applicable to local government only.)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Is the role and purpose of the audit committee understood and accepted across the authority?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Are there arrangements to hold the committee to account for its performance operating satisfactorily?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Functions of the committee</b>				
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?			
	• good governance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• assurance framework, including partnerships and collaboration arrangements	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• internal audit	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• external audit	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• financial reporting	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• risk management	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• value for money or best value	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• counter-fraud and corruption.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• Supporting the ethical Framework	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11	Has the committee maintained its advisory role by not taking on any decision-making powers that are not in line with its core purpose?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



Good practice questions		Yes	Partly	No
<b>Membership and support</b>				
12	Has an effective audit committee structure and composition of the committee been selected? This should include: <ul style="list-style-type: none"> <li>• separation from the executive</li> <li>• an appropriate mix of knowledge and skills among the membership</li> <li>• a size of committee that is not unwieldy</li> <li>• consideration has been given to the inclusion of at least one independent member (where it is not a mandatory requirement)</li> </ul>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13	Have independent members appointed to the committee been recruited in an open and transparent way and approved by full council?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14	Does the chair of the committee have appropriate knowledge and skills?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15	Are arrangements in place to support the committee with briefings and training?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
16	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
17	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18	Is adequate secretariat and administrative support to the committee provided?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Effectiveness of the committee</b>				
19	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
20	Are meetings effective with a good level of discussion and engagement from all members?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
21	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
22	Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
23	Has the committee evaluated whether and how it is adding value to the organisation?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
24	Does the committee have an action plan to improve any areas of weakness?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
25	Does the committee publish an annual report to account for its performance and explain its work?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## II. Individual Audit Committee Member Self-Assessments

### Knowledge

Knowledge Areas	Level of Knowledge					Strong +
	No	Limited	Mixed	Strong	Full/Complete	
1. Organisational knowledge	0%	0%	10%	80%	10%	90%
2. Audit committee role and functions	0%	0%	0%	70%	30%	100%
3. Governance	0%	0%	30%	60%	10%	70%
4. Internal audit	0%	0%	40%	50%	10%	60%
5. Financial management and accounting	0%	0%	40%	40%	20%	60%
6. External audit	0%	0%	10%	80%	10%	90%
7. Risk management	0%	0%	20%	70%	10%	80%
8. Counter fraud	0%	10%	40%	50%	0%	50%
9. Values of good governance	0%	0%	10%	70%	20%	90%
10. Treasury management	0%	0%	50%	40%	10%	50%

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### Application

Application	Level of Application					Strong +
	No	Limited	Mixed	Strong	Full/Complete	
1. Organisational knowledge	0%	0%	30%	70%	0%	70%
2. Audit committee role and functions	0%	0%	30%	50%	20%	70%
3. Governance	0%	10%	10%	70%	10%	80%
4. Internal audit	0%	10%	50%	30%	10%	40%
5. Financial management and accounting	0%	0%	50%	30%	20%	50%
6. External audit	0%	0%	40%	50%	10%	60%
7. Risk management	0%	0%	50%	40%	10%	60%
8. Counter fraud	0%	10%	60%	30%	0%	30%
9. Values of good governance	0%	0%	10%	90%	0%	90%
10. Treasury management	0%	10%	60%	30%	0%	30%

## III. Audit Committee Attendee Feedback

In April 2019, Audit Committee introduced a feedback form to measure its 'performance', 'assurance and influence' and 'discussion and engagement'.

This follows our self-assessment in January, where we felt we could do more to measure our value and performance. We have received our first feedback from those who attended our Audit Committee as follows.

**Areas of focus**

We will reflect in particular on our

- discussion and engagement, and
- assurance and influence in particular for the financial monitoring and management

Key	Score
1	Poor
2	Satisfactory
3	Good
4	Excellent

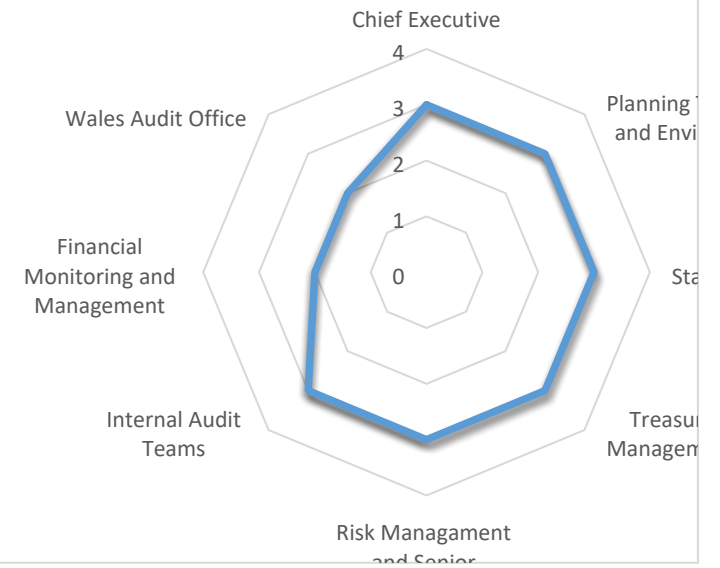
**Performance**






**Assurance and Influence (value)**



**Discussion and Engagement**



**Current Membership**

 <p><b>Ian Arundale (Chair)</b> (Independent Lay Member)</p>	<p>Ian Arundale is a self-employed Law Enforcement and Security Consultant. He was a police officer for 32 years serving in South Wales, West Mercia and Dyfed-Powys Police Forces rising to the rank of Chief Constable.</p> <p>Ian was the UK lead on behalf of the Association of Chief Police Officers (ACPO) for ‘Armed Policing’ policy and practice and chaired the UK ‘Conflict Management’ portfolio.</p> <p>He works internationally and has recently assisted police forces and organisations in the USA and New Zealand.</p> <p>Ian holds a diploma in Applied Criminology from Cambridge University, an MSc (Econ) degree in Criminology and Criminal Justice from Cardiff University and a BA (Hons) degree in Police Studies. He is a Fulbright Fellow and a graduate of the Prime Ministers ‘Top Management’ programme.</p> <p>In addition to his role with work with Cardiff Council, he is also a member of the Discipline Committee of the Royal College of Veterinary Surgeons and a board member of the International Law Enforcement Forum (ILEF). He was awarded the Queens Police Medal (QPM) in 2011.</p>
 <p><b>Hugh Thomas (Deputy Chair)</b> (Independent Lay Member)</p>	<p>Hugh Thomas, a retired Solicitor, pursued a Local Government career for forty years culminating in his being Chief Executive of Mid Glamorgan County Council (the largest local authority in Wales) for fifteen years. During this time, he served as Clerk to the South Wales Police Authority and Honorary Secretary of the Assembly of Welsh Counties. He retired in 1995.</p> <p>He has since chaired a number of public bodies and national voluntary organisations including those in the health and higher education sectors. He was Vice Chairman and Chair of the Audit Committee of the Wales Centre for Health.</p> <p>He was also a non-Executive Director of Welsh Water. He served as Chairman of The Regulatory Board for Wales 2010 – 2016.</p> <p>Currently, he is serving a second term as one of the fifteen Trustees of The National Library of Wales.</p>
 <p><b>David Price</b> (Independent Lay Member)</p>	<p>David Price is a self-employed Higher Education Consultant who provides bespoke services for UK, EU and North African clients. He formerly spent 25 years working for a number of UK universities and non-governmental departmental bodies in strategic planning and policy roles and served as a Pro Vice-Chancellor for a prominent Welsh university.</p> <p>Educated at the universities of Sheffield and Newcastle-Upon-Tyne and at schools in the UK and abroad, David is a graduate of the Leadership Foundation for Higher Education’s Top Management Programme.</p> <p>David’s professional interests focus on the development and application of performance systems, business intelligence, risk management, regulation and governance.</p>



**Gavin McArthur**  
(Independent Lay Member)

Gavin McArthur is an experienced internal audit and governance professional and qualified accountant. He is currently a senior audit manager for the Halfords Group. Prior to this, he was Head of Governance and Assurance for the Ministry of Justice Estates Directorate. He has also held senior management roles in internal audit functions in local and central government.

His professional experience and expertise lie in the fields of internal control, risk management, governance, internal audit, business case review, and performance management. He is also an independent member on the West Mercia Police and Warwickshire Police Joint Audit Committee.

Following a degree in Geological Sciences from Birmingham University, Gavin qualified as a CIPFA accountant with Coventry City Council where he undertook a range of financial management and accounting roles, including audit.

A keen sportsman, who played semi-professional football, Gavin has coaching qualifications in rugby, goalkeeping and strength and conditioning. He currently coaches at a local rugby club and for a university football team, and is an experienced Tai chi practitioner.



**Cllr Phil Bale**  
(Labour)

Serving the **Llanishen** Ward

**Terms of Office:** 03/05/2012 - 04/05/2017  
04/05/2017 -

**Serving on the following Committees:**

[Audit Committee](#)  
[Council](#)



**Cllr Stephen Cunnah**  
(Labour)

Serving the **Canton** Ward

**Terms of Office:** 04/05/2017 -

**Serving on the following Committees:**

[Audit Committee](#)  
[Children and Young People Scrutiny Committee](#)  
[Council](#)  
[Glamorgan Archives Joint Committee](#) Cardiff Council  
[Standards & Ethics Committee](#)

**Outside Bodies:**

[Chapter \(Cardiff\) Limited](#)



**Cllr Susan Goddard**  
(Labour)

*(appointed to  
Audit Committee on 28.02.19)*

Serving the **Ely** Ward

**Terms of Office:** 03/05/2012 - 04/05/2017  
04/05/2017 -

**Serving on the following Committees:**

[Appointment Committee - Programme Director, Schools Organisational Planning](#)

[Audit Committee](#)

[Community & Adult Services Scrutiny Committee](#)

[Constitution Committee](#)

[Council](#)

[Council Appeals Committee](#)

[Democratic Services Committee](#)

[Licensing Committee](#)

[Licensing Sub Committee](#)

[Public Protection Committee](#)

[Public Protection Sub Committee](#)

**Outside Bodies:**

[Cardiff Fostering Panel](#)



**Cllr Nigel Howells**  
(Liberal Democrats)

Serving the **Adamsdown** Ward

**Terms of Office:** 03/05/2012 - 04/05/2017  
04/05/2017 -

**Serving on the following Committees:**

[Audit Committee](#)

[Council](#)

[Council Appeals Committee](#)

[Economy & Culture Scrutiny Committee](#) (Chair)

[Pensions Committee](#)



**Cllr Kanaya Singh**  
(Labour)

Serving the **Riverside** Ward

**Terms of Office:** 04/05/2017 -

Serving on the following Committees:

[Audit Committee](#)

[Children and Young People Scrutiny Committee](#)

[Council](#)

Outside Bodies:

[Cardiff Bus](#)



**Cllr Joel Williams**  
(Conservative)

*(appointed to  
Audit Committee on 28.02.19)*

Serving the **Pontprennau & Old St Mellons** Ward

**Terms of Office:** 04/05/2017 -

**Serving on the following Committees:**

- [Appointment Committee - Assistant Director, Adult Services](#)
- [Appointment Committee - Assistant Director, Children's Services](#)
- [Appointment Committee - Assistant Director, Education & Lifelong Learning](#)
- [Appointment Committee - Principal Lawyer Litigation](#)
- [Appointment Committee - Programme Director, Schools Organisational Planning](#)
- [Audit Committee](#)
- [Council](#)
- [Council Appeals Committee](#)
- [Standards & Ethics Committee](#)

**Outside Bodies:**

- [Cardiff University Court](#)
- [South Wales Fire & Rescue Authority](#)

## Members who left In-Year



**Cllr Jayne Cowan**  
(Conservative)

*(stood down on 22.01.19)*

Serving the **Rhiwbina** Ward

**Terms of Office:** 03/05/2012 - 04/05/2017  
04/05/2017 -

**Serving on the following Committees:**

- [Council](#)
- [Glamorgan Archives Joint Committee](#) Cardiff Council

**Outside Bodies:**

- [South Wales Police and Crime Panel](#)



**Cllr Chris Lay**  
(Labour)

*(stood down on 15.01.19)*

Serving the **Trowbridge** Ward

**Terms of Office:** 04/05/2017 -



**Serving on the following Committees:**

- [Council](#)
- [Council Appeals Committee](#)
- [Democratic Services Committee](#)
- [Pensions Committee](#) (Deputy Chair)
- [Planning Committee](#) (Deputy Chair)

**Outside Bodies:**

- [Cardiff Bus](#)
- [Cymric Building Preservation Trust](#)
- [Flat Holm Consultative Group](#)

## Members standing down at the year-end

 <p><b>Cllr Mary McGarry</b> (Labour)</p>	<p>Serving the <b>Plasnewydd</b> Ward</p> <p><b>Terms of Office:</b> 03/05/2012 - 04/05/2017 04/05/2017 -</p> <p><b>Serving on the following Committees:</b> <a href="#">Community &amp; Adult Services Scrutiny Committee</a> <a href="#">Council</a></p> <p><b>Outside Bodies:</b> <a href="#">Standing Advisory Council for Religious Education (SACRE)</a></p>
 <p><b>Cllr David Walker</b> (Conservative)</p>	<p>Serving the <b>Lisvane</b> Ward</p> <p><b>Terms of Office:</b> 03/05/2012 - 04/05/2017 04/05/2017 -</p> <p><b>Serving on the following Committees:</b> <a href="#">Appointment Committee - Head of Performance &amp; Partnerships</a> <a href="#">Council</a> <a href="#">Employment Conditions Committee</a> <a href="#">Policy Review and Performance Scrutiny Committee</a> (Chair)</p>





## CYNGOR CAERDYDD CARDIFF COUNCIL

**COUNCIL:**

**12 SEPTEMBER 2019**

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### **COMPLIANCE REPORTS 2018/19 - STATEMENT OF ACCOUNTS, ANNUAL GOVERNANCE STATEMENT AND ANNUAL TREASURY MANAGEMENT REPORT**

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**Appendix 9, Annexes B & C are not for publication as they contain exempt information of the description in paragraph 14 and 21 of schedule 12A of the Local Government Act 1972.**

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

1. The Statement of Accounts for 2018/19 are presented in order to meet the requirement of the Accounts and Audit (Wales) Regulations 2014 (as amended). This provides that the Statement of Accounts be approved by a relevant committee or by the Council meeting as a corporate body, such approval to take place before the 15 September immediately following the end of the financial year. The report also includes the Annual Governance Statement (AGS) which is required to be approved by Council.
2. The International Standard on Auditing (ISA) 260 requires the Appointed Auditor to report to those charged with governance, on the key matters arising from the audit examination of the Statement of Accounts for the year ending 31 March 2019.
3. In accordance with the Council's Treasury Management Policy Statement, the Annual Treasury Management Report for 2018/19 is presented based on the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice.

#### **Background**

4. The audited Statement of Accounts for the County Council of the City and County of Cardiff (the Council) and the Cardiff Harbour Authority are shown in Appendix 1. Cardiff and Vale of Glamorgan Pension Fund audited Statement of Accounts for the financial year 2018/19 are shown in Appendix 2. Regulations and the Council's constitution require that the audited accounts are approved by Council by the 15 September. The Annual Governance Statement is attached at Appendix 3.
5. The draft accounts and Annual Governance Statement were presented to the Audit Committee on 25 June 2019. Subsequent to this, they were presented to Wales Audit Office ahead of the statutory deadline of 15 June 2019.
6. The accounts were available for public inspection between 18 June 2019 and 15 July 2019 as required by the Public Audit (Wales) Act 2004 and Accounts and Audit (Wales) Regulations, 2014 (as amended).

7. The Audit Committee also met on the 10 September 2019 where the “Audit of Financial Statements Reports” for the Council, Cardiff and Vale of Glamorgan Pension Fund and Cardiff Harbour Authority were presented by Wales Audit Office.

## Issues

8. As part of its role in scrutinising the Council’s Statement of Accounts, Audit Committee has received a number of reports during the year on the statements as well as the AGS. The Council has continued its proactive approach to improvement of the statements in relation to readability, content and information provided. Work undertaken by Finance during the year includes:
  - a proactive approach and relationship with Wales Audit Office raising key issues likely to impact on the accounts prior to their development
  - increasing the opportunity to undertake earlier testing and review of any notes to the accounts
  - agreement of audit deliverables with Wales Audit Office to support a continual improvement process in working papers
  - support for audit including prompt and more complete responses to queries to facilitate the audit.
9. Following an extensive period of audit examination, there are no material misstatements which remain uncorrected.
10. Historically, the Council has always ‘corrected’ all amendments required in producing the final Statement of Accounts. However, moving forward, the Council will need to consider the acceptability of the final statements containing non-material misstatements. This is due to the earlier statutory deadlines for submission, audit and approval of the final accounts in future years as some issues identified during the audit may:
  - not be material to the accounts and the impact on the readers interpretation of the accounts
  - may be technical adjustments only have no impact on the in year financial performance of the Council
  - may be corrected in the following financial year as part of annual review processes
  - may require a significant level of officer time to feed through in to the accounts, particularly given the integration of various notes.
11. Acceptance of uncorrected misstatements which is already common place in other local authorities, will support the Council in meeting significantly condensed timescales for the approval of the Council’s accounts in future years. For 2020/21 this is 31 July 2021.
12. Audit Committee will consider a future report setting out a potential approach to materiality and leaving misstatements as uncorrected. Wales Audit Office guidance for members when evaluating the impact of misstatements identified as part of the audit is included as Appendix 4.
13. The appendices to this report include Audit of Financial Statement reports (ISA 260’s) 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 Accounts**

14. The auditor's "Audit of Financial Statements Report" for the Council is attached as Appendix 5.
15. Wales Audit Office 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. There are no misstatements identified in the financial statements, which remain uncorrected. Any corrected misstatements are shown in Appendix 5.
16. The Audit of Financial Statements Report highlights a number of other qualitative and quantitative findings and recommendations with the main comments 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, albeit information in respect of technical accounting adjustments were in some cases delayed.
  - 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, but we have identified some areas for improvement.
  - There are no other matters specifically required by auditing standards to be communicated to those charged with governance.
  - There were two significant matters discussed and corresponded upon with management which we need to report to you. Firstly impact on the Pension Fund liability in respect to a legal judgement impacting on the National Local Government Pension Scheme after the accounts were prepared and also to seek updates on the continuing discussions with HMRC in respect to Landfill Tax.

## **Cardiff and Vale of Glamorgan Pension Fund Accounts**

17. The auditor's "Audit of Financial Statements Report" for the Pension Fund is attached as Appendix 6.
18. Wales Audit Office 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 Appendix 6.
19. The Wales Audit Office Audit of Financial Statements Report indicates there were no other qualitative and quantitative findings as 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.
- There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.

### **Cardiff Harbour Authority Accounts Cardiff Port Health Authority**

20. The auditor's "Audit of Financial Statements Report" for the Cardiff Harbour Authority is attached as Appendix 7.
21. Wales Audit Office 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 Appendix 7.
22. The Wales Audit Office Audit of Financial Statements Report indicates there were no other qualitative and quantitative findings as summarised below:
  - We have no concerns about the qualitative aspects of your accounting practices and financial reporting.
  - 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.
23. The external auditor is also required to audit the annual return of the Cardiff Port Health Authority (CPHA) and the audit opinion is attached at Appendix 8.

### **Overview of the External Auditor's Audit Opinion**

24. Local authority financial statements are complex and can be difficult to understand: they must comply with CIPFA's Local Authority Code of Practice, which is based on International Financial Reporting Standards (IFRS), and also the requirements of accounting and financing regulations of central government.
25. Officers of the Council have worked extremely closely with Wales Audit Office in support of their audit role and will take forward any recommendations from the Audit.
26. Future years changes in the Statement of Accounts include:
  - The need to continue to minimise the period over which the accounts are prepared, audited and published as a result of changes in legislation. The 2020/21 accounts will need to be approved by 31 July 2021 and will need

consideration of changes to governance, Council processes and audit approach in order to meet this timescale.

- The need to consider the acceptability of uncorrected misstatements to meet condensed timeframes for approval of the accounts
- Implementation of new accounting requirements such as changes to leasing potentially from 2020/21.

### **Annual Governance Statement (AGS)**

The AGS was submitted to the Audit Committee on 25 June 2019 for review. Feedback from this review and the Wales Audit Office review have been considered and included in a revised statement included in Appendix 3.

### **Treasury Management Annual Report 2018/19**

27. The Treasury Management Annual Report is attached at Appendix 9. It sets out the economic background within which treasury activities were conducted, the position on investments and borrowing at 31 March 2019, compliance with indicators set in the budget report for the year and sets out key issues that are being monitored closely in 2019/20 that could impact on treasury activities.
28. The Annual Report has been reviewed by Audit Committee on 10 September 2019 in accordance with their terms of reference.
29. The overall position on investments and external borrowing are:
  - At the 31 March 2019, investments stood at £93.3 million and were deemed to be fully recoverable. The overall level of interest receivable from treasury investments totalled £0.7 million.
  - The organisations with whom the Council invest with continue to be monitored closely by the Council together with its Treasury Advisors. This is in accordance with the criteria set out in the Council's Investment Strategy for 2018/19, with diversification sought where possible.
  - At the 31 March 2019, the Council had £721.9 million of external borrowing in order to pay for historical capital expenditure, with a further £45 million being internal borrowing. The former is predominantly made up of fixed interest rate borrowing from the Public Works Loan Board payable on maturity. The average rate on the Council's external borrowing is 4.53% at the 31 March 2019 and total interest paid on the external debt, which includes the Housing Revenue Account, was £32.2 million.
30. An update on the 2019/20 Mid-Year Treasury Management position will be provided to Council in November 2019.

### **Legal Implications**

31. The Report is reported to Council to meet statutory, regulatory and codified requirements to do so.

## Financial Implications

32. This report is presented to Council in discharge of its duty to approve the Council's audited accounts on or before 15 September of the year relating to the end of the accounting period and also to receive the annual Treasury Management Report for 2018/19 in accordance with Council Treasury Management Policy.
33. The Council's financial standing as set out in the Financial Statements, the Appendices and this report will be considered as part of the budget report for 2020/21.

## RECOMMENDATIONS

Council is requested to:

1. Approve the audited Statement of Accounts 2018/19 – County Council of the City and County of Cardiff as well as Cardiff Harbour Authority (Appendix 1).
2. Approve the Statement of Accounts 2018/19 – Cardiff and Vale of Glamorgan Pension Fund (Appendix 2).
3. Approve the Annual Governance Statement 2018/19 (Appendix 3)
4. Note the Audit reports of the Wales Audit Office on the Statement of Accounts of County Council of the City and County of Cardiff, Cardiff and Vale of Glamorgan Pension Fund, Cardiff Harbour Authority and Cardiff Port Health Authority for the year ending 31 March 2019 (Appendices 5, 6, 7 and 8).
5. Note the final Letters of Representation for the County Council of the City and County of Cardiff, Cardiff and Vale of Glamorgan Pension Fund and Cardiff Harbour Authority.
6. Note that the following documents will be formally signed at the conclusion of the meeting:
  - Statement of Accounts for County Council of the City and County of Cardiff – Lord Mayor and Corporate Director Resources
  - Statement of Accounts for Cardiff and Vale of Glamorgan Pension Fund – Lord Mayor and Corporate Director Resources
  - Statement of Accounts for Cardiff Harbour Authority – Corporate Director Resources
  - Annual Return of Cardiff Port Health Authority – Lord Mayor and Corporate Director Resources
  - Annual Governance Statement – Leader of the Council and Chief Executive
  - Audit Certificate for the County Council of the City and County of Cardiff, Cardiff and Vale of Glamorgan Pension Fund and Cardiff Harbour Authority – Appointed Auditor, Wales Audit Office. To be signed at a later date
  - Letters of Representation for the County Council of the City and County of Cardiff – Corporate Director Resources and Lord Mayor
  - Letter of Representation for Cardiff and Vale of Glamorgan Pension Fund – Corporate Director Resources and Lord Mayor
  - Letters of Representation for Cardiff Harbour Authority – Corporate Director Resources and Lord Mayor.
7. Note the Treasury Management Annual Report for 2018/19 (Appendix 9).

**CHRISTOPHER LEE**  
**Corporate Director Resources**

The following appendices are attached:

Appendix 1 – Statement of Accounts 2018/19 – County Council of the City and County of Cardiff as well as Cardiff Harbour Authority

Appendix 2 – Statement of Accounts 2018/19 – Cardiff and Vale of Glamorgan Pension Fund

Appendix 3 – Annual Governance Statement 2018/19

Appendix 4 – Wales Audit Office - Guidance when evaluating the impact of misstatements

Appendix 5 – Wales Audit Office - Audit of the Financial Statements Report 2018/19 (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 2018/19 (ISA 260) and Letter of Representation – Cardiff and Vale of Glamorgan Pension Fund

Appendix 7 – Wales Audit Office - Audit of the Financial Statements Report 2018/19 (ISA 260) and Letter of Representation – Cardiff Harbour Authority

Appendix 8 – Wales Audit Office - Cardiff Port Health Authority Annual Report audit opinion

Appendix 9 – Treasury Management Annual Report 2018/19

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# Statement of Accounts 2018/19

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



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

# Narrative Report by Council's Statutory Finance Officer



## Introduction

This report presents the 2018/19 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 2018/19.

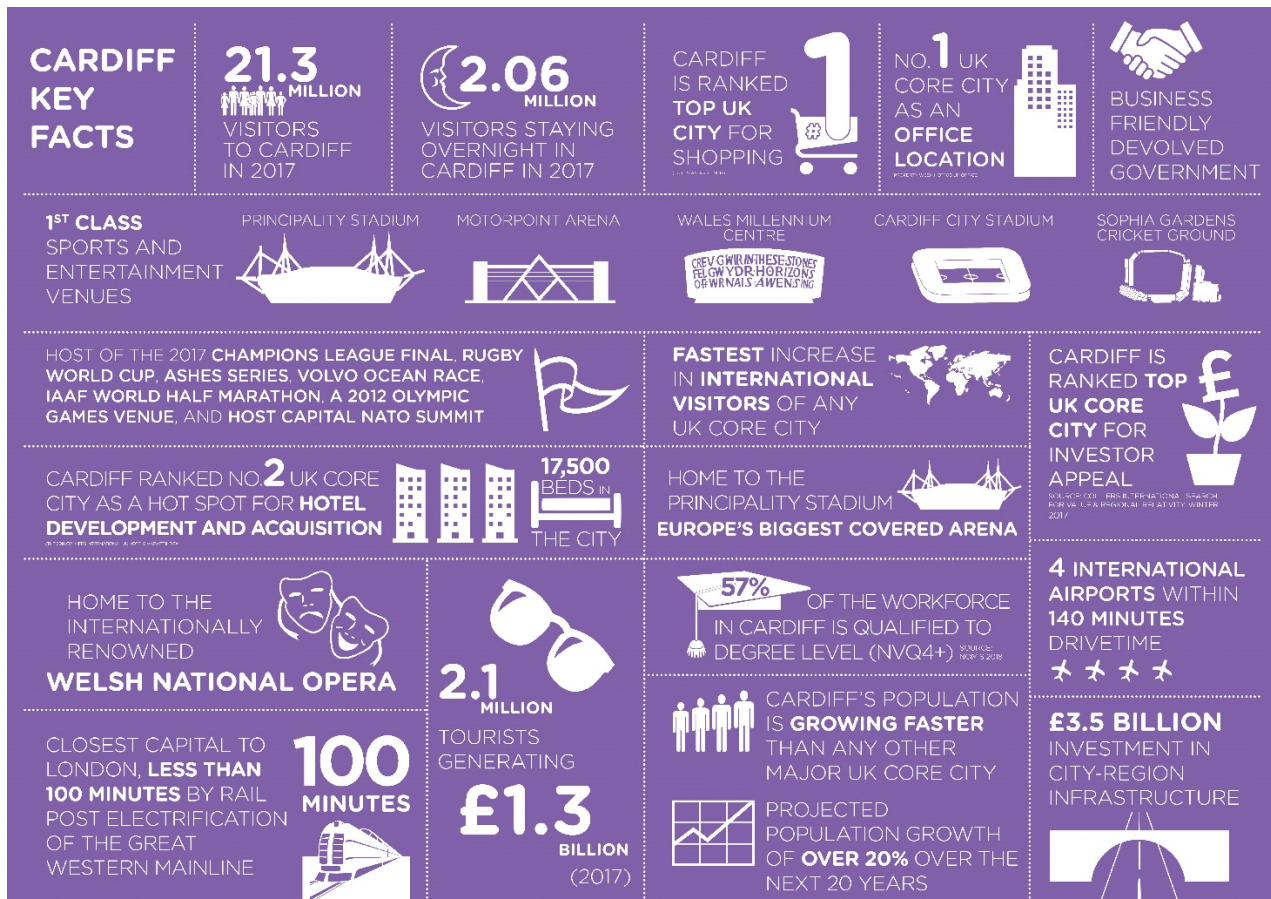
The cumulative savings made by the Council over the past 10 years are over £220 million and the financial outlook for future years remains extremely challenging. The process of identification of savings, modernisation and improvement to ensure resilient services is a continuous one and will need to be 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.

## Our City

Cardiff is a city in the south east of Wales, covering an area 140 square kilometres. It is the 11<sup>th</sup> largest city in the United Kingdom with a population of 367,000 living in approximately 151,000 homes.

Cardiff is now a true economic, cultural and political capital city. A city of strong and safe communities, great schools and universities, creative, talented, and welcoming people. Its economy is growing, jobs and businesses are being created, and unemployment is at its lowest level this decade.

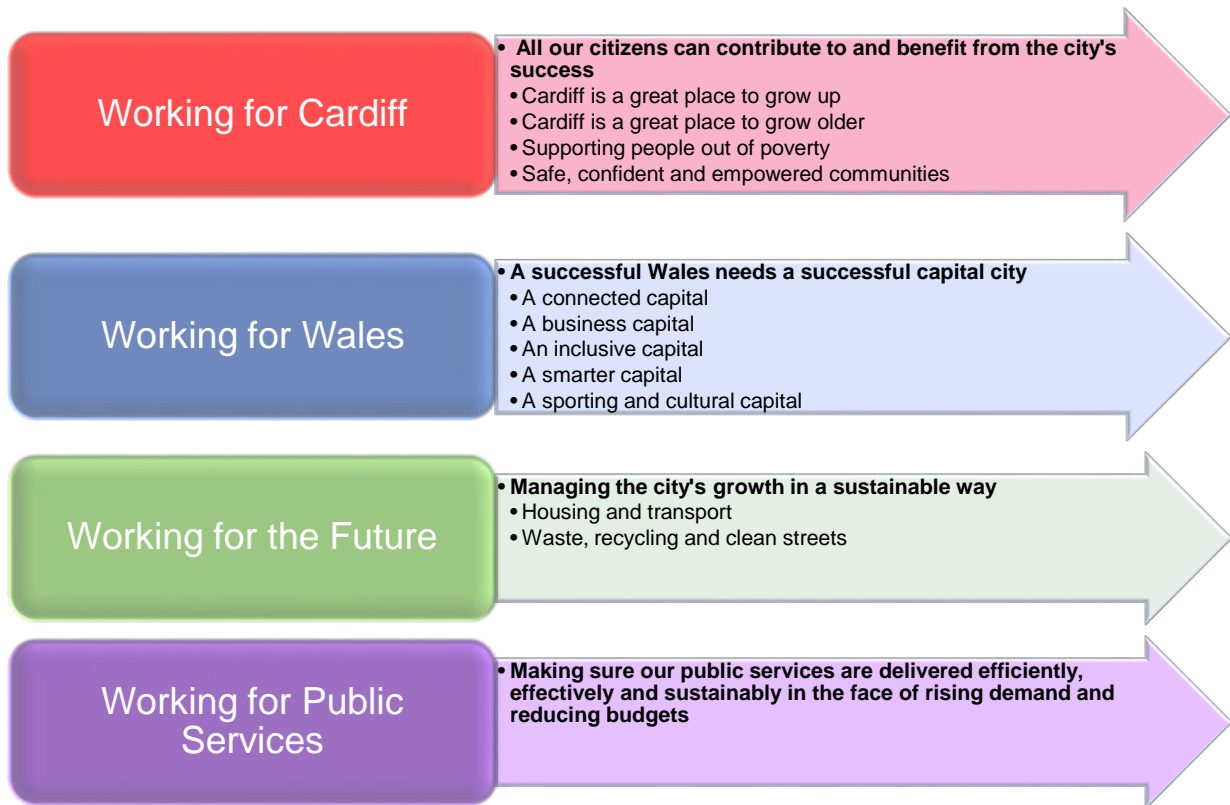
As well as those living in the city, nearly 100,000 people commute to Cardiff every day from across the city region. However, like all cities, Cardiff has its challenges and health, social and economic inequalities exist within the city. Economic success has brought pressures such as congestion, air pollution and a demand for affordable housing.



## Our Capital Ambition

The Council, through its Capital Ambition, explains how it aims to address the above challenges by embarking on a programme of action, with commitments and targets to move forward in the face of significant budgetary constraints.

Its four priorities are driven by the ambition to ensure everyone is included in the city's success and will have a home where they can achieve their aspirations, regardless of their background or where they grew up. Tackling poverty and inequality is at the heart of everything we do.



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.

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.

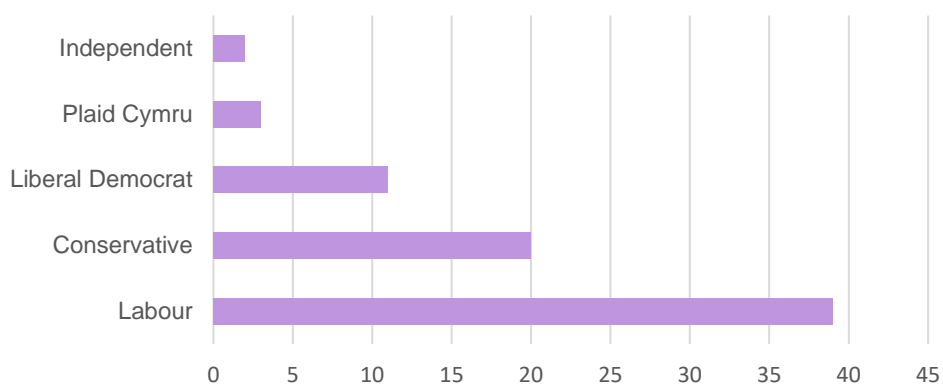
## Our Services and the way we work

The Council provides over 700 services, supporting local communities and improving the lives of local people, some of which are shown below.

<b>Planning, Transport and Environment</b> <ul style="list-style-type: none"> <li>· Bereavement and registration</li> <li>· Highways infrastructure and street cleansing</li> <li>· Transport and civil parking enforcement</li> <li>· Waste collection, recycling, treatment, disposal and education</li> <li>· Schools transport</li> </ul>	<b>Economic Development</b> <ul style="list-style-type: none"> <li>· Business and investment</li> <li>· Regeneration and major projects</li> <li>· Corporate Landlord</li> <li>· Culture, venues, and tourism</li> <li>· Leisure, parks and sport</li> </ul>
<b>People and Communities - Housing and Customer Services</b> <ul style="list-style-type: none"> <li>· Community hubs and libraries</li> <li>· Customer facing services e.g. preventative and 'Into work' services</li> <li>· Independent living and community alarm</li> <li>· Adult and community learning</li> <li>· Housing Revenue Account – Council dwellings management</li> </ul>	<b>People and Communities - Social Services</b> <ul style="list-style-type: none"> <li>· Adult learning disabilities and mental health</li> <li>· Youth offending</li> <li>· Children's safeguarding, early help, fostering and residential services</li> <li>· Support for older people and those with physical disabilities</li> <li>· Day, residential and nursing care</li> </ul>
<b>Education and Lifelong Learning</b> <ul style="list-style-type: none"> <li>· Nursery, primary, secondary and special schools</li> <li>· Youth and community education and community learning</li> <li>· Achievement and inclusion</li> <li>· Schools catering</li> </ul>	<b>Resources</b> <ul style="list-style-type: none"> <li>· Finance, Human resources</li> <li>· Commissioning and procurement</li> <li>· ICT, customer and digital services</li> <li>· Performance and partnerships</li> </ul>
<b>Corporate Management</b> <ul style="list-style-type: none"> <li>· Precepts, levies and contributions</li> <li>· Corporate initiatives</li> </ul>	<b>Resources - Governance and Legal Services</b> <ul style="list-style-type: none"> <li>· Democratic, electoral, and legal services</li> <li>· Scrutiny, member and bilingual services</li> </ul>

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

Cardiff Councillors - Political Party Representation



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.

Council selects a **Lord Mayor** annually to perform a civic role, promote the city and chair Council meetings. They also appoint a **leader** of the Council who appoints **Cabinet Members**, each with responsibility for a specific 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 say in matters concerning the Council
- producing reports and recommendations to support the development of policies and decisions
- having the ability to review a decision which has been made but not yet implemented.

**Regulatory and other committees** support delivery of Council services. Council has given Audit Committee the responsibility for the review of the Financial Statements for the Council.



The Council's **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 are responsible for:

- providing impartial advice on policy and implementing decisions of the Cabinet and Council and
- delivery of services and performance.

Our **Workforce** comprises 5344 'full time equivalent' employees as well as 6600 schools based employees.

## Our Performance 2018/19

### Cardiff is a great place to grow up

**95%** of primary school children and **82%** of secondary school children secured their first choice schools (90% and 76% in 2017-18).

**56%** of primary schools and **50%** of secondary schools were categorised as green (53% and 38% in 2017/18).

**90.2%** of pupils achieved core subjects at the end of KS2 academic year (Wales average 89.5%).

**60.4%** of pupils achieved 5 GCSEs grades A\* to C at the end of KS4 compared (Wales average 53.1%).

**50%** of children with a care and support plan were supported to remain living with their family.



### Cardiff is a great place to grow old

**8,351** people were helped to remain independent through alternative solutions provided by Independent Living (275 increase on 2017-18 figure of 6,551).



**86%** of people who feel reconnected into their community through intervention from day opportunities.

### Supporting people out of poverty

The Council has supported **88** employers across Cardiff to become accredited Living Wage Employers, this has increased from 62 organisations in 2017-18.

**181** apprenticeships and traineeships were created by the Council (47% increase on 2017-18 figure of 123).

**45,497** people accessed 'Into Work' advice to help citizens to develop skills and find employment opportunities (42,371 in 2017-18).



### Safe, Confident and Empowered Communities

**2,840,127** visits to Cardiff's various sports and leisure sites across the City (2,714,916 in 2017-18).

**3,400,748** citizens visited our libraries and hubs (3,344,686 in 2017-18).



**608** Council Employees have participated in Welsh language courses and awareness training.



### A Capital City that Works for Wales

**2,070** new and safeguarded jobs supported across the City.

**22.170m** visitors (22.050m in 2017-18).

**2.065m** staying visitors (2.062m in 2017-18).



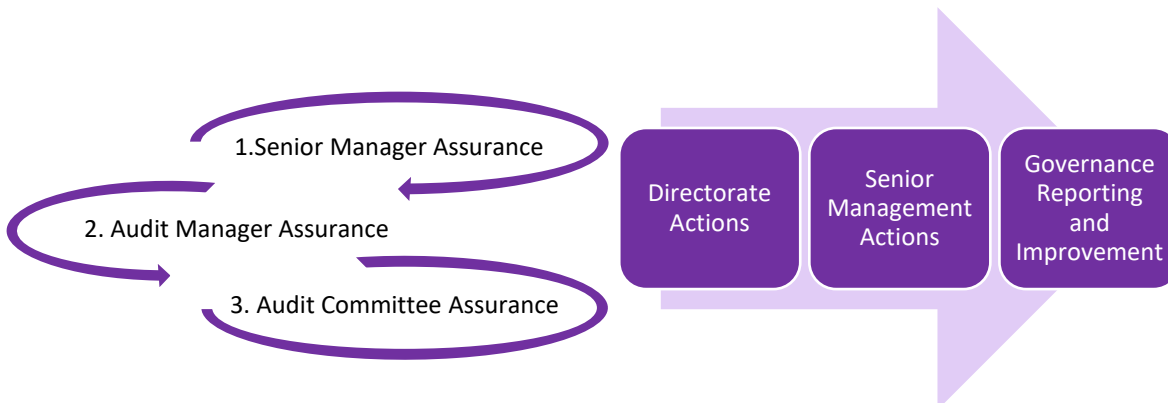
<p>966 children and adults in need of care and support using the Direct Payments Scheme, this has increased from 908 in 2017-18.</p>	
<p><b>Cardiff Grows in a Resilient Way</b></p> <p>48.1% of people travelled to work by sustainable methods compared to 45.8% of people in 2017-18          13.7% of people in Cardiff used cycling as a mode of transport to travel to work (11.4% in 2017-18).</p>  <p>3.50% of principal A roads were in overall poor condition, this has improved from 3.70% in 2017-18.</p> <p>99.33% of reported fly tipping incidents were cleared in 5 working days.</p> <p>£46 million was invested on improving or building new schools.</p>	<p><b>Modernising and integrating Our Public Services</b></p> <p>Since its launch the Cardiff App has been downloaded <b>11,740</b> times, across both android and iOS devices.</p> <p>This has seen an increase to <b>946,019</b> customers choosing to use digital channels to contact the Council on areas such as Council Tax, housing, planning and waste collection. (784,467 in 2017-18).</p>  <p>The Council continues to see an increase in the number of customers choosing to interact via social media channels, with approx. 112,000 followers.</p>

## Our Governance, Risks and Financial Outlook

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. 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/Pages/default.aspx>

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.

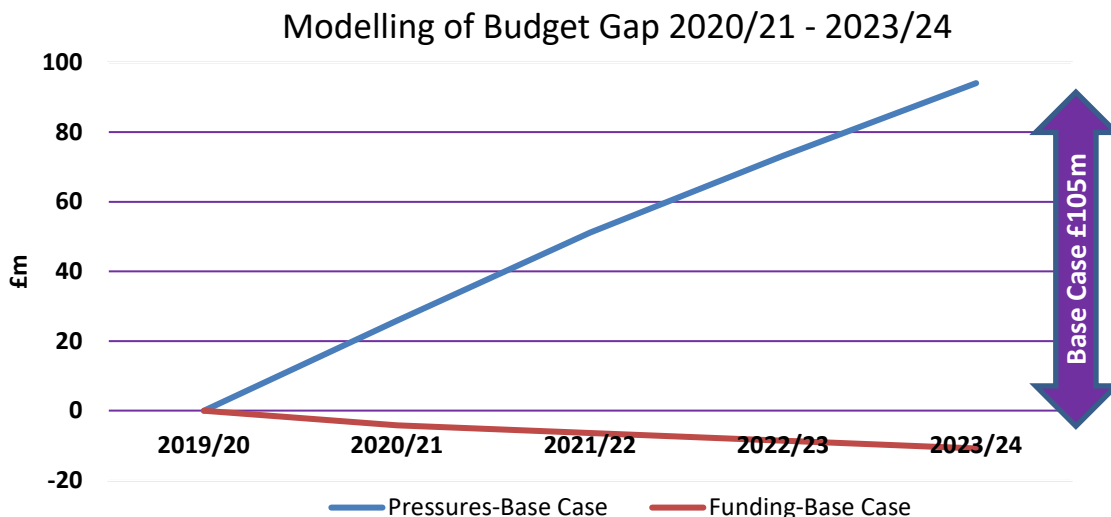


The Council's risk management regime supports the identification, assessment, reporting and management of risks in directorate, corporate, programme and project activities. It involves quarterly risk assessments to support the timely identification and escalation of the Council's most critical risks 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 2019, there are eleven 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

City Security	<ul style="list-style-type: none"> <li>Major security-related incident in the city as a result of international or domestic terrorism</li> </ul>
Coastal Erosion	<ul style="list-style-type: none"> <li>Breach of current defences resulting in widespread flooding</li> </ul>
Air Quality & Clean Air	<ul style="list-style-type: none"> <li>Failure to address the impact of poor air quality on the health of our communities</li> </ul>
Welfare Reform	<ul style="list-style-type: none"> <li>Failure to meet its statutory obligations placed upon it by the Welfare Reform including Universal Credit, Benefit Cap reductions, size restrictions for social tenants, removal of automatic entitlement to housing cost for under 21s and changes to funding for supported housing</li> </ul>
Schools Delegated Budgets	<ul style="list-style-type: none"> <li>Secondary Schools with deficit budgets do not deliver agreed deficit recovery plans</li> </ul>
Brexit	<ul style="list-style-type: none"> <li>The risk that Brexit (and any subsequent decisions) will create severe disruption to the city and hinder its ability to continue to deliver effective services and maintain community cohesion</li> </ul>
Waste Management	<ul style="list-style-type: none"> <li>Failure to meet statutory recycling targets and deliver cost effective compliance with waste management legislation</li> </ul>
Building Equipment Maintenance	<ul style="list-style-type: none"> <li>Ineffective application of statutory equipment maintenance responsibilities for council buildings</li> </ul>
ICT Platforms Unsuitable/Outdated	<ul style="list-style-type: none"> <li>Risk that 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</li> </ul>
Increase in Demand (Children's Services)	<ul style="list-style-type: none"> <li>Failure to effectively manage demand resulting in an increase in the number of looked after children, and the service and financial pressures this presents</li> </ul>
Cyber Security	<ul style="list-style-type: none"> <li>Management - risk of an inability to assess how and when systems are being used, leading to an ineffective response to deliberate attacks or accidental user activity</li> <li>Corporate cloud security - risk of weaknesses in externally hosted services</li> </ul>

The 2019/20 budget report agreed by Council in February 2019 addressed a budget gap of £32.4 million including £19.2 million of savings. The budget gap between 2020/21 and 2023/24 is estimated to be £105 million.



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 0.5% p.a, whilst costs are expected to rise significantly. These are 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, review of expenditure, increases in Council Tax, strength based practice and preventing escalation of need 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; to address air quality; economic regeneration and for sustainable travel schemes such as cycling. 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 2019/20, which is available on the Council's website at the following address.

<http://cardiff.moderngov.co.uk/documents/s27709/Council%2028%20Feb%202019%20Budget%20FINAL.pdf>

### **Financial Performance 2018/19**

Along with the rest of local government, the Council has faced significant challenges in funding its services. The 2018/19 budget was set against this backdrop of financial uncertainty and increasing demand for our services. During the year, the Council developed a Medium Term Financial Plan based on a rolling four-year period from 2018/19 to 2021/22, ensuring that resources are aligned to outcomes in the Corporate Strategy.

Council approved the 2018/19 budget in February 2018, which addressed a budget shortfall of £25.248 million. This was bridged by a combination of savings, use of earmarked reserves, a cap on schools non demographic growth and a 5.0% Council Tax increase.

### **Revenue Expenditure and Funding**

Revenue expenditure covers the cost of the Council's day-to-day operations and contributions to and from reserves.

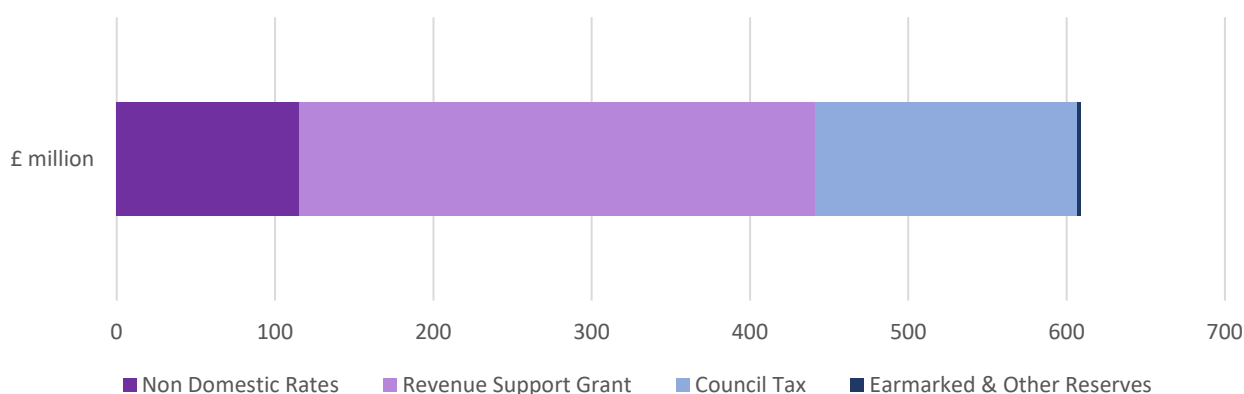
The final revenue outturn shows expenditure within the overall 2018/19 net revenue budget of £608.913 million. Favourable variances within the summary Revenue Account enabled contributions to be made to a number of strategic earmarked reserves that will support financial resilience of the Council in the medium term.

Directorate	Net Expenditure Budget £000	Net Expenditure Outturn £000	Variance (Under)/Over £000
Corporate Management	23,191	23,638	447
Economic Development	6,648	7,141	493
Education & Lifelong Learning	255,376	256,308	932
People & Communities - Housing & Communities	44,394	43,860	(534)
People & Communities - Social Services	168,232	171,110	2,878
Planning, Transport & Environment	44,995	46,260	1,265
Resources - Governance & Legal Services	5,367	5,612	245
Resources	20,374	20,001	(373)
<b>Directorate Outturn Subtotal</b>	<b>568.577</b>	<b>573.930</b>	<b>5.353</b>
Capital Financing	35,236	34,844	(392)
General Contingency	3,000	0	(3,000)
Summary Revenue Account inc. Council Tax collection and NDR refunds and Discretionary Relief	2,100	139	(1,961)
<b>Total Council Outturn</b>	<b>608.913</b>	<b>608.913</b>	<b>0</b>

The budget monitoring process identified financial pressures in a number of directorates, notably Social Services, Planning Transport & Environment 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 2018/19 budget.

This is reflected in the overall directorate outturn position showing a Directorate overspend of £5.353 million. This was managed by the release of the £3 million general contingency held to reflect the quantum risk and planning status of proposed savings as well as savings from other areas including Council Tax collection, NDR refunds on Council properties, Capital Financing and the Summary Revenue Account.

How Revenue budget was paid for



- 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 collectable by Cardiff for 2018/19 totalled £194.593 million of which Cardiff received £115.383 million after redistribution by Welsh Government. The in-year collection rate was 96.8%.
- Revenue Support Grant of £325.564 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 £166.417 million funds just over a quarter of the Council's net expenditure. The in-year collection rate was 97.4%.

### Housing Revenue Account (HRA)

The Housing Revenue Account is a ring-fenced account shown within the Housing and Communities directorate. It includes income from rents and expenditure on managing the housing stock and related services.

- The council has 13,466 dwellings at March 2019.
- The average weekly net rent for 2018/19 was £101.68.
- Income including rent and charges for services totalled £77.653 million.
- Revenue expenditure included £22.434 million on repairs and maintenance, £24.499 million on supervision and management and £32.640 million on interest, provision for the repayment of debt and towards capital expenditure.

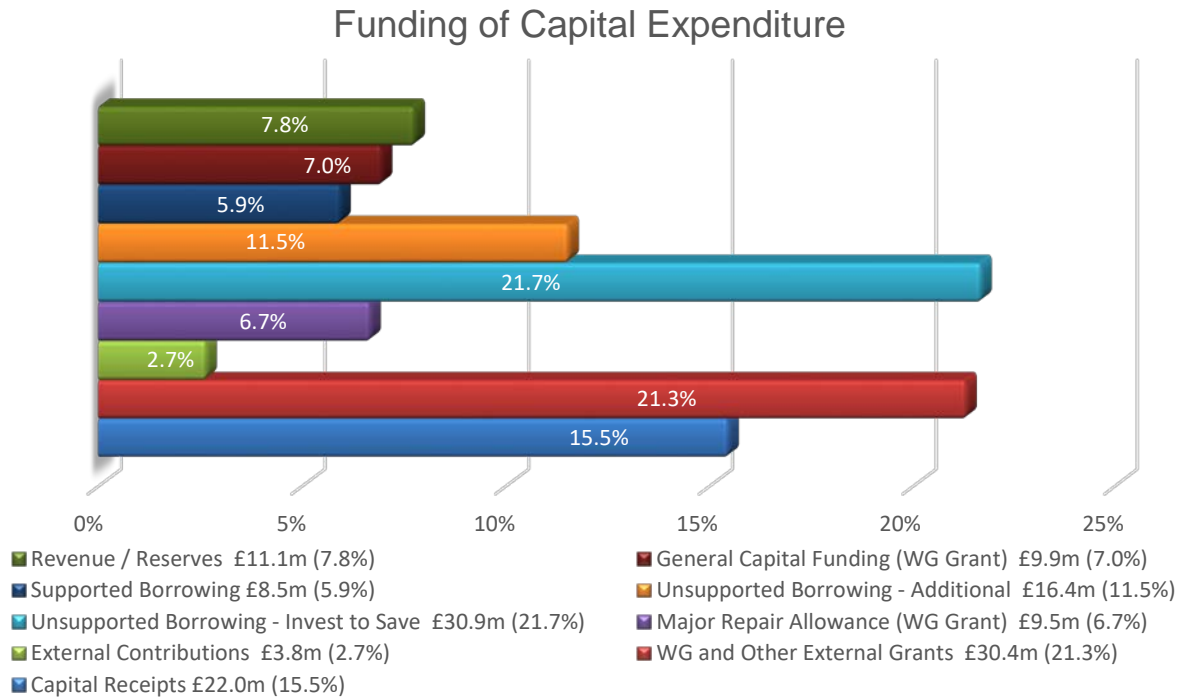
### Capital Expenditure and Funding by the Council

Capital investment forms a large part of our spending. The Council has an ambitious capital programme to deliver projects that are fundamental to the Council achieving its aspirations to re-shape how we deliver our services as well as helping to unlock revenue savings and efficiencies to secure our non-financial stability. Capital spending during the year totalled £142.5 million

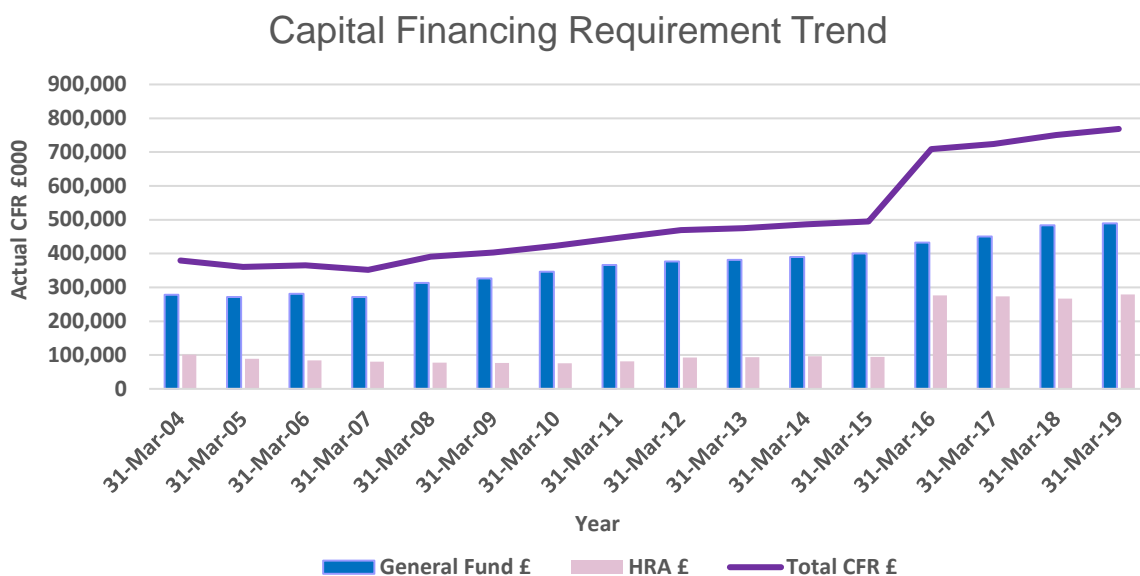
Schemes	Detail	£m
Housing, Neighbourhood Regeneration	Disabled adaptation grants, allowing people to live independently in their homes; environmental and shop front improvements and a comprehensive regeneration scheme for Maelfa Centre in Llanedeyrn including creation of new shop units; completion of St Mellons Hub.	8.4
Education & Lifelong Learning	Completion of the Band A Investment Programme including a new High school in the West and three new primary schools; extensions of facilities at a number of schools; investment in the condition and suitability of school buildings and development costs for the start of the Band B projects.	46.6
Highways & Transportation	Road and footpath reconstruction and resurfacing; Greener Grangetown rainwater management scheme; public transport and road safety improvements; cycling strategy implementation and expansion of cycle hire scheme; investment in safe routes in communities; design works for city centre air quality measures.	17.6
Leisure Facilities & Parks	Investment in leisure sites retained by the Council as well as sites operated by GLL; athletics track and parks play equipment replacement; outdoor sports facilities and infrastructure improvements.	4.0
Property, Economic Development and Major Projects	Public realm improvements at Central Square; acquisition of land at Britannia Park, international sports village and as part of the investment property strategy; condition improvements of operational buildings; town centre loan initiatives.	17.9
City Deal	Contribution towards first project of Cardiff Capital Region City Deal – Semiconductor facility	2.9
Other	Modernising ICT to improve business process; Energy efficiency in buildings; harbour asset renewal; Waste Recycling and collection improvements; acquisition of previously leased road salt gritters and waste collection vehicles; day centre improvements.	6.2
Public Housing	Improvement of current housing stock, estate regeneration and creation of new Council housing	38.9
<b>Total capital spending</b>		<b>142.5</b>

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. The Capital Programme was financed from a combination of borrowing (£55.8 million)

and from grants, contributions reserves and Sale of assets (£86.7 million). An analysis of the sources of capital funding is shown in the chart below:

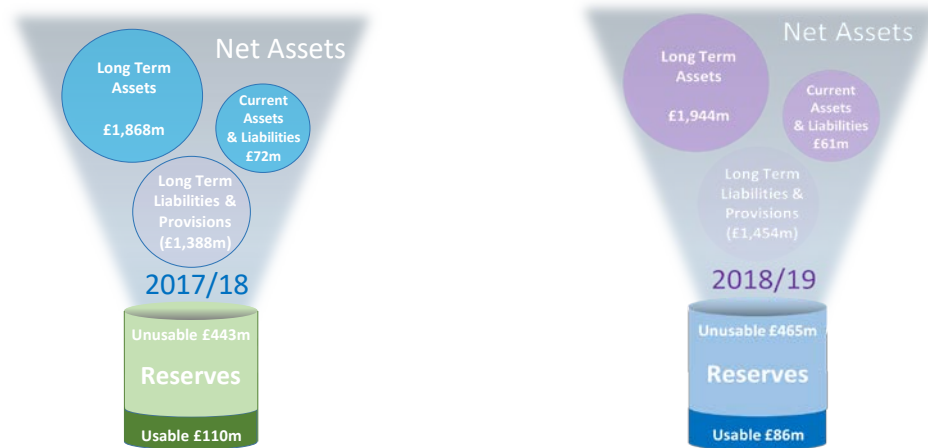


Capital incurred historically by borrowing but yet to be paid for from future revenue or capital income from the General Fund and HRA is termed the Capital Financing Requirement (CFR). Each year, a prudent amount is charged to our revenue budgets to reduce this. In 2015/16 additional borrowing was taken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



## Financial Position 2018/19

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 £9.232 million including the sale of land at Howard Gardens and Council dwellings sold under right to buy regulations.
- As part of the Council's rolling programme, revaluations took place during the year of Council dwellings, operational assets (excluding schools), investment properties and surplus assets.

### Financial Assets and Liabilities

Treasury Investment and borrowing activities were undertaken in accordance with regulatory requirements and the Council's Treasury Management Strategy for 2018/19. Investments for treasury management purposes and cash is £89.194 million at 31 March 2019 and is primarily represented by temporary cash balances deposited with financial institutions. The average rate of interest earned for the period was 0.76%.

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 4.64% to 4.53% at 31 March 2019. Interest payable on borrowing was £32.176 million, of which £11.716 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 2018/19, total provisions increased by £1.440 million to £30.857 million. Details of the movement of individual provisions are shown in note 25 of the accounts.

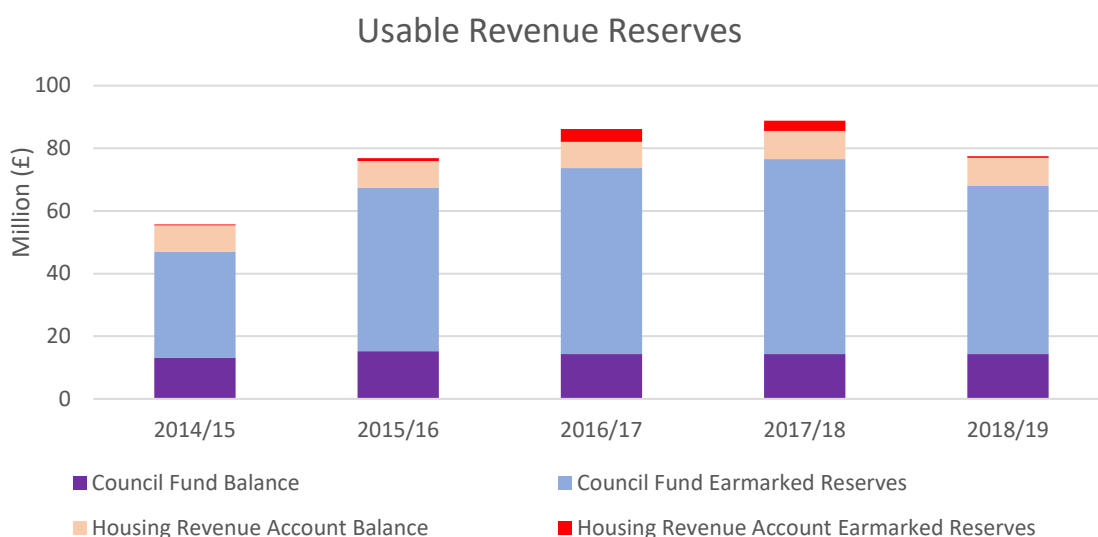
### Pensions Liabilities

The Council is a member of the Cardiff and Vale of Glamorgan Pension Fund, with details of its participation in pension schemes shown in note 17 of the accounts.

- The cost to the Council during the year for pension liabilities is £47.890 million.
- The Council's future liability in respect of pension benefits payable, compared to assets held, is £669.690 million at 31 March 2019. This is based on the latest actuarial assumptions adjusted for the estimated impact of the McCloud judgement and GMP equalisation. This has increased by £26.408 million from 2017/18.
- The fund is revalued every three years, with the fund's assets at 31 March 2017 deemed to cover 85% of future liabilities. A 20 year recovery plan is in place in order to meet the shortfall.

### 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. The level 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.



## The Financial Statements

The Statement of Accounts are set out in this document, accompanied by a Statement of Responsibilities for the financial Statements and the Audit Report.

### The core statements are:

- *The Comprehensive Income and Expenditure Statement* records all of the Council's income and expenditure for the year. The top half of the statement provides an analysis by directorate. The bottom half of the statement deals with corporate transactions and funding.
- *The Movement in Reserves Statement* is a summary of the changes to our reserves over the course of the year. Reserves are divided into 'useable', which can be invested in capital projects or service improvements and 'unusable', which must be set aside for specific purposes.

- *The Balance Sheet* is a 'snap shot' of the Council's assets, liabilities, cash balances and reserves at the year-end date.
- *The Cash Flow Statement* shows the reasons for changes in the council's cash balances during the year and whether that change is due to operating activities, new investment or financing activities.

### The supplementary statements are:

- *The Housing Revenue Account* separately identifies the Council's statutory landlord function as a provider of social housing under the Local Government and Housing Act 1989.
- *Group Accounts* combine the Council's own financial statements with its material interests in subsidiaries, associates and/or joint ventures, in this Council's case, Cardiff Bus.
- *Other statements for regulatory purposes* include Trust Funds, Cardiff Port Health Authority and Cardiff Harbour Authority.

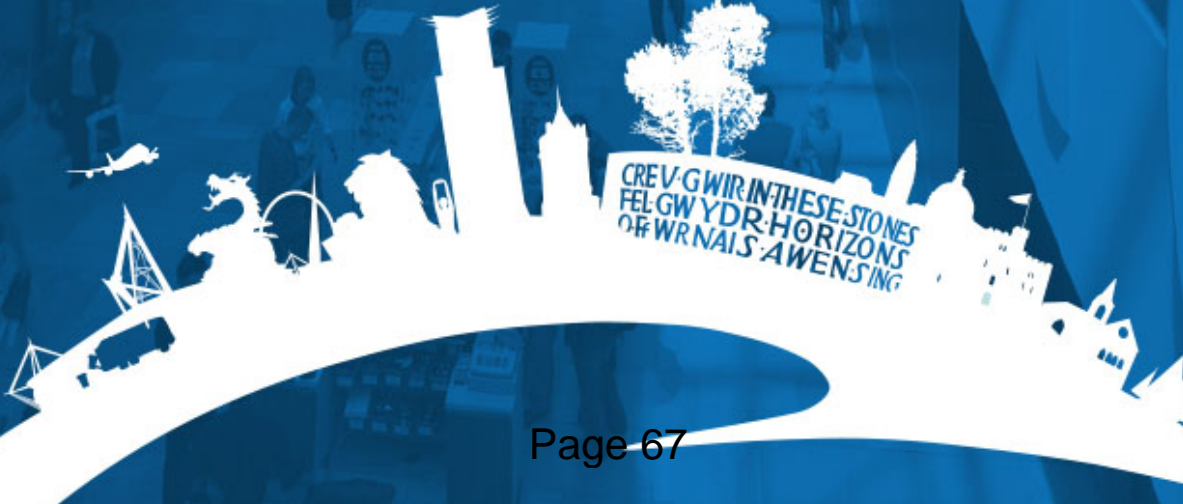
## Conclusion

Despite in year pressures, the Council was able to remain within its net revenue budget set for 2018/19. 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.

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 2018/19. 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.

Christopher Lee  
Corporate Director Resources and Section 151 Officer

# 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 2018/19, that officer was Christopher Lee, 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 Daniel De'Ath**  
**Lord Mayor**

**Date: 12 September 2019**

### 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 2018/19 (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 2018/19 and financial position of the Council at 31 March 2019.

**Christopher Lee**  
**Corporate Director Resources**

**Date: 12 September 2019**

# 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 31 March 2019 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 2018-19 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 2019 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 2018-19.

### 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 2018-19;
- The information given in the Annual 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 Annual Governance Statement.

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

- proper 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, 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](http://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

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# Accounting Policies, Critical Judgements and Assumptions





### Accounting policies used when formulating the accounts

In accordance with the Accounts and Audit (Wales) Regulations 2014, this Statement of Accounts summarises the Council's income and expenditure for the year ended 31 March 2019 and its financial position at 31 March 2019. 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 2018/19 (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 the Council 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 Standards issued but not yet adopted

The main change to the Code will be the requirements of International Financial Reporting Standard 16 – Leases in 2020/21. This will remove the existing classification of operating and finance leases covering buildings, equipment etc. and their different accounting treatments. It will require all leases, with a term over a year, to be recorded as assets and liabilities unless the underlying asset is of low value.

Whilst this is expected to have no direct financial impact, work will need to be undertaken to ensure existing lease type arrangements across the Council are identified, and accurately recorded. This will include a review of existing and the creation of new processes for managing and recording existing and new lease arrangements.

#### 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
- revenue from the provision of services/contracts is recognised when the Council can measure reliably the percentage of completion and it is probable that economic benefits or service potential will be achieved
- supplies are recorded as expenditure when they are consumed
- 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. 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. Regular 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.

#### **4. 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 repayable with under ninety days notice and Money Market Funds repayable without penalty on notice of not more than twenty four hours.

#### **5. 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 the notes to the accounts where deemed material.

#### **6. 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.

#### **7. Disposals and Capital Receipts**

When assets are disposed of or decommissioned, the value of those assets included in the Balance Sheet along with any proceeds from disposal are used to calculate a gain or loss on disposal.

Council Fund receipts from disposals greater than £10,000 are treated as capital receipts.

#### **8. Employee Benefits**

##### **Benefits Payable during Employment**

Short-term employee benefits such as wages and salaries, paid annual leave, sick leave and expenses are paid on a monthly basis and reflected as expenditure on an accruals basis in the relevant service line in the Comprehensive Income and Expenditure Statement.

##### **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.

##### **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. Accounting treatment depends on whether they are in respect of a defined benefit scheme or a defined contribution scheme.

##### **Defined Contribution Schemes**

Centralised arrangements for the Teacher's Pension Scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council and is therefore accounted for as if it were a 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. 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 where:

- liabilities for the scheme attributable to the Council are included on an actuarial basis using the projected unit method (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).
- assets of the scheme attributable to the Council are included at their fair value:
  - quoted and unquoted securities – current bid price
  - unquoted securities – professional estimate
  - property – market value.

The change in the net pension liability is analysed into the following components:

- Current service costs: increase in the liability as a result of pension earned by employees in the year is charged to net cost of services.
- Past service costs: increase in the liability arising from current year decisions which affect pension earned by employees in earlier years is charged to Corporate Management.
- Gains/losses on settlements and curtailments: result of actions to relieve the Council of liabilities or events that reduce expected future service or accrual of benefits are charged to Corporate Management.
- Net interest on the net defined benefit liability: 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: return on plan assets (excluding amounts included in net interest) and actuarial gains/losses as a result of updated actuarial assumptions. These are both charged to the Pensions Reserve as Other Income and Expenditure.

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.

### 9. Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the Council's business model for holding financial assets and their cash flow characteristics.

There are three main classes of financial assets measured at:

- Amortised cost - Achieve objectives by collecting contractual cash flows e.g. principal and interest
- Fair value through profit or loss (FVPL) - Achieve objectives by both collecting contractual cash flows and selling assets
- Fair value through other comprehensive income (FVOCI) - Achieve objectives by any other means than collecting contractual cash flows and where the Council has designated that this is the case.

In terms of value of financial assets recognised in the accounts, the authority's primary business model is to hold investments to collect contractual cash flows, however loans and equity instruments may be provided as capital expenditure in the approved Capital Programme to achieve service objectives. Depending on the rationale for holding such financial assets, primarily equity, the Council may designate such items to be measured at fair value through other comprehensive income.

Fair value measurement techniques are defined within the final section of this policy.

### **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual 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 in accordance with any investment or loan agreement. The amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest).

Any gains or losses that arise on the derecognition of an asset are credited/debited to the CIES.

### Expected Credit Loss Model

Impairment losses are calculated to reflect the expectation that future cash flows might not take place because the borrower could default on their obligations. Such a review would take place on an individual financial asset or collective basis, based on materiality and cost benefit of individual assessment.

The Council undertakes a review of expected credit losses on all financial assets held at amortised cost either on a 12-month or lifetime basis. Where provision for such losses is not already undertaken e.g. as part of a provision for bad debts, adjustments to the value of financial assets disclosed in the accounts would be made. Credit risk plays a crucial part in assessing expected credit loss. Where risk has increased significantly since a financial asset was initially recognised, provision for losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, provision for losses are assessed on the basis of 12-month expected loss.

### **Financial Assets Measured at Fair Value through Profit or Loss (FVPL)**

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised in the Surplus or Deficit on the Provision of Services.

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

### **Financial Assets Measured at Fair Value through other comprehensive income (FVOCI)**

Financial assets that are measured as FVOCI are initially measured and carried at fair value on the Balance Sheet. Treating such assets under this category will require a 'Designation' by the Council. These are likely to be equity holdings held as part of a service objective.

Fair value gains and losses are recognised in other comprehensive income and the change in the amount of the investment in the balance sheet is matched with an entry in the Financial Instruments Revaluation Reserve.

Upon derecognition, any balance on the Financial Instruments Revaluation Reserve is recycled through the Surplus or Deficit on the Provision of Services.

### **Fair Value Measurement of Financial Assets**

Fair value measurements for the above financial asset classes measured at fair value are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 – unobservable inputs for the asset.

### 10. 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, 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.

### 11. 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.

### **12. 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. No depreciation charge is made on heritage assets.

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 within the notes to the accounts. The next valuation is due to take place in 2019/20.

### **13. 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.

### **14. 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.

### **15. 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 expenditure.

### **16. Investment Property**

Investment properties are those held solely to earn rentals and/or for capital appreciation such as; ground leases, land held for future development as strategic sites and other land and buildings that meet investment property criteria.

Investment properties are measured at fair value, based on the market value that would be received to sell an asset in an orderly transaction between market participants at the measurement date, reflecting the asset's highest and best use. A full valuation took place in 2018/19.

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.

### 17. Joint Committees

The relevant proportion of Joint Committees are included within the Council's accounts which reflect the transactions and balances as per the draft accounts prepared for each Joint Committee.

### 18. 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. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

#### The Council as Lessee

##### Finance Leases

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 does not hold any leases of this type.

##### Operating Leases

Payments for operating leases are charged to the relevant service line on an accruals basis.

#### The Council as Lessor

##### Finance Leases

The Council does not provide any leases of this type.

##### 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.

### 19. 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.

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 capitalisation of expenditure in connection with Council dwellings.

#### 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, excluding borrowing costs which are not capitalised.

A full year's depreciation is charged on capital expenditure incurred in the year. No depreciation is charged in the year of disposal.

Assets are subsequently carried on the balance sheet as per the following:

## Accounting Policies, Critical Judgements and Assumptions

Asset Type	Measurement	Revaluation	Valuer	Depreciation
		Next revaluations are scheduled for:	Those undertaken this year were completed by:	Calculated on a straight line basis over the below estimated useful lives, unless there is not a determinable finite useful life.
<b>Assets under Construction</b>	Depreciated Historical Cost	n/a	n/a	n/a
<b>Community Assets</b>	Depreciated Historical Cost	n/a	n/a	n/a
<b>Council Dwellings</b>	Existing Use Value for Social Housing	2018/19 2021/22	Council valuation team	Land: n/a Buildings: 50 years
<b>Infrastructure</b>	Depreciated Historical Cost	n/a	n/a	7-120 years*
<b>Other Operational Land &amp; Buildings</b>	Existing Use Value or Depreciated Replacement Cost if specialist nature without market-based evidence	2018/19 2021/22	Cooke & Arkwright	Land: n/a Buildings: 3-65 years
<b>School Assets</b>	Detailed Depreciated Replacement Cost (Modern Equivalent Asset)	2019/20 2022/23	n/a	Land: n/a Buildings: 3-65 years
<b>Surplus Assets</b>	Fair Value	2018/19 2019/20 2020/21	Council valuation team	n/a
<b>Vehicles, Plant, Furniture &amp; Equipment</b>	Depreciated Historical Cost	n/a	n/a	5-15 years

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

### Revaluations:

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.

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 revaluation programme 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 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 or significant permanent market value reduction. Where a material change in value is identified, the accounting treatment is 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.
- thereafter, or if there is no balance in the Revaluation Reserve, 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.

### **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.

## **20. Provisions**

Provisions are charged as expenditure to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision, which is held on the Balance Sheet. Provisions are reviewed at the end of each financial year and where no longer required are credited back to the relevant service line.

## **21. 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.

## **22. Reserves**

The Council sets aside useable earmarked reserves for future policy purposes or to cover contingencies. Certain reserves are maintained to manage the accounting processes for non-current assets, financial

## Accounting Policies, Critical Judgements and Assumptions

instruments, and retirement and employee benefits. These do not represent usable resources for the Council and there are no net impacts on council tax or rent.

### 23. Value Added Tax (VAT)

VAT payable is excluded from expenditure except where it is not recoverable from HMRC. VAT receivable is excluded from income.

### Critical judgements in applying accounting policies

Accounting policies are only applied to material Council transactions. 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 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 2019 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 and 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.	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 e.g. valuations of the Council's shareholding in Cardiff City Transport Services Ltd. The fair value is deemed to be Net	Any change in the fair value of Cardiff City Transport Services Ltd has no impact on the level of Council Tax as changes are reflected by a corresponding amendment in the Financial Instrument Adjustment Reserve.

## Accounting Policies, Critical Judgements and Assumptions

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
	Worth in accordance with the company's latest accounts.	
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 2019, 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 which may impact on collectability a level of impairment or provision for expected credit losses 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. This also includes market volatility for example, as a result of Brexit. 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.

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# 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).

2017/18				Note	2018/19		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
13,455	(3,164)	10,291	Corporate Management		35,392	(1,416)	33,976
71,450	(37,654)	33,796	Economic Development		75,983	(40,445)	35,538
375,125	(90,253)	284,872	Education & Lifelong Learning		366,543	(92,894)	273,649
8,187	(1,690)	6,497	Governance & Legal Services		6,939	(1,067)	5,872
9,134	(6,484)	2,650	Harbour Authority		8,977	(6,074)	2,903
53,836	(72,896)	(19,060)	Housing Revenue Account		42,624	(77,654)	(35,030)
248,468	(200,324)	48,144	Housing and Communities		240,878	(194,488)	46,390
113,495	(56,235)	57,260	Planning , Transport and Environment		128,170	(52,783)	75,387
37,300	(14,854)	22,446	Resources		39,103	(15,278)	23,825
184,114	(26,541)	157,573	Social Services		197,074	(24,084)	172,990
2,701	(5,813)	(3,112)	Summary Revenue Account		3,688	(5,514)	(1,826)
<b>1,117,265</b>	<b>(515,908)</b>	<b>601,357</b>	<b>Net Cost of Services</b>		<b>1,145,371</b>	<b>(511,697)</b>	<b>633,674</b>
31,216	0	31,216	Police and Crime Commissioner for South Wales	5	33,499	0	33,499
310	0	310	Community Council Precepts	5	367	0	367
17,115	0	17,115	Levies & Contributions	5	17,439	0	17,439
29,135	(27,146)	1,989	(Gain)/loss on sale of non-current assets		9,106	(9,590)	(484)
<b>77,776</b>	<b>(27,146)</b>	<b>50,630</b>	<b>Other Operating Expenditure</b>		<b>60,411</b>	<b>(9,590)</b>	<b>50,821</b>
31,781	0	31,781	Interest Payable on debt	19	32,176	0	32,176
14,690	0	14,690	Interest on net defined benefit liability/(asset)*	17	16,098	(11)	16,087
0	(700)	(700)	Interest & Investment Income	19	0	(972)	(972)
2,502	(38)	2,464	Change in fair value of Investment Properties	4.2	5,066	(5,655)	(589)
<b>48,973</b>	<b>(738)</b>	<b>48,235</b>	<b>Financing and Investment Income &amp; Expenditure</b>		<b>53,340</b>	<b>(6,638)</b>	<b>46,702</b>
0	(50,734)	(50,734)	Recognised Capital Grants & Contributions	30	0	(49,018)	(49,018)
0	(312,736)	(312,736)	Revenue Support Grant	30	0	(325,564)	(325,564)
0	(115,480)	(115,480)	Non-Domestic Rates	8	0	(115,383)	(115,383)

## Comprehensive Income and Expenditure

2,070	(191,095)	(189,025)	Council Tax Income	7	2,282	(202,564)	(200,282)
0	0	0	Corporation Tax (CCRCD)		131	0	131
2,070	(670,045)	(667,975)	Taxation & Non-Specific Grant Income		2,413	(692,529)	(690,116)
		32,247	(Surplus)/Deficit on Provision of Services				41,081
		(2,262)	Revaluation Gains	29			(45,320)
		2,128	Revaluation Losses	29			21,306
		361	Impairment losses on non-current assets charged to the Revaluation Reserve	29			2,399
		(305)	(Surplus)/Deficit on Financial Instrument Revaluation Reserve	29			3,172
		33,581	Actuarial (gains)/losses on pension assets/liabilities*	17			(21,536)
		33,503	Other Comprehensive Income & Expenditure				(39,979)
		65,750	Total Comprehensive Income & Expenditure				1,102

\*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	Council Fund Earmarked Reserves	HRA Balance	HRA Earmarked Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2017 carried forward</b>	<b>14,255</b>	<b>59,391</b>	<b>8,438</b>	<b>4,086</b>	<b>7,205</b>	<b>93,375</b>	<b>524,636</b>	<b>618,011</b>
<b><u>Movement in Reserves during 2017/18</u></b>								
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)
<b>Total Comprehensive Income and Expenditure</b>	<b>(53,869)</b>	<b>0</b>	<b>21,622</b>	<b>0</b>	<b>0</b>	<b>(32,247)</b>	<b>(33,503)</b>	<b>(65,750)</b>
Adjustments between accounting basis & funding basis under regulations (note 1)	56,321	0	(21,940)	0	14,115	48,496	(48,496)	0
<b>Net Increase/(Decrease) before Transfers to/(from) Earmarked Reserves</b>	<b>2,452</b>	<b>0</b>	<b>(318)</b>	<b>0</b>	<b>14,115</b>	<b>16,249</b>	<b>(81,999)</b>	<b>(65,750)</b>
Transfers to/(from) Earmarked Reserves	(2,452)	2,452	863	(863)	0	0	0	0
<b>Increase/(Decrease) in 2017/18</b>	<b>0</b>	<b>2,452</b>	<b>545</b>	<b>(863)</b>	<b>14,115</b>	<b>16,249</b>	<b>(81,999)</b>	<b>(65,750)</b>
<b>Balance at 31 March 2018 carried forward</b>	<b>14,255</b>	<b>61,843</b>	<b>8,983</b>	<b>3,223</b>	<b>21,320</b>	<b>109,624</b>	<b>442,637</b>	<b>552,261</b>
<b><u>Movement in Reserves during 2018/19</u></b>								
Surplus or (deficit) on the provision of Services	(78,008)	0	36,927	0	0	(41,081)	0	(41,081)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	39,979	39,979
<b>Total Comprehensive Income and Expenditure</b>	<b>(78,008)</b>	<b>0</b>	<b>36,927</b>	<b>0</b>	<b>0</b>	<b>(41,081)</b>	<b>39,979</b>	<b>(1,102)</b>
Adjustments between accounting basis & funding basis under regulations (note 1)	69,879	0	(39,655)	0	(12,832)	17,392	(17,392)	0
<b>Net Increase/(Decrease) before Transfers to/(from) Earmarked Reserves</b>	<b>(8,129)</b>	<b>0</b>	<b>(2,728)</b>	<b>0</b>	<b>(12,832)</b>	<b>(23,689)</b>	<b>22,587</b>	<b>(1,102)</b>
Transfers to/(from) Earmarked Reserves (note 2)	8,129	(8,129)	2,728	(2,728)	0	0	0	0
<b>Increase/(Decrease) in 2018/19</b>	<b>0</b>	<b>(8,129)</b>	<b>0</b>	<b>(2,728)</b>	<b>(12,832)</b>	<b>(23,689)</b>	<b>22,587</b>	<b>(1,102)</b>
<b>Balance at 31 March 2019 carried forward</b>	<b>14,255</b>	<b>53,714</b>	<b>8,983</b>	<b>495</b>	<b>8,488</b>	<b>85,935</b>	<b>465,224</b>	<b>551,159</b>

## Balance Sheet

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

31 March 2017 restated £000	31 March 2018 restated £000		Note	31 March 2019 £000
1,666,989	1,685,553	Property, Plant & Equipment	18	1,749,003
53,846	54,099	Heritage Assets	18	54,152
132,241	103,820	Investment Properties	18	118,003
3,315	2,701	Intangible assets including AUC	18	2,222
13,691	13,996	Long-term Investments	19	10,948
5,616	8,087	Long-term Debtors	19	10,251
<b>1,875,698</b>	<b>1,868,256</b>	<b>Total Long-Term Assets</b>		<b>1,944,579</b>
66,124	34,033	Short-term Investments	19	69,032
80	6,375	Held for Sale assets	20	2,570
2,175	2,129	Inventories		2,266
83,754	86,927	Short-term Debtors	21	95,332
18,776	54,057	Cash and Cash Equivalents	22	20,873
<b>170,909</b>	<b>183,521</b>	<b>Total Current Assets</b>		<b>190,073</b>
(14,972)	(13,440)	Short-term Borrowing	19	(13,306)
(87,603)	(87,928)	Short-term Creditors	23	(106,584)
(1,414)	(1,884)	Pension Strain	26	(1,769)
(7,116)	(5,005)	Provisions	25	(6,100)
(2,846)	(3,195)	Deferred Liabilities	27	(1,648)
<b>(113,951)</b>	<b>(111,452)</b>	<b>Total Current Liabilities</b>		<b>(129,407)</b>
(668,028)	(688,713)	Long-term Borrowing	19	(717,700)
(27,821)	(24,412)	Provisions	25	(24,757)
(14,021)	(12,006)	Deferred Liabilities	27	(11,700)
(11,843)	(9,961)	Capital Contributions Receipts in Advance	30	(14,485)
(2,016)	(6,484)	Revenue Grants Receipts in Advance	30	(12,412)
(974)	(412)	Capital Grants Receipts in Advance	30	(782)
(3,219)	(2,794)	Pension Strain	26	(2,560)
(586,723)	(643,282)	Net Pensions Liability**	17	(669,690)
<b>(1,314,645)</b>	<b>(1,388,064)</b>	<b>Total Long-Term Liabilities</b>		<b>(1,454,086)</b>
<b>618,011</b>	<b>552,261</b>	<b>NET ASSETS</b>		<b>551,159</b>
		<b>Financed by:</b>		
14,255	14,255	Council Fund Balance		14,255
59,391	61,843	Council Fund Earmarked Reserves	2	53,714
8,438	8,983	Housing Revenue Account Balance		8,983
4,086	3,223	Housing Revenue Account Earmarked Reserves	2	495
7,205	21,320	Capital Receipts Reserve	28	8,488
<b>93,375</b>	<b>109,624</b>	<b>Usable Reserves</b>		<b>85,935</b>
257,138	253,798	Revaluation Reserve		268,598
851,833	828,081	Capital Adjustment Account		864,171
2,038	4,511	Deferred Capital Receipts		5,008
13,235	13,540	Financial Instruments Adjustment Reserve		10,368
(591,356)	(647,960)	Pensions Reserve		(674,020)
(8,252)	(9,333)	Accumulated Absences Adjustment Account		(8,901)
<b>524,636</b>	<b>442,637</b>	<b>Unusable Reserves</b>	29	<b>465,224</b>
<b>618,011</b>	<b>552,261</b>	<b>TOTAL RESERVES</b>		<b>551,159</b>



## Balance Sheet

2016/17 is included to reflect Prior Period Adjustment as outlined in Note 33

\*The opening balance has not been amended for changes to Joint Committees after 30 September 2018

\*\*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.

2017/18 £000		Note	2018/19 £000
32,247	Net (surplus) /deficit on the provision of services		41,082
(150,438)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	32	(119,732)
45,934	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	32	59,214
<b>(72,257)</b>	<b>Net cash flows from operating activities</b>		<b>(19,436)</b>
126,518	Purchase of property, plant and equipment, investment property and intangible assets		133,361
0	Purchase of short-term and long-term Investments		35,000
936	Other payments for investing activities		(4,808)
(24,818)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(9,232)
(45,621)	Capital Grants and Contributions		(68,618)
<b>57,015</b>	<b>Net cash flows from investing activities</b>		<b>85,703</b>
(25,004)	Cash receipts from short-term and long-term borrowing		(32,934)
(2,826)	Other receipts from financing activities		(4,437)
7,791	Repayments of short-term and long-term borrowing		4,288
<b>(20,039)</b>	<b>Net cash flows from financing activities</b>		<b>(33,083)</b>
<b>(35,281)</b>	<b>Net (increase)/ decrease in cash and cash equivalents</b>		<b>33,184</b>
18,776	Cash and cash equivalents at the beginning of the reporting period		54,057
<b>54,057</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>22</b>	<b>20,873</b>

## 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.

Usable Reserves 2017/18				Adjustments between Accounting and Funding Basis	Usable Reserves 2018/19			
Council Fund Balance	Housing Revenue Account	Capital Receipts Reserves	Movement in Unusable Reserves		Council Fund Balance	Housing Revenue Account	Capital Receipts Reserves	Movement in Unusable Reserves
£000	£000	£000	£000		£000	£000	£000	£000
				<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
				<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
51,244	9,699	0	(60,943)	Charges for depreciation and impairment of Non-Current assets	46,809	10,560	0	(57,369)
41,333	268	0	(41,601)	Revaluation losses of Non-Current Assets	51,314	(16,523)	0	(34,791)
(6,864)	(12)	0	6,876	Reverse previous impairment on revaluation	(19,961)	(35)	0	19,996
741	208	0	(949)	Amortisation of Intangible Assets	798	163	0	(961)
2,464	0	0	(2,464)	Movements in the market value of Investment Properties	(566)	(23)	0	589
0	0	0	0	Movement in the value of Held for Sale Assets	0	0	0	0
(38,879)	(11,855)	0	50,734	Capital grants and contributions applied	(36,700)	(12,318)	0	49,018
5,737	55	0	(5,792)	Revenue expenditure funded from capital under statute	9,295	0	0	(9,295)
26,854	1,526	0	(28,380)	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	2,422	605	0	(3,027)
				<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
(24,253)	(11,112)	0	35,365	Statutory provision for the financing of capital investment	(26,635)	(11,413)	0	38,048
(2,774)	(7,633)	0	10,407	Capital expenditure charged against the Council Fund and HRA balances	(1,651)	(9,469)	0	11,120
0	0	(10,682)	10,682	Use of the Capital Receipts Reserves to finance new capital expenditure	0	0	(22,037)	22,037
0	51	(51)	0	Credit for disposal costs that qualify to be met from the resulting capital receipts	0	20	(20)	0

## Notes to the Financial Statements

45	0	0	(45)	Capital receipts set aside for the repayment of debt	0	0	11	(11)
				<b>Adjustments involving the Revaluation Reserve</b>				
(20,079)	(4,010)	24,845	(756)	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	(1,757)	(1,876)	9,212	(5,579)
				<b>Adjustments involving the Pensions Reserve:</b>				
62,972	4,038	0	(67,010)	Net retirement benefits as per IAS19	91,338	4,497	0	(95,835)
(40,759)	(3,273)	0	44,032	Employer's contributions to the Pension Scheme	(44,107)	(3,784)	0	47,891
(75)	119	0	(44)	Pension Strain Future Years	(148)	(199)	0	347
				<b>Adjustments involving the Accumulated Absences Adjustment Account</b>				
1,090	(9)	0	(1,081)	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.	(572)	140	0	432
				<b>Adjustments involving the Deferred Capital Receipts Reserve</b>				
(4,500)	0	0	4,500	Transfers to the Capital Receipts Reserve upon receipt of cash	0	0	2	(2)
2,024	0	3	(2,027)	Transfers to the Deferred Capital Receipts Reserve in relation to gain/loss on disposal	0	0	0	0
<b>56,321</b>	<b>(21,940)</b>	<b>14,115</b>	<b>(48,496)</b>	<b>Total Adjustments</b>	<b>69,879</b>	<b>(39,655)</b>	<b>(12,832)</b>	<b>(17,392)</b>

## Notes to the Financial Statements

### 2. Earmarked Reserves

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

	Balance 31 March 2018 £000	Contributions		Balance 31 March 2019 £000
		From Revenue £000	To Revenue £000	
<b>SCHOOLS BALANCES</b>				
Schools Reserves	6,023	1,486	(2,647)	4,862
Cathays HS – Maintenance of Playing Field	3	0	0	3
Primary/Special Schools Repairs	362	130	0	492
	6,388	1,616	(2,647)	5,357
<b>SCHOOLS RESERVES</b>				
Out of School Childcare	68	20	(11)	77
Schools Catering	320	0	(142)	178
Schools Formula Funding	1,437	179	(1,039)	577
Schools Organisational Plan	3,448	6,662	(8,877)	1,233
	5,273	6,861	(10,069)	2,065
<b>OTHER COUNCIL RESERVES</b>				
Apprenticeships and Trainees	1,251	0	(369)	882
Bereavement Services	199	462	(253)	408
Building Control Regulations	502	0	(183)	319
Bute Park Match Funding	131	0	(44)	87
Capital Ambition Delivery	1,164	0	(523)	641
Cardiff Academy Training	129	0	(27)	102
Cardiff Capital Region City Deal	325	0	(110)	215
Cardiff Dogs Home Legacy	125	81	(35)	171
Cardiff Enterprise Zone	4,242	452	(1,016)	3,678
Central Market Works	340	0	(51)	289
Central Transport Service	301	0	(164)	137
City Wide Management and Initiatives	716	260	(612)	364
Community Based Services Transition	287	0	(53)	234
Community Initiatives	242	193	(77)	358
Connect to Cardiff Refurbishment	10	0	0	10
Corporate Events and Cultural Services	592	291	(159)	724
Corporate Landlord Function	441	0	(252)	189
Discretionary Rate Relief	100	0	0	100
Emergency Management, Safeguarding & Prevent	159	0	(20)	139
Employee Changes	7,655	0	(1,204)	6,451
Energy Conservation	234	0	(17)	217
Energy Market Volatility	586	0	0	586
Flatholm	0	27	0	27
Fraud Detection	140	0	(43)	97
Governance and Legal Services	355	0	(147)	208
Harbour Authority Project and Contingency Fund	382	2	(342)	42
Highways Section 278	566	0	(58)	508
Homelessness	1,594	474	(332)	1,736
Houses in Multiple Occupation Licensing	25	0	(13)	12
Housing Options Centre	803	0	(118)	685
Housing Support	1,108	0	(143)	965

## Notes to the Financial Statements

ICT Holding Account	863	0	(118)	745
Inspectorate Support	283	0	(75)	208
Insurance	6,509	38	(877)	5,670
Integrated Partnership Strategy	31	0	(31)	0
Invest to Save	350	0	(89)	261
Joint Equipment Store	262	0	(41)	221
Libraries Book Fund	19	0	0	19
Local Lend a Hand Mortgage Scheme	222	0	(222)	0
Local Development Plan	99	0	0	99
Major Projects	935	0	(455)	480
Members Development	61	0	0	61
Municipal Election	337	96	(12)	421
Municipal Mutual Insurance	1,357	0	(571)	786
Non-Domestic Rates Due Diligence	60	0	0	60
Parking and Enforcement	701	7,692	(6,902)	1,491
Projects, Design and Development	137	0	(105)	32
Property Asset Management	363	81	(361)	83
Public Service Board Initiative	23	0	(23)	0
Registration Service Improvement	18	0	(18)	0
Rentsmart	675	0	(107)	568
Resources	1,788	260	(539)	1,509
Schools Catering and Kitchen Improvements	333	0	(308)	25
Scrutiny Development and Training	124	0	0	124
South East Wales Construction Framework	318	301	(63)	556
Shared Regulatory Service	98	106	(18)	186
Social Care Technology	709	0	0	709
Strategic Budget	4,032	2,594	(1,000)	5,626
Waste Management	877	300	(465)	712
Welfare Reform	2,692	1,003	(769)	2,926
Wales Interpretation and Translation Service	135	48	0	183
Workshops Asset Maintenance	140	0	(33)	107
Youth and Community Education	281	0	(103)	178
	49,536	14,761	(19,670)	44,627
<b>SHARE OF JOINT COMMITTEE RESERVES</b>				
Cardiff Capital Region City Deal (CCRCD)*	(97)	1,072	(10)	965
Central South Consortium	240	0	(81)	159
Glamorgan Archives	75	0	(19)	56
Prosiect Gwyrdd	69	0	(3)	66
Regional Adoption Service	0	5	0	5
Shared Regulatory Service	361	53	0	414
	648	1,130	(113)	1,665
<b>Total Council Fund Reserves</b>	<b>61,845</b>	<b>24,368</b>	<b>(32,499)</b>	<b>53,714</b>
<b>HRA RESERVES</b>				
Housing Development and Acquisition	1,719	0	(1,719)	0
Housing Repairs and Building Maintenance	1,016	0	(800)	216
Modernising ICT	238	0	(238)	0
Welfare Reform	250	238	(209)	279
<b>Total HRA Reserves</b>	<b>3,223</b>	<b>238</b>	<b>(2,966)</b>	<b>495</b>
<b>TOTAL EARMARKED RESERVES</b>	<b>65,068</b>	<b>24,606</b>	<b>(35,465)</b>	<b>54,209</b>

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

## Notes to the Financial Statements

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 2019 on the Council's Schools Budget Forum website. As well as individual school balances, a deficit balance of £796,000 offsets the total net balance (£1.296 million 2017/18). 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 is in the process of being repaid via school budgets.

**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.

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

**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.

**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 increase in homelessness pressures.

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

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

**ICT Holding Account** – to fund future business process improvement and ICT initiatives.

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

**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.

## Notes to the Financial Statements

2017/18 £000		2018/19 £000
(4,575)	On-street pay car parking fees	(5,059)
(1,087)	Off-Street car parking fees	(1,088)
(346)	Residents parking permits	(368)
(1,973)	Penalty charge notices	(2,385)
(3,792)	Moving Traffic Offences	(5,039)
(200)	Camera Car	(290)
0	Traffic Enforcement Centre	(212)
(55)	Other income	(7)
<b>(12,028)</b>	<b>Total Income</b>	<b>(14,448)</b>
698	Operational costs / Parking and Permits	914
5,276	Enforcement service	5,843
<b>5,974</b>	<b>Total Expenditure</b>	<b>6,757</b>
<b>(6,054)</b>	<b>Civil Parking Enforcement Net (Surplus)/Deficit</b>	<b>(7,691)</b>
	Appropriations to Parking Reserve:	
351	Balance 1 April	701
6,054	Contributions from CPE	7,692
(5,704)	Contributions to revenue*	(6,902)
<b>701</b>	<b>Balance 31 March</b>	<b>1,491</b>

\* Eligible expenditure totalling £6.902 million was drawn down from the reserve leaving a balance of £1.491 million at the 31 March 2019. This included a budgeted drawdown of £5.085 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 Planning, Transport & Environment in consultation with the Cabinet Member for Strategic Planning & Transport.

**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.

**South East Wales Construction Framework** – ring-fenced levy payments to fund the administration of the South East Wales Construction Framework.

**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 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.



### 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).

## Notes to the Financial Statements

	2017/18			Directorate	2018/19		
	Net Expenditure Charged to CF and HRA	Adjustments between accounting & funding basis	Net expenditure CIES		Net Expenditure Charged to CF and HRA	Adjustments between accounting & funding basis	Net expenditure CIES
	£000	£000	£000		£000	£000	£000
	25,800	(15,509)	10,291	Corporate Management	23,638	10,338	33,976
	9,207	24,589	33,796	Economic Development	7,141	28,397	35,538
	250,385	34,487	284,872	Education & Lifelong Learning	256,308	17,341	273,649
	5,589	908	6,497	Governance & Legal Services	5,612	260	5,872
	0	2,650	2,650	Harbour Authority	0	2,903	2,903
	0	(19,060)	(19,060)	Housing Revenue Account	0	(35,030)	(35,030)
	42,105	6,039	48,144	Housing and Communities	43,860	2,530	46,390
	40,583	16,677	57,260	Planning Transport and Environment	46,260	29,127	75,387
	20,856	1,590	22,446	Resources	20,001	3,824	23,825
	156,319	1,254	157,573	Social Services	171,110	1,880	172,990
	36,140	(39,252)	(3,112)	Summary Revenue Account	34,983	(36,809)	(1,826)
	<b>586,984</b>	<b>14,373</b>	<b>601,357</b>	<b>Net Cost of Services</b>	<b>608,913</b>	<b>24,761</b>	<b>633,674</b>
	(537,519)	(31,591)	(569,110)	Other Income and Expenditure	(558,589)	(34,004)	(592,593)
	49,465	(17,218)	32,247	(Surplus) or Deficit on Provision of Services	50,324	(9,243)	41,081
	<b>Council Fund</b>		<b>HRA Balance</b>		<b>Council Fund</b>		<b>HRA Balance</b>
	<b>14,255</b>	<b>8,438</b>	<b>8,438</b>	<b>Opening Balance as at 1 April</b>	<b>14,255</b>	<b>8,983</b>	<b>8,983</b>
	0	545	545	Surplus/(Deficit)	0	0	0
	<b>14,255</b>	<b>8,983</b>	<b>8,983</b>	<b>Closing Balance as at 31 March</b>	<b>14,255</b>	<b>8,983</b>	<b>8,983</b>

## Notes to the Financial Statements

### 4.1. Note to the Expenditure and Funding Analysis

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

	2017/18				Directorate	2018/19			
	Adjustments for capital purposes	Net change for Pensions Adjustments	Other Adjustments	Total Adjustments		Adjustments for capital purposes	Net change for Pensions Adjustments	Other Adjustments	Total Adjustments
	£000	£000	£000	£000		£000	£000	£000	£000
	10,760	854	(27,123)	(15,509)	Corporate Management	2,698	22,823	(15,183)	10,338
	22,755	1,043	790	24,588	Economic Development	24,749	1,137	2,511	28,397
	31,271	822	2,613	34,706	Education & Lifelong Learning	19,191	1,285	(3,135)	17,341
	5	267	636	908	Governance & Legal Services	5	157	98	260
	2,736	99	(185)	2,650	Harbour Authority	2,744	157	2	2,903
	10,270	885	(30,215)	(19,060)	Housing Revenue Account	(5,793)	514	(29,751)	(35,030)
	5,005	743	62	5,810	Housing and Communities	1,330	1,010	190	2,530
	16,622	942	(887)	16,677	Planning Transport and Environment	28,628	1,196	(697)	29,127
	1,264	1,121	(795)	1,590	Resources	1,383	1,408	1,033	3,824
	314	1,068	(117)	1,265	Social Services	335	1,343	202	1,880
	0	6	(39,258)	(39,252)	Summary Revenue Account	0	0	(36,809)	(36,809)
	101,002	7,850	(94,479)	14,373	<b>Net Cost of Services</b>	<b>75,270</b>	<b>31,030</b>	<b>(81,539)</b>	<b>24,761</b>
	(46,281)	14,690	0	(31,591)	Other Income and Expenditure from the Expenditure & Funding Analysis	(50,091)	16,087	0	(34,004)
	54,721	22,540	(94,479)	(17,218)	<b>(Surplus) or Deficit on Provision of Services</b>	<b>25,179</b>	<b>47,117</b>	<b>(81,539)</b>	<b>(9,243)</b>

## 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 GAAP. 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 Adjustments

The 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.

	2017/18 £000	2018/19 £000
Employee Benefits Expenses	445,984	489,988
Other Service Expenses	574,135	581,804
Depreciation, Amortisation, Impairment & Revaluation	111,832	89,808
Change in Fair Value of Investment Properties	2,502	5,066
Interest Payments	31,781	32,176
Precepts & Levies	48,641	51,305
Transfer to Council Tax Bad Debt Provision	2,070	2,282
Loss on Sale of Non-Current Assets	29,136	9,106
<b>Total Expenditure</b>	<b>1,246,081</b>	<b>1,261,535</b>
Fees, Charges & Other Service Income	(205,283)	(192,605)
Depreciation, Amortisation, Impairment & Revaluation	(9,531)	(7,388)
Change in Fair Value of Investment Properties	(38)	(5,655)
Interest and Investment Income	(700)	(972)
Income from Council Tax and Non-Domestic Rates	(619,311)	(643,511)
Grants and Contributions	(351,825)	(360,733)
Gain on Sale of Non-Current Assets	(27,146)	(9,590)
<b>Total Income</b>	<b>(1,213,834)</b>	<b>(1,220,454)</b>
<b>Surplus &amp; Deficit on the Provision of Services</b>	<b>32,247</b>	<b>41,081</b>

## Notes to the Financial Statements

### 5. Precepts and Levies

	2017/18 £000	2018/19 £000
<b>Precepts</b>		
Police and Crime Commissioner for South Wales	31,216	33,499
<b>Community Councils:</b>		
Lisvane	34	34
Pentyrch	91	143
Radyr	120	122
St Fagans	18	18
Old St Mellons	28	30
Tongwynlais	19	20
	<b>31,526</b>	<b>33,866</b>
<b>Levies &amp; Contributions</b>		
South Wales Fire and Rescue Service	16,857	17,181
Natural Resources Wales	139	139
Cardiff Port Health Authority	114	114
Newport Health Authority	5	5
	<b>17,115</b>	<b>17,439</b>

### 6. Participation in Joint Committees

During 2018/19 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. The Statement of Accounts for each Joint Committee are available on the lead authority's website.

Committee	Purpose	Lead Authority	2017/18 £000	2018/19 £000
Cardiff Capital Region City Deal* (CCRCD)	To co-ordinate and discharge Councils' obligations in relation to the City Deal	Cardiff Council	183	239
Central South Consortium Joint Education Service	To provide a regional approach to improvement in schools	Rhondda Cynon Taf Council	1,436	1,523
Glamorgan Archives*	Management and administration of the Glamorgan Records Office	Cardiff Council	209	209
Prosiect Gwyrdd*	To manage residual waste treatment	Cardiff Council	32	27
Regional Adoption Service	To share best practice, develop and improve adoption services	Vale of Glamorgan Council	488	576
Shared Regulatory Service	To provide environmental health services	Vale of Glamorgan Council	5,002	5,110
<b>Total</b>			<b>7,350</b>	<b>7,684</b>

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 £2.920 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 2018/19 was 143,453 (143,032 for 2017/18).

The amounts for a band D property in Cardiff during 2018/19 were as follows:

Band D Council Tax:	2017/18 £	2018/19 £
Cardiff Council	1,100	1,155
Police and Crime Commissioner for South Wales	218	234
<b>Total</b>	<b>1,318</b>	<b>1,389</b>

The above amount (£1,389) 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:

	2017/18 £000	2018/19 £000
Council Tax collectable	(191,095)	(202,564)
Impairment for non-payment of Council Tax	2,070	2,282
<b>Net proceeds</b>	<b>(189,025)</b>	<b>(200,282)</b>
Represented by:		
Precepts	31,526	33,866
Council Tax attributable to the Council	157,499	166,416

The cumulative impairment for non-payment of Council Tax held at the 31 March 2019 is £8.730 million (£7.183 million at 31 March 2018).

Council Tax that is past due but not impaired:

	31 March 2019 '£000
Debts less than one year	272
Debts between two and 5 years	288
Debts over five years	30
<b>Total Council Tax due but not impaired</b>	<b>590</b>

### 8. Non-Domestic Rates (NDR)

The Welsh Government specifies an amount for the rate (51.4p in 2018/19 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

## Notes to the Financial Statements

rateable value was £458.132 million for 2018/19 (£457.936 million 2017/18). An analysis of the net proceeds from non-domestic rates is shown below:

	2017/18 £000	2018/19 £000
Non-Domestic Rates collectable	184,953	194,593
Cost of collection allowance	(893)	(903)
Impairment for non-payment	(1,459)	(2,658)
<b>Payment into national pool</b>	<b>182,601</b>	<b>191,032</b>
<b>Redistribution from national pool</b>	<b>(115,480)</b>	<b>(115,383)</b>

### 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 £9.452 million at 31 March 2019 (£13.323 million at 31 March 2018) 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 2019 the Welsh Government had provided £2.736 million of funding, of which £859,000 is outstanding as loans provided. The balance available for new loans was £1.877 million (£1.935 million at 31 March 2018).
- Home Improvement loans – provide loans for home improvements. At 31 March 2019 the Welsh Government had provided £1.062 million of funding, of which £484,000 is outstanding as loans provided leaving a balance available for new loans of £578,000.

#### South Wales Trunk Road Agency

The total reimbursement received by the Council was £393,000 in 2018/19 (£595,000 in 2017/18).

#### 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. This is used to develop projects benefitting the local area. Further information is available on their website <https://www.forcardiff.com>. The Council collects the income and pays this over to the BID Company. This totalled £1.620 million in 2018/19 (£1.518 million in 2017/18). At 31 March 2019 the Council owed the company £0 (£81,000 at 31 March 2018).

#### 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 £9.476 million in 2018/19 (£10.662 million in 2017/18) 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 2018/19 was 1:7 (1:7 in 2017/18). The median full time equivalent earnings for 2018/19 was £25,105 (£24,373 in 2017/18). These figures include staff directly employed by the governing bodies of schools including several Voluntary-Aided, Voluntary-Controlled and Foundation Schools, as well as those employed by the Council.

**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.

## Notes to the Financial Statements

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

The table separately identifies individuals directly employed by the governing bodies of schools including several Voluntary-Aided, Voluntary-Controlled and Foundation Schools, as well as those employed 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 following table.

Remuneration band £	Number of Employees			
	2017/18		2018/19	
	Non Schools	Schools	Non Schools	Schools
60,000-64,999	9	51	9	65
65,000-69,999	19	27	19	31
70,000-74,999	1	11	1	12
75,000-79,999	0	8	3	8
80,000-84,999	9	8	6	9
85,000-89,999	1	4	0	6
90,000-94,999	0	2	2	1
95,000-99,999	0	2	1	3
100,000-104,999	0	2	1	2
105,000-109,999	0	2	0	1
110,000-114,999	0	1	0	1
115,000-119,999	0	2	0	0
120,000-124,999	6	0	4	2
125,000-129,999	0	1	0	1
130,000-134,999	1	0	0	0
135,000-139,999	0	1	2	1
140,000-144,999	0	0	0	0
145,000-149,999	0	1	0	0
150,000-154,999	0	0	0	1
155,000-159,999	0	0	0	0
160,000-164,999	0	0	0	0
165,000-169,999	0	0	0	0
170,000-174,999	1	0	0	0
175,000-179,999	0	0	1	0
<b>Total</b>	<b>47</b>	<b>123</b>	<b>49</b>	<b>144</b>



## Notes to the Financial Statements

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

- Senior employees who form part of the Council's Senior Management Team (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.
- Senior employees whose salary is £150,000 or more on an annualised basis are identified by name
- The table does not include senior employees in schools.

Remuneration also includes the cost of any additional contributions that 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 2018/19 (£0 in 2017/18)

2017/18	2018/19	Note	Salary, fees and allowances received	Taxable benefits	Compensation for loss of employment		Employers pension contribution (23.3% of salary)	Total remuneration including pension contributions	Explanatory notes
					Received via payroll (taxable)	Received via payroll (non-taxable)			
£	Post title		£	£	£	£	£	£	
213,823	Chief Executive - Paul Orders		176,885	0	0	0	41,568	218,453	
132,613	Corporate Director Resources & Section 151 Officer	(a)	135,265	0	0	0	0	135,265	Relinquished S151 duties 10/03/2019. Due to leave the Council 02/04/2019.
0	Corporate Director Resources & Section 151 Officer		7,636	0	0	0	1,794	9,430	Commenced 11/03/2019. Annualised salary £135,265.
24,363	Corporate Director People and Communities		135,265	0	0	0	31,787	167,052	Post commenced 07/02/2018. Annualised salary £135,265.
128,442	Director Communities, Housing & Customer Services		0	0	0	0	0	0	Post deleted 06/02/2018.

## Notes to the Financial Statements

2017/18	2018/19	Note	Salary, fees and allowances received	Taxable benefits	Compensation for loss of employment		Employers pension contribution (23.3% of salary)	Total remuneration including pension contributions	Explanatory notes
					Post title	Received via payroll (taxable)			
£			£	£	£	£	£	£	
150,934	Director Planning, Transport & Environment		124,860	0	0	0	29,342	154,202	Formerly Director City Operations in 2017/18
150,934	Director Economic Development		124,860	0	0	0	29,342	154,202	
150,947	Director Education & Lifelong Learning		124,860	163	0	0	29,342	154,365	
150,580	Director Governance & Legal Services & Monitoring Officer		124,860	0	0	0	29,012	153,872	
0	Director Social Services		90,960	0	0	0	21,376	112,336	Commenced 09/07/2018. Annualised salary £124,860.
150,934	Director Social Services		10,201	36	0	0	2,397	12,634	Left the Council 30/04/2018. Annualised salary £124,860.
0	Chief Digital Officer		100,235	0	0	0	23,555	123,790	Post commenced 01/04/2018.
102,635	Assistant Director Customer Services & Communities		0	0	0	0	0	0	Post deleted 31/03/2018.
102,635	Assistant Director Adult Services		8,279	0	0	0	1,946	10,225	Left the Council 06/05/2018. Annualised salary £84,905.
0	Assistant Director Adult Services		15,977	0	0	0	3,755	19,732	Commenced 24/01/2019. Annualised salary £84,905.

## Notes to the Financial Statements

2017/18	2018/19	Note	Salary, fees and allowances received	Taxable benefits	Compensation for loss of employment		Employers pension contribution (23.3% of salary)	Total remuneration including pension contributions	Explanatory notes
					Received via payroll (taxable)	Received via payroll (non-taxable)			
£	Post title		£	£	£	£	£	£	
128,115	Assistant Director Children's Services	(b)	73,704	0	0	0	0	73,704	Left the Council 12/10/2018. Annualised salary £84,905.
0	Assistant Director Children's Services	(b)	82,123	0	0	0	0	82,123	Commenced 13/09/2018. Annualised salary £84,905.
102,635	Assistant Director Commercial Services		49,292	0	20,810	26,647	9,976	106,725	Post deleted 30/09/2018. Annualised salary £84,905.
102,635	Assistant Director Education & Lifelong Learning		78,514	0	0	0	18,451	96,965	Left the Council 03/03/2019. Annualised salary £84,905.
102,635	Assistant Director Housing & Communities		84,905	0	0	0	19,953	104,858	
0	Assistant Director Street Scene		66,273	134	0	0	16,469	82,876	Post commenced 20/06/2018. Annualised salary £84,905.
102,635	Chief HR Officer		84,905	0	0	0	19,953	104,858	
102,635	Head of Finance		84,905	0	0	0	19,953	104,858	
102,635	Head of Performance & Partnerships		75,050	0	0	0	17,637	92,687	Left the Council 17/02/2019. Annualised salary £84,905.

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(a) In addition to the remuneration fees detailed in the table above, Corporate Director Resources received fees relating to Returning Officer duties of £652.41 in 2018/19 (£31,785 in 2017/18).

(b) During 2018/19 agency invoices of £155,827 (£128,115 in 2017/18) were received for services as Assistant Director Children's Services.

## Notes to the Financial Statements

### 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.

2017/18				Exit package cost band (including special payments)	2018/19			
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 £
14	42	56	585,070	£0 - £20,000	44	102	146	1,204,141
2	15	17	480,481	£20,001 – £40,000	5	57	62	1,522,036
1	7	8	405,989	£40,001 – £60,000	1	7	8	418,560
1	5	6	414,321	£60,001 – £80,000	1	3	4	267,582
0	2	2	166,285	£80,001 – £100,000	0	5	5	470,239
0	3	3	331,498	£100,001 – £150,000	0	4	4	482,765
0	1	1	166,519	£150,001 – £200,000	0	0	0	0
18	75	93	2,550,163	Total	51	178	229	4,365,323

### 10.5 Members Allowances

The total amount of Members' Allowances (including basic and special responsibility) paid in 2018/19 was £1.320 million (£1.290 million in 2017/18). As required by the Code, this figure includes all remuneration paid to members including basic and special allowances, care allowances and directly reimbursed expenses.

### 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 Housing & Communities line of the Comprehensive Income and Expenditure Statement.

Under regulation 19(1) of the Partnership Arrangements (Wales) Regulations 2015, a pooled budget arrangement has been agreed between Cardiff and Vale local authorities and the Cardiff and Vale University Health Board in relation to the provision of care home accommodation for older people. The arrangement came into effect on 1st April 2018. Cardiff Council is acting as host authority during the initial term of the agreement (2018/19 financial year). The transactions are included in the Social Services line of the Comprehensive Income and Expenditure statement.

Income and expenditure for these pooled budget arrangements for the year ending 31 March 2019 are as follows:

## Notes to the Financial Statements

2017/18 £000			2018/19 £000	
Joint Equipment	Care Homes for older people		Joint Equipmen t	Care Homes for older people
		<b>Expenditure</b>		
1,598	0	Equipment	1,832	0
102	0	Contribution to Overheads	102	0
0	0	Care Home costs	0	60,844
<b>1,700</b>	<b>0</b>	<b>Total Expenditure</b>	<b>1,934</b>	<b>60,844</b>
		<b>Funding</b>		
(1,267)	0	Cardiff and Vale University Health Board	(1,289)	(27,408)
(283)	0	Cardiff Council	(391)	(24,099)
(217)	0	Vale of Glamorgan Council	(212)	(9,337)
<b>(1,767)</b>	<b>0</b>	<b>Total Funding</b>	<b>(1,892)</b>	<b>(60,844)</b>
<b>(67)</b>	<b>0</b>	<b>(Surplus)/Deficit transferred to Reserve</b>	<b>42</b>	<b>0</b>

### 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 30 including grant receipts outstanding at 31 March 2019.

**Members of the Council** have direct control over the Council's financial and operating policies. The total members' allowances paid in 2018/19 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 2018/19, goods and services totalling £28.954 million were commissioned from organisations including public bodies in which members had an interest (£15.120 million in 2017/18) and income was received of £41.167 million (£15.990 million in 2017/18). Grants totalling £2.240 million (£3.678 million in 2017/18) were paid to organisations in which members had an interest.

**Officer's** emoluments are shown in note 10. In 2018/19, for organisations in which Senior Officers had an interest there were £20,000 of goods and services commissioned (£0 in 2017/18). For goods and services provided, income of £245,000 was received in 2018/19 (£64,000 in 2017/18). 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 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.

**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

## Notes to the Financial Statements

precept, the Council made payments of £41,000 to Police and Crime Commissioner for South Wales during 2018/19 (£125,286 in 2017/18).

### Related Party Balances

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

31 March 2018			31 March 2019	
Debtors £000	Creditors £000		Debtors £000	Creditors £000
33,540	(1,220)	Central Government Grants	27,056	(1,732)
28	(133)	Cardiff City Transport Services Ltd	43	(10)
2,001	(25)	Companies in which members' interests declared/other	7,370	(26)
<b>35,569</b>	<b>(1,378)</b>	<b>Total</b>	<b>34,469</b>	<b>(1,768)</b>

### 13. External Audit Costs

2017/18 £000		2018/19 £000
383	Fees payable to Wales Audit Office for external audit services	382
65	Fees payable to Wales Audit Office for the certification of grant claims	65
23	Fees payable to Wales Audit Office for other financial audit work	20
<b>471</b>	<b>Total</b>	<b>467</b>

### 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 2018/19:

2017/18 £000		2018/19 £000
1,330	Property Leases	1,275
3,127	Other Leases	2,316
<b>4,457</b>		<b>3,591</b>

The Council was committed at 31 March 2019 to making payments of £12.228 million under operating leases (£13.879 million at 31 March 2018) comprising the following elements:

31 March 2018			31 March 2019	
Property Leases £000	Other Leases £000		Property Leases £000	Other Leases £000
1,144	2,946	Minimum lease payments not later than one year	1,217	2,003
2,319	3,124	Minimum lease payments later than one year but not later than five years	1,529	3,355
4,260	86	Minimum lease payments later than five years	4,119	5
<b>7,723</b>	<b>6,156</b>		<b>6,865</b>	<b>5,363</b>

## Notes to the Financial Statements

### Finance Leases

There were no finance leases at 31 March 2019 (none in 2017/18) 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 £5.608 million in 2018/19 (£5.618 million in 2017/18).

The Council was committed as at 31 March 2019 to receiving income of £420.966 million (£418.902 million as at 31 March 2018) under operating leases for Land & Buildings comprising the following elements:

31 March 2018 £000		31 March 2019 £000
5,166	Minimum income from leases no later than one year	5,188
16,830	Minimum income from leases later than one year and not later than five years	16,984
396,906	Minimum income from leases later than five years	398,794
<b>418,902</b>		<b>420,966</b>

### Finance Leases

The Council does not provide any leases of this type.

### 15. Investment Properties

The following items have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2017/18 £000		2018/19 £000
(5,402)	Rental income from investment property	(5,688)
2,173	Direct operating expenses arising from investment property	1,839
<b>(3,229)</b>	<b>Net (gain) / loss</b>	<b>(3,849)</b>

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 budget, 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 of 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.

2017/18 £000		2018/19 £000
24,257	Council Fund revenue provision	26,635
11,108	Housing Revenue Account provision	11,413
<b>35,365</b>	<b>Prudent revenue provision</b>	<b>38,048</b>

### 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, it is 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 2018/19 the Council paid £20.104 million in respect of teachers' pension costs, which represents 16.5% of teachers' pensionable pay (£19.562 million representing 16.5% of teachers' pensionable pay in 2017/18). 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 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.



## Notes to the Financial Statements

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 following table represents Cardiff Council only.

	Funded scheme £000	Unfunded liabilities £000	Total £000	Funded scheme £000	Unfunded liabilities £000	Total £000
<b>Comprehensive Income Expenditure Statement (CI&amp;E Statement)</b>						
<b>Net Cost of Services:</b>						
Current Service Cost	50,150	0	50,150	55,670	0	55,670
Past Service Costs	1,520	170	1,690	22,348	1,250	23,598
<b>Financing &amp; Investment Income &amp; Expenditure</b>						
Interest on net defined benefit liability/(asset)*	13,310	1,200	14,510	14,760	1,180	15,940
<b>Net charge to CI&amp;E Statement</b>	<b>64,980</b>	<b>1,370</b>	<b>66,350</b>	<b>92,778</b>	<b>2,430</b>	<b>95,208</b>
<b>Remeasurement of the net Defined Liability comprising</b>						
Returns on Plan Assets excluding amounts included in net interest	(6,030)	0	(6,030)	(52,880)	0	(52,880)
Actuarial losses arising from changes in Financial assumptions	30,390	420	30,810	102,180	1,480	103,660
Actuarial gains arising from changes in demographic assumptions	0	0	0	(76,170)	(2,260)	(78,430)
Other experience and Actuarial adjustments	9,160	450	9,610	2,880	3,900	6,780
<b>Total Remeasurements recognised in Other Comprehensive Income</b>	<b>33,520</b>	<b>870</b>	<b>34,390</b>	<b>(23,990)</b>	<b>3,120</b>	<b>(20,870)</b>
<b>Total charged to Comprehensive Income and Expenditure Statement</b>	<b>98,500</b>	<b>2,240</b>	<b>100,740</b>	<b>68,788</b>	<b>5,550</b>	<b>74,338</b>

	2017/18			2018/19		
	Funded scheme £000	Unfunded liabilities £000	Total £000	Funded scheme £000	Unfunded liabilities £000	Total £000
<b>Movement in Reserves Statement</b>						
Reversal of net charges made for retirement benefits in accordance with IAS19	(64,980)	(1,370)	(66,350)	(92,778)	(2,430)	(95,208)
<b>Actual amount charged against Council Tax in respect of pensions for the year</b>						
Employers contributions payable to the scheme	40,820	0	40,820	44,540	0	44,540
Payments in respect of unfunded pensions liabilities **	0	3,210	3,210	0	3,350	3,350
<b>Total</b>	<b>40,820</b>	<b>3,210</b>	<b>44,030</b>	<b>44,540</b>	<b>3,350</b>	<b>47,890</b>

## Notes to the Financial Statements

\*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 Taf (RCT) Council on behalf of the Council.

The past service costs and subsequently the pension liabilities include an estimation for the impact of the McCloud judgement and GMP equalisation (£20.698 million). The impact will be considered by the actuary within the valuation taking place in 2019.

### Reconciliation of funded status to Balance Sheet

31 March 2018				31 March 2019		
Funded scheme £000	Unfunded liabilities £000	Total £000		Funded scheme £000	Unfunded liabilities £000	Total £000
(1,730,930)	(47,490)	(1,778,420)	Opening present value of liabilities	(1,820,380)	(46,520)	(1,866,900)
(50,150)	0	(50,150)	Current service cost	(55,670)	0	(55,670)
(44,420)	(1,200)	(45,620)	Interest cost	(46,800)	(1,180)	(47,980)
(10,470)	0	(10,470)	Contributions by participants	(11,240)	0	(11,240)
(39,550)	(870)	(40,420)	Remeasurements in Other Comprehensive Income (OCI)	(28,890)	(3,120)	(32,010)
56,660	3,210	59,870	Net benefits paid out *	53,350	3,350	56,700
(1,520)	(170)	(1,690)	Past service cost	(22,348)	(1,250)	(23,598)
(1,820,380)	(46,520)	(1,866,900)	Closing present value of liabilities	(1,931,978)	(48,720)	(1,980,698)
1,198,860	0	1,198,860	Opening fair value of assets	1,230,630	0	1,230,630
31,110	0	31,110	Interest income on assets	32,040	0	32,040
6,030	0	6,030	Remeasurement gains/(losses) on assets	52,880	0	52,880
40,820	0	40,820	Contributions by employer	44,540	0	44,540
10,470	0	10,470	Contributions by participants	11,240	0	11,240
(56,660)	0	(56,660)	Net benefits paid out **	(53,350)	0	(53,350)
1,230,630	0	1,230,630	Closing fair value of assets	1,317,980	0	1,317,980
(589,750)	(46,520)	(636,270)	Net pension asset /(liability)*	(613,998)	(48,720)	(662,718)

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

\*\*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.

### Contributions for year ending 31 March 2020

Local Government Scheme - employer's regular contributions to the Fund for the accounting period ending 31 March 2020 are estimated to be £43.832 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.

## Notes to the Financial Statements

Unfunded liabilities - in the accounting period ending 31 March 2020 the Council expects to pay £3.546 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, as at 31 March 2019, for IAS19 purposes are shown in the following table:

31 March 2018	Assumptions	31 March 2019
	<b>Longevity at 45 for Current Pensioners (years)</b>	
24.2	Men	23.0
27.2	Women	25.9
	<b>Longevity at 65 for Current Pensioners (years)</b>	
23.1	Men	22.4
25.8	Women	24.8
	<b>Rates</b>	
3.2%	Rate of Inflation - Retail Price Index (RPI)	3.3%
2.1%	Rate of Inflation - Consumer Price Index (CPI)	2.2%
3.1%	Rate of general increase in salaries*	3.2%
2.1%	Rate of increase to pensions in payment**	2.2%
2.1%	Rate of increase to deferred pensions	2.2%
2.6%	Discount rate for scheme liabilities	2.4%

\*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.

### 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 2018				31 March 2019		
Quoted %	Unquoted %	Total %	Assets	Quoted %	Unquoted %	Total %
62.6	3.9	66.5	Equities	59.7	4.0	63.7
6.3	0.0	6.3	Property	7.7	0.0	7.7
15.4	0.0	15.4	Government Bonds	10.7	0.0	10.7
10.4	0.0	10.4	Corporate Bonds	11.0	0.0	11.0
1.4	0.0	1.4	Cash	1.5	0.0	1.5
0.0	0.0	0.0	Other*	5.4	0.0	5.4
<b>96.1</b>	<b>3.9</b>	<b>100</b>	<b>Total</b>	<b>96.0</b>	<b>4.0</b>	<b>100</b>

\*Other holdings may include hedge funds, currency holdings, asset allocation futures and other financial instruments.

## Notes to the Financial Statements

### History of Asset Values, Present Value of Liabilities and Surplus/(Deficit)

	31 March 2015 £000	31 March 2016 £000	31 March 2017 £000	31 March 2018 £000	31 March 2019 £000
Fair value of assets	1,027,052	1,014,120	1,198,860	1,230,630	1,317,980
Present value of funded liabilities	(1,528,588)	(1,513,150)	(1,730,930)	(1,820,380)	(1,931,978)
Present value of unfunded liabilities	(38,250)	(46,650)	(47,490)	(46,520)	(48,720)
<b>Surplus/(deficit)</b>	<b>(539,786)</b>	<b>(545,680)</b>	<b>(579,560)</b>	<b>(636,270)</b>	<b>(662,718)</b>

### Sensitivity Analysis of Present Value of Funded Liabilities

Results of sensitivity are shown below, in each case, only the assumption mentioned is altered and all other assumptions remain the same. Sensitivity of unfunded benefits is not included on materiality grounds.

Funded Defined Benefit Obligation £1,911,280 *	+0.1% p.a		-0.1% p.a	
Change in Assumptions on Present value of the funded defined benefit obligations	£000	% Increase /Decrease to Employee Liability		£000
Adjustment to Discount rate	1,876	-1.8%	1.9%	1,947
Adjustment to Salary Increase rate	1,920	0.5%	-0.5%	1,902
Adjustment to Pension Increase rate	1,398	1.4%	-1.4%	1,885
Adjustment to Mortality rate	1,973	3.2%	-3.2%	1,850

\*Excluding estimated impact for McCloud judgement and GMP equalisation

## Notes to the Financial Statements

### 18. Non-Current Assets

Property, Plant and Equipment	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	P, P & E under construction	Total Property, Plant & Equipment
Movements in Cost or Values	£000	£000	£000	£000	£000	£000	£000	£000
<b>1 April 2017</b>	<b>554,803</b>	<b>741,919</b>	<b>36,684</b>	<b>605,525</b>	<b>19,652</b>	<b>40,992</b>	<b>42,555</b>	<b>2,042,130</b>
Additions	17,633	32,934	4,587	14,943	84	14	54,899	125,094
Revaluations Increases/(Decreases) recognised in the RR*	0	27	0	0	0	(844)	0	(817)
Revaluations Increases/(Decreases) recognised in the SDPS**	0	(20,209)	0	0	0	(16,396)	0	(36,605)
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 - Transfers	3,243	(864)	17	3,746	0	22,348	(28,271)	219
<b>31 March 2018</b>	<b>574,175</b>	<b>744,734</b>	<b>37,887</b>	<b>624,214</b>	<b>19,736</b>	<b>39,572</b>	<b>67,725</b>	<b>2,108,043</b>
Additions	22,682	45,396	6,462	18,396	10	3,844	23,270	120,060
Revaluations Increases/(Decreases) recognised in the RR	17,507	(1,854)	0	0	0	(1,833)	0	13,820
Revaluations Increases/(Decreases) recognised in the SDPS	(9,008)	(46,606)	0	0	0	130	156	(55,328)
Impairment Losses/Reversals to RR	0	(174)	0	0	0	(2,225)	0	(2,399)
Impairment Losses/Reversals to SDPS	(133)	(756)	0	0	0	(2,784)	(78)	(3,751)
Derecognition - Disposals	(711)	(2,608)	(3,932)	0	0	(81)	0	(7,332)
Reclassified (to)/from Held for Sale	0	0	0	0	0	(1,695)	0	(1,695)
Other Reclassifications - Transfers	277	42,387	795	6,748	60	3,271	(54,772)	(1,234)
<b>31 March 2019</b>	<b>604,789</b>	<b>780,519</b>	<b>41,212</b>	<b>649,358</b>	<b>19,806</b>	<b>38,199</b>	<b>36,301</b>	<b>2,170,184</b>
<b>Movements in Depreciation/Impairment</b>								
<b>1 April 2017</b>	<b>16,941</b>	<b>26,169</b>	<b>21,127</b>	<b>310,904</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>375,141</b>
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)
Depreciation written out to the RR	0	(804)	0	0	0	0	0	(804)
Depreciation written out to the SDPS	0	(97)	0	0	0	(27)	0	(124)
Derecognition - Disposals	(42)	(723)	(3,401)	0	0	0	0	(4,166)
Reclassifications - Transfers	0	(27)	0	0	0	27	0	0
<b>31 March 2018</b>	<b>25,971</b>	<b>40,827</b>	<b>22,653</b>	<b>333,039</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>422,490</b>
Depreciation Charge	9,908	17,307	5,422	21,217	0	0	0	53,854

## Notes to the Financial Statements

Depreciation written out on Impairment	0	(130)	0	0	0	0	0	(130)
Depreciation written out to the RR	0	(10,192)	0	0	0	0	0	(10,192)
Depreciation written out to the SDPS	(25,971)	(14,759)	0	0	0	0	0	(40,730)
Derecognition - Disposals	0	(147)	(3,897)	0	0	0	0	(4,044)
Reclassifications - Transfers	0	(67)	0	0	0	0	0	(67)
<b>31 March 2019</b>	<b>9,908</b>	<b>32,839</b>	<b>24,178</b>	<b>354,256</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>421,181</b>
Net Book Value								
<b>At 31 March 2018</b>	<b>548,204</b>	<b>703,907</b>	<b>15,234</b>	<b>291,175</b>	<b>19,736</b>	<b>39,572</b>	<b>67,725</b>	<b>1,685,553</b>
<b>At 31 March 2019</b>	<b>594,881</b>	<b>747,680</b>	<b>17,034</b>	<b>295,102</b>	<b>19,806</b>	<b>38,199</b>	<b>36,301</b>	<b>1,749,003</b>

\* RR = Revaluation Reserve

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

### Heritage Assets

2017/18 £000		2018/19 £000
<b>53,846</b>	<b>Balance at 1 April</b>	<b>54,099</b>
53	Additions	53
200	Revaluation increases /(decreases) to RR	0
<b>54,099</b>	<b>Balance at 31 March</b>	<b>54,152</b>

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. In addition the costs of obtaining valuations for these items would be disproportionate to the benefits. Details of these assets are held within the Cardiff Public Art Register, which is available on the Council's internet site [www.cardiff.gov.uk](http://www.cardiff.gov.uk) under the Resident, Planning, City Design and Public Art section.

**Scheduled Ancient Monuments** - the Council is responsible 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](http://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.

## Notes to the Financial Statements

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

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

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

### Investment Properties

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

2017/18 £000		2018/19 £000
<b>132,241</b>	<b>Balance at 1 April</b>	<b>103,820</b>
1,036	Additions	12,679
(2,502)	Impairment	(185)
(26,774)	Disposals	(318)
0	Reclassified (to) / from Held for Sale	0
(219)	Other Reclassifications	1,234
32	Revaluation increases / (decreases) to RR*	0
6	Revaluation increases / (decreases) to SDPS**	774
<b>103,820</b>	<b>Balance at 31 March</b>	<b>118,003</b>

\* Revaluation Reserve

\*\* Surplus/Deficit on Provision of Services

### Intangible Assets

Movements in intangible assets during 2018/19 are summarised as follows:

2017/18 Total £000		2018/19		
		Other Intangible Assets £000	Intangible AUC £000	Total £000
	<b>Cost or Valuation</b>			
<b>8,500</b>	<b>Balance at 1 April</b>	<b>8,675</b>	<b>160</b>	<b>8,835</b>
335	Additions	482	0	482
0	Other reclassifications	160	(160)	0
<b>8,835</b>	<b>Balance at 31 March</b>	<b>9,317</b>	<b>0</b>	<b>9,317</b>
	<b>Amortisation</b>			
<b>5,185</b>	<b>Balance at 1 April</b>	<b>6,134</b>	<b>0</b>	<b>6,134</b>
949	Amortisation	961	0	961
<b>6,134</b>	<b>Balance at 31 March</b>	<b>7,095</b>	<b>0</b>	<b>7,095</b>
	<b>Net Book Value:</b>			
<b>2,701</b>	<b>Balance at 31 March</b>	<b>2,222</b>	<b>0</b>	<b>2,222</b>

### 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,

## Notes to the Financial Statements

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.

2017/18 £000		2018/19		
		CFR exc. landfill £000	Landfill CFR £000	Total CFR £000
747,864	Opening Capital Financing Requirement	<b>750,755</b>	<b>22,409</b>	<b>773,164</b>
	<b>Capital Expenditure:</b>			
120,366	Property, Plant and Equipment*	120,060	0	120,060
53	Heritage Assets	53	0	53
0	Assets Held for Sale	0	0	0
1,036	Investment Properties	12,679	0	12,679
335	Intangible Assets	482	0	482
200	Loans / Equity	1,661	0	1,661
15,148	Expenditure on REFCUS	8,098	0	8,098
	<b>Sources of Finance:</b>			
(10,682)	Capital Receipts	(22,037)	0	(22,037)
(55,363)	Government grants and other contributions	(56,406)	0	(56,406)
(10,407)	Direct revenue contributions and reserves	(11,120)	0	(11,120)
(35,386)	Prudent revenue and capital provision for loan repayment	(37,056)	(1,020)	(38,076)
<b>773,164</b>	<b>Closing Capital Financing Requirement</b>	<b>767,169</b>	<b>21,389</b>	<b>788,558</b>
	<b>Explanation of movements in year:</b>			
(2,427)	Increase / (Decrease) in underlying need to borrow (supported by government financial assistance)	(2,254)	0	(2,254)
27,728	Increase / (Decrease) in underlying need to borrow (unsupported by government financial assistance)	18,668	(1,020)	17,648
<b>25,301</b>	<b>Increase in Capital Financing Requirement</b>	<b>16,414</b>	<b>(1,020)</b>	<b>15,394</b>

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

The following amounts were treated as capital expenditure to be paid for from capital resources. The table 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 capital resources.

2017/18 £000		2018/19 £000
	<b>Expenditure:</b>	
4,254	Housing Improvement Grants	5,055
10,853	Buildings not owned by Cardiff Council	3,033
41	Grants awarded (not Housing Grants)	10
<b>15,148</b>	<b>Charged to Income and Expenditure Statement</b>	<b>8,098</b>
	<b>Funded by:</b>	
(9,356)	Grants and Contributions	(7,388)
(5,792)	Borrowing, Receipts and Other Capital Resources	(710)
<b>(15,148)</b>		<b>(8,098)</b>



## Notes to the Financial Statements

### Significant capital expenditure contractual commitments

At 31 March 2019, the significant capital expenditure commitments scheduled for completion in 2019/20 and future years is shown below (£53.211 million 2017/18)

	£000
Cardiff Living - New Housing	8,855
Courtney Road - New Housing	2,942
Senghenydd Road Cycle Superhighway	1,090
Cardiff Royal Infirmary Hub	615
Oakfield Primary School	532
<b>Total</b>	<b>14,034</b>

### 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, including the method of determining fair value in accordance with accounting policies for Financial Assets and Liabilities, and consideration of the Business Model for holding investments. Creditors are shown separately in the respective notes rather than as financial instruments:

31 March 2018				31 March 2019		
Long Term £000	Short Term £000	Total £000		Long Term £000	Short Term £000	Total £000
0	34,000	34,000	Amortised Cost - Investments - Principal	0	69,000	69,000
0	33	33	Amortised Cost - Investments Accrued Interest	0	32	32
0	54,046	54,046	Amortised Cost - Cash and Cash Equivalents	0	20,852	20,852
0	11	11	Amortised Cost - Cash and Cash Equivalents Accrued Interest	0	21	21
0	88,090	88,090	<b>Total Investments at Amortised Cost Included in Investments</b>	0	89,905	89,905
13,996	0	13,996	Investments at Fair Value through Other Comprehensive Income	10,948	0	10,948
640	243	883	Loans	1,188	1,189	2,377
7,447	86,684	94,131	Other Debtors	8,595	95,322	103,917
8,087	86,927	95,014	<b>Total Debtors</b>	9,783	96,511	106,294
22,083	175,017	197,100	<b>Total Financial Assets</b>	20,731	186,416	207,147
(688,713)	(4,562)	(693,275)	Financial liabilities at amortised cost - Loans (Principal)	(717,700)	(4,221)	(721,921)
0	(8,878)	(8,878)	Financial liabilities at amortised cost - Loans Accrued Interest	0	(9,085)	(9,085)
(688,713)	(13,440)	(702,153)	<b>Total Borrowings</b>	(717,700)	(13,306)	(731,006)

Investments at amortised cost include:

## Notes to the Financial Statements

- temporary investments deposited for various maturities with financial institutions. The fair value is deemed to be the carrying value (Level 2)

### Investments at Fair Value through Other Comprehensive Income 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 estimate is based on the net worth of the company as per its latest set of financial accounts (Level 3). This is a change in valuation method, following a review of the validity and variability of the previous approach which considered market multipliers of earnings. Any valuation basis can fluctuate dependent on the company's performance and economic climate and so any accounting valuation should be used with caution. Any change in value is offset by a corresponding movement to the 'Financial Instruments Revaluation Reserve'; hence there is no impact on Council Tax payable. The fair value of the investment at 31 March 2019 is estimated to be £10.470 million (£13.630 million in 2017/18).
- various minority equity holdings in companies are included either at cost or at quoted prices where available.

The above are held or acquired for Council policy purposes and have been elected to be accounted for as Fair Value through Other Comprehensive Income.

### Debtors include:

- loans to small to medium enterprises including those for town centre regeneration and car loans to eligible Council staff.
- grants, income due from service users, partners, deferred capital receipts to be received, offset by an impairment for credit losses, where applicable.

### Borrowings Liabilities include:

- external borrowing undertaken to fund the long term capital expenditure and 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. Where possible and viable, opportunities for early repayment are considered. The carrying amounts below also include accrued interest payable at 31 March 2019.

31 March 2018			Valuation Method - Level	31 March 2019	
Carrying amount £000	Fair value £000			Carrying amount £000	Fair value £000
(640,000)	(922,218)	Public Works Loan Board Loans (PWLB)	Level 2	(669,314)	(969,502)
(51,638)	(73,508)	Lender Option Borrower Option Loans	Level 2	(51,637)	(74,647)
(10,515)	(8,919)	Welsh Government and other Loans , Bonds and Temporary Balances	Level 2	(10,055)	(8,881)
<b>(702,153)</b>	<b>(1,004,645)</b>	<b>Financial Liabilities</b>		<b>(731,006)</b>	<b>(1,053,030)</b>

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

Fair value calculations use the following assumptions:

## Notes to the Financial Statements

- 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 2019. An exit price fair value of £1.142 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:

	Financial Liabilities		Financial Assets				Total	
	Liabilities at Amortised Cost		Amortised Cost		Investments at Fair Value through Other Comprehensive Income		2017/18 £000	2018/19 £000
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000		
Interest Payable & Similar Charges	31,781	32,176	0	0	0	0	31,781	32,176
Interest and Investment Income	0	0	(471)	(706)	0	0	(471)	(706)
(Gain)/loss arising on Revaluation or Disposal of Financial Assets	0	0	0	0	(305)	3,172	(305)	3,172
<b>Net (gain) / loss for the year</b>	<b>31,781</b>	<b>32,176</b>	<b>(471)</b>	<b>(706)</b>	<b>(305)</b>	<b>3,172</b>	<b>31,005</b>	<b>34,642</b>

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 2018/19 from Cardiff Bus (£0 in 2017/18).

### 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.

## Notes to the Financial Statements

### 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.

An impairment for bad debt is made where there is deemed to be a risk of expected credit losses. The following table summarises the Council's main exposures to credit risk.

Credit Risk	Likelihood of Default	31 March 2018 £000	31 March 2019 £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, requiring rigorous monitoring of credit risk and credit criteria. The Council uses treasury management advisors who assist in this process. Using historic data adjusted for current financial market conditions and based on the level of counterparty exposure at 31 March 2019, the expected credit loss calculated on a historic risk of default basis is 0.02% or £14,000. This is minimal, so no provision for expected credit loss is recognised.	88,090	89,905																								
Car Loans	Repayments are recovered directly from employees pay and indemnity insurance is a condition of the loan. Default experience is minimal.	493	469																								
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.	390	1,908																								
Customers	The Council does not generally allow credit for customers and provision is made for non-payment based on the age profile of outstanding debt, adjusted for large invoices known to have been settled after balance sheet date and any other material factors that could affect the ultimate sum collectable. The impairment for bad debt in 2018/19 was based on the adjusted age profile disclosed in the following table. <table border="1" data-bbox="338 1487 874 1789"> <thead> <tr> <th></th> <th>2017/18 £000</th> <th>2018/19 £000</th> </tr> </thead> <tbody> <tr> <td>Less than 1 year</td> <td>20,197</td> <td>15,998</td> </tr> <tr> <td>1 – 2 years</td> <td>798</td> <td>559</td> </tr> <tr> <td>2 – 3 years</td> <td>296</td> <td>430</td> </tr> <tr> <td>3 – 4 years</td> <td>90</td> <td>220</td> </tr> <tr> <td>4 – 5 years</td> <td>98</td> <td>69</td> </tr> <tr> <td>Over 5 years</td> <td>353</td> <td>277</td> </tr> <tr> <td><b>Total</b></td> <td><b>21,832</b></td> <td><b>17,553</b></td> </tr> </tbody> </table> Other debt such as grant income due from government bodies and year-end accruals of income is considered to be 100% collectable and impairment for non-payment is not usually considered necessary.		2017/18 £000	2018/19 £000	Less than 1 year	20,197	15,998	1 – 2 years	798	559	2 – 3 years	296	430	3 – 4 years	90	220	4 – 5 years	98	69	Over 5 years	353	277	<b>Total</b>	<b>21,832</b>	<b>17,553</b>	21,832	17,553
	2017/18 £000	2018/19 £000																									
Less than 1 year	20,197	15,998																									
1 – 2 years	798	559																									
2 – 3 years	296	430																									
3 – 4 years	90	220																									
4 – 5 years	98	69																									
Over 5 years	353	277																									
<b>Total</b>	<b>21,832</b>	<b>17,553</b>																									
<b>Total</b>		<b>110,805</b>	<b>109,835</b>																								

### Liquidity and Refinancing Risk

## Notes to the Financial Statements

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

31 March 2018 £000	Loans Outstanding	31 March 2019 £000
631,760	Public Works Loans Board	660,866
51,000	Market Lender Option Borrow Option (LOBO)	51,000
10,515	Welsh Government / Salix	10,055
<b>693,275</b>	<b>Total</b>	<b>721,921</b>
4,562	Under 12 months	4,221
3,286	12 months and within 24 months	1,207
12,870	24 months and within 5 years	15,500
35,412	5 years and within 10 years	41,980
155,500	10 years and within 20 years	161,000
166,000	20 years and within 30 years	168,000
210,689	30 years and within 40 years	212,689
99,956	40 years and within 50 years	112,324
5,000	50 years and within 60 years	5,000
<b>693,275</b>	<b>Total</b>	<b>721,921</b>

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	21/05/2019	6 months	21/11/2041
6	21/05/2019	6 months	21/11/2041
6	21/05/2019	6 months	23/05/2067
6	21/05/2019	6 months	23/05/2067
22	21/11/2020	5 years	23/11/2065
5	16/01/2023	5 years	17/01/2078

### **Interest Rate Risk**

The possibility that financial loss might arise for the Council as a result of changes in interest rates. The main impacts of interest rate movements are set out below:

Variable affected by interest rate fluctuations	Impact of Variation	Actions to mitigate interest rate risk
Interest earned on variable rate investments	Interest rate rises will increase income credited to the Comprehensive Income and Expenditure Statement, while reductions may result in less income than budgeted.	Production and Council approval of a Treasury Management Strategy at the start of each financial year, setting limits for fixed and variable rate exposure.

## Notes to the Financial Statements

Variable affected by interest rate fluctuations	Impact of Variation	Actions to mitigate interest rate risk
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.	Interest rate forecasts based on advice from treasury management advisors are built into the budget and monitored regularly throughout the year.
Fair value of fixed rate financial assets	Interest rate rises will have no material effect on fair value, hence fair value is not disclosed.	By borrowing and investing 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 below indicates the estimated impact on the Comprehensive Income and Expenditure Statement had interest rates during 2018/19 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	(162)
Increase in interest receivable on investments	449
<b>Impact on Income and Expenditure Account</b>	<b>287</b>
Increase in interest transferred to other balances and accounts	(168)
<b>Net Income / (Expenditure)</b>	<b>119</b>

Changes in Fair Value	£000
Decrease in Fair Value of Fixed Rate Investments	0
Decrease in Fair Value of Fixed Rate Borrowings	161,361

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 £17,000 (£30,000 in 2017/18) which are quoted on a recognised stock exchange at 31 March 2019.

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%

## Notes to the Financial Statements

in the fair value (positive or negative) would result in a £505,000 gain or loss being recognised in the Movement in Reserves Statement.

### 20. Held for Sale Assets

31 March 2018 £000		31 March 2019 £000
<b>80</b>	<b>Balance at 1 April</b>	<b>6,375</b>
(80)	De-recognition	(5,500)
6,557	Reclassified to/(from) Held for Sale	1,695
(84)	Revaluation increases /(decreases) to RR*	0
(98)	Revaluation increases /(decreases) to SDPS**	0
<b>6,375</b>	<b>Balance at 31 March</b>	<b>2,570</b>

\*Revaluation Reserve

\*\* Surplus/Deficit on Provision of Services

### 21. Short Term Debtors

31 March 2018 £000		31 March 2019 £000
45,592	Central Government Bodies	44,485
16,939	Other Local Authorities & NHS Bodies	27,052
24,396	Other Entities and Individuals including Public Corporations	23,795
<b>86,927</b>	<b>Total Short Term Debtors</b>	<b>95,332</b>

### 22. Cash and Cash Equivalents

31 March 2018 £000		31 March 2019 £000
207	Cash	880
28,788	Bank (including cheque book schools)	(4,327)
25,062	Short-term deposit with banks and building societies	24,320
<b>54,057</b>	<b>Total Cash and Cash Equivalents</b>	<b>20,873</b>

In addition to the above, at 31 March 2019 the Council held £679,000 (£622,000 at 31 March 2018) 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. Short Term Creditors

31 March 2018 £000		31 March 2019 £000
(12,608)	Central Government Bodies	(11,667)
(11,155)	Other Local Authorities & NHS Bodies	(19,641)
(64,165)	Other Entities and Individuals including Public Corporations	(75,277)
<b>(87,928)</b>	<b>Total Short Term Creditors</b>	<b>(106,584)</b>

### 24. Interests in Other Companies and Other Organisations

The Council had three wholly owned subsidiary companies which traded during 2018/19. The interest in Cardiff City Transport Services Ltd is consolidated into the Council's group accounts. The interests in the other organisations are considered immaterial in terms of both the turnover and the net assets of the group and have therefore been excluded from consolidation in 2018/19. 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 draft operating results, which include any subsidiaries, are summarised below:

31 March 2018		31 March 2019
£000		£000
(30,398)	Turnover and other income	(32,925)
32,750	Operating and other expenditure	33,036
2,352	<b>Net (Profit) / Loss before Taxation</b>	<b>111</b>
(439)	Taxation	0
1,913	<b>(Profit) / Loss after Taxation</b>	<b>111</b>

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

31 March 2018		31 March 2019
£000		£000
23,014	Bus and other operating assets	20,102
3,678	Current Assets	2,378
(6,677)	Less Current Liabilities	(2,854)
	Creditors: Amounts falling due after more than one year	
(6,335)	Provisions & Long term liabilities	(7,284)
(1,044)	Deferred Taxation	(604)
(3,584)	Pension Liability	(1,268)
9,052	<b>Total Assets less Liabilities</b>	<b>10,470</b>
	Represented by:	
4,618	Share Capital	4,618
1,293	Retained Earnings	2,711
3,141	Revaluation Reserve	3,141
9,052	<b>Net Worth</b>	<b>10,470</b>

In 2018/19 the Council made payments totalling £10.366 million to Cardiff Bus (£8.773 million in 2017/18), of which £8.958 million related to concessionary fares payments (£8.263 million in 2017/18). The Council also received income of £69,000 (£62,000 in 2017/18). During 2017/18 and 2018/19 no dividend was paid to the Council.

At 31 March 2019, Cardiff Bus had inter-company balances with the Council as follows: debtors £144,000 (£133,000 in 2017/18) and creditors £45,000 (£28,000 in 2017/18).



## Notes to the Financial Statements

The accounts for year ended 31 March 2019 are in draft status and are pending audit, prior to submission to Companies House at the end of December 2019. The company's auditors are Deloitte. The 2017/18 figures have been updated for Cardiff Bus final accounts, as these were not available at 30 September 2018.

### 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:

31 March 2018 £000		31 March 2019 £000
68	Net (Profit) / Loss before Taxation	8
(64)	Less: Taxation	(1)
4	<b>(Profit) / Loss after Taxation</b>	<b>7</b>

31 March 2018 £000		31 March 2019 £000
775	Total assets less current liabilities	759
(51)	Provision for taxation	(46)
724	<b>Total Assets less Liabilities</b>	<b>713</b>
	Represented by:	
274	Retained Profit	293
450	Revaluation Reserve	420
724	<b>Net Worth</b>	<b>713</b>

During 2018/19, the Council received income of £0 (£0 in 2017/18) from CBTC. At 31 March 2019 CBTC owed the Council £0 (£0 at 31 March 2018) and was owed £0 (£0 at 31 March 2018).

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 2019.

### Atebion Solutions Ltd. (company number 10411758)

Atebion Solutions Ltd. is wholly owned by the Council to deliver procurement and commercial services to the public sector and it commenced trading on 1 March 2018.

31 March 2018 £000		31 March 2019 £000
(38)	Net (Profit) / Loss before Taxation	29
7	Less: Taxation	(5)
(31)	<b>(Profit) / Loss after Taxation</b>	<b>24</b>

31 March 2018 £000		31 March 2019 £000
31	Total assets less current liabilities	23
0	Creditors: falling due after more than one year	(16)
31	<b>Total Assets less Liabilities</b>	<b>7</b>
	Represented by:	
31	Retained Profit	7
31	<b>Net Worth</b>	<b>7</b>

## Notes to the Financial Statements

During the year the Council made payments of £19,967 (£0 in 2017/18) to Atebion Solutions Ltd. and received £112,666 of income from the company (£0 in 2017/18). The Council accrued income in connection with Atebion Solutions Ltd. totalling £60,000 (£113,687 in 2017/18).

The company's auditors are Baldwins. An unqualified audit opinion has been issued in respect of the accounts for the year ended 31 March 2019.

### Cardiff Business Council Ltd. (company number 08650575)

Cardiff Business Council was a company set up in 2013/14 to grow Cardiff's private sector by marketing and promoting the Cardiff Capital Region as a world-class destination for business investment and tourism. This company was closed in December 2017 and was dissolved at Companies House in July 2019.

## 25. Provisions

	Balance 1 April 2018	Utilised/ Released in year	Transfers to Provisions	Balance 31 March 2019	Not later than one year	Later than one year
	£000	£000	£000	£000	£000	£000
Insurance & MMI Scheme	(8,468)	2,874	(5,071)	(10,665)	(4,798)	(5,867)
Ferry Road Landfill	(8,462)	185	0	(8,277)	(195)	(8,082)
Lamby Way Landfill	(11,230)	391	0	(10,839)	(507)	(10,332)
City Deal	(427)	343	(145)	(229)	0	(229)
Other	(830)	657	(674)	(847)	(600)	(247)
<b>Total</b>	<b>(29,417)</b>	<b>4,450</b>	<b>(5,890)</b>	<b>(30,857)</b>	<b>(6,100)</b>	<b>(24,757)</b>

**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.

**Cardiff Capital Region City Deal (CCRCD)** – primarily represents timing differences in relation to corporation tax.

**Other** – includes a Family Guarantor provision to aid the transfer of families from temporary accommodation into permanent homes. The provision included in previous years for the Friary building has been removed as it was no longer required following the Council relinquishing the lease.

## 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.

## Notes to the Financial Statements

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 2018 £000	Pension Strain	31 March 2019 £000
(1,884)	Pension Strain due within 1 year	(1,769)
(2,794)	Pension Strain due later than 1 year	(2,560)
(4,678)	<b>Total Pension Strain</b>	<b>(4,329)</b>

### 27. Deferred Liabilities

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

	Balance 1 April 2018 £000	Utilised/ Released in year £000	Transfers to Deferred Liabilities £000	Balance 31 March 2019 £000	Not later than one year £000	Later than one year £000
Commuted Maintenance Sums	(9,039)	1,170	(349)	(8,218)	(523)	(7,695)
Rent Smart Wales Income in Advance	(6,162)	1,032	0	(5,130)	(1,125)	(4,005)
<b>Total Deferred Liabilities</b>	<b>(15,201)</b>	<b>2,202</b>	<b>(349)</b>	<b>(13,348)</b>	<b>(1,648)</b>	<b>(11,700)</b>

### 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.

2017/18 £000		2018/19 £000
<b>7,205</b>	<b>Balance as at 1 April</b>	<b>21,320</b>
	Movements during Year:	
20,857	Sale of Land, Buildings and other assets	7,246
3,765	Sale of Council Dwellings	1,838
196	Recoupments of grant/other	148
<b>24,818</b>		<b>9,232</b>
(10,682)	Finance Capital Expenditure	(22,037)
(21)	Provide for Repayment of External Loans	(27)
<b>(10,703)</b>		<b>(22,064)</b>
<b>21,320</b>	<b>Balance as at 31 March</b>	<b>8,488</b>

## Notes to the Financial Statements

### 29. Unusable Reserves

#### Revaluation Reserve

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

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

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

2017/18 £000		2018/19 £000
<b>257,138</b>	<b>Balance as at 1 April</b>	<b>253,798</b>
2,262	Upward revaluation of assets	45,320
(2,489)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(23,705)
<b>(227)</b>	<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>21,615</b>
(2,357)	Difference between fair value depreciation and historical cost depreciation (charged to Capital Adjustment Account)	(1,236)
(756)	Accumulated gains on assets sold or scrapped	(5,579)
<b>(3,113)</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>(6,815)</b>
<b>253,798</b>	<b>Balance as at 31 March</b>	<b>268,598</b>

#### Capital Adjustment Account

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

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

2017/18 £000		2018/19 £000
<b>851,833</b>	<b>Balance as at 1 April</b>	<b>828,081</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(60,943)	Charges for depreciation and impairment of non-current assets	(57,369)
6,876	Reverse previous impairment on revaluation	19,996
(41,601)	Revaluation losses on Property, Plant and Equipment	(34,791)
(949)	Amortisation of intangible assets	(961)
(5,792)	Expenditure on REFUS	(9,295)

## Notes to the Financial Statements

(28,380)	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	(3,527)
<b>(130,789)</b>		<b>(85,947)</b>
2,357	Adjusting amounts written out of the Revaluation Reserve (historic cost adjustment)	1,236
<b>(128,432)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(84,711)</b>
	<b>Capital financing applied in the year:</b>	
10,682	Capital Receipts	22,037
10,407	Direct Revenue Financing	11,120
50,734	Grants and contributions	49,018
35,365	Prudent Revenue Provision	38,048
21	Capital receipts to provide for repayment of external loans	28
(65)	Reduction in loan debtors	(39)
<b>107,144</b>		<b>120,212</b>
(2,464)	Movements in the value of Investment Properties	589
0	Movement in the value of Held for Sale assets	0
<b>828,081</b>	<b>Balance as at 31 March</b>	<b>864,171</b>

### 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 realised.

2017/18 £000		2018/19 £000
<b>2,038</b>	<b>Balance as at 1 April</b>	<b>4,511</b>
4,500	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	500
(2,027)	Transfers to the Capital Receipts Reserve upon receipt of cash	(3)
<b>4,511</b>	<b>Balance as at 31 March</b>	<b>5,008</b>

The balance in 2018/19 relates primarily to the deferred payment from disposal of land at Central Square.

### Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Council arising from increases in the value of its investments held as Financial Instruments that are elected to be classified as Fair Value through other Comprehensive Income i.e. those held for service objectives or policy purposes. 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.

2017/18 £000		2018/19 £000
<b>13,235</b>	<b>Balance as at 1 April</b>	<b>13,540</b>
305	(Downwards) / Upwards revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(3,172)

## Notes to the Financial Statements

13,540	Balance as at 31 March	10,368
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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 offset in this 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.

2017/18 £000		2018/19 £000
<b>(591,356)</b>	<b>Balance as at 1 April</b>	<b>(647,960)</b>
(33,582)	Actuarial gains or losses on pensions assets and liabilities	21,551
(67,010)	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	(95,835)
(44)	Reversal of amounts accrual in respect of pension strain for future years	347
44,032	Employer's pensions contributions and direct payments to pensioners payable in the year	47,891
0	Adjustment re. Joint Committee	(14)
<b>(647,960)</b>	<b>Balance as at 31 March</b>	<b>(674,020)</b>

### Accumulated Absences Account

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

2017/18 £000		2018/19 £000
<b>(8,252)</b>	<b>Balance as at 1 April</b>	<b>(9,333)</b>
(1,081)	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	432
<b>(9,333)</b>	<b>Balance as at 31 March</b>	<b>(8,901)</b>

## Notes to the Financial Statements

### 30. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2018/19:

2017/18 £000		2018/19 £000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
(312,736)	Revenue Support Grant	(325,564)
(115,480)	Non-Domestic Rates	(115,383)
(42,913)	Capital Grants	(45,431)
(7,821)	Developers' Contributions	(3,587)
<b>(478,950)</b>	<b>Total</b>	<b>(489,965)</b>
	<b>Credited to Services (Revenue Grants &amp; Contributions)</b>	
(272,330)	Central Government Bodies	(260,905)
(18,377)	Other Local Authorities & NHS Bodies	(18,490)
(3,288)	Other Entities and Individuals including Public Corporations	(4,020)
<b>(293,995)</b>	<b>Total</b>	<b>(283,415)</b>

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 2018 £000	Revenue Grants and Contributions Receipts in Advance	31 March 2019 £000
(5,599)	Central Government Bodies	(11,110)
(35)	Other Local Authorities & NHS Bodies	0
(850)	Other Entities and Individuals including Public Corporations	(1,302)
<b>(6,484)</b>	<b>Total</b>	<b>(12,412)</b>

31 March 2018 £000	Capital Grants Receipts in Advance	31 March 2019 £000
(412)	Central Government Bodies	(782)
0	Other Local Authorities & NHS Bodies	0
0	Other Entities and Individuals including Public Corporations	0
<b>(412)</b>	<b>Total</b>	<b>(782)</b>

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

31 March 2018 £000		31 March 2019 £000
<b>(11,843)</b>	<b>Balance as at 1 April</b>	<b>(9,961)</b>
(9,290)	Contributions received during the year	(8,630)
10,862	Contributions applied to expenditure during the year	3,781
310	Reclassification	325
<b>(9,961)</b>	<b>Balance as at 31 March</b>	<b>(14,485)</b>

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 2019 is £4.562 million (£4.739 million at 31 March 2018).

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. A review during 2018/19 identified positive indications of additional income to the Club in 2019/20 and beyond as a result of changes in tournaments and in the national game. However until then, the risks of recovery of sums due still remain and the balance due of 30% (£1.960 million) remains 100% impaired. Any balances due are not shown in the financial statements but are identified as a contingent asset to reflect the amounts potentially receivable in accordance with the proposed restructured loan. Repayments are to begin in July 2019.

A VAT claim submitted to HMRC for cultural exemption at the castle, if successful, will result in income of £589,000.

In respect to an assessment received from HMRC for purportedly under-declared landfill tax assessment, associated penalties and interest, the Council has made a payment on account of £2.452 million to HMRC during 2018/19. This is not an admission of liability and if the assessment is changed or cleared, then this will be refunded by HMRC.

#### Liabilities

As at 31 March 2019 five claims existed 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 £195,000 (£160,000 at 31 March 2018) 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 is £2.440 million. The accounts reflect a provision of £139,150 with £786,777 held in an earmarked reserve towards any liability. This is considered prudent based on most recent actuarial advice, however, this is subject to the outcome of settled claims.

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

The Council and HMRC are continuing 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



## Notes to the Financial Statements

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. 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 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 2019.

### 32. Notes to Cash Flow Statement

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

2017/18 £000		2018/19 £000
(96,682)	Depreciation, impairment & amortisation	(73,162)
(23,022)	Charges made for retirement benefits (IAS19) less employers contributions	(26,899)
(28,380)	Carrying amount of non-current assets sold or derecognised	(3,527)
(46)	Increase/(decrease) in stock	137
386	Increase/(decrease) in debtors	19,947
(5,750)	(Increase)/decrease in creditors	(18,015)
3,056	Other non-cash items affecting net surplus or deficit on provision of services	(18,213)
<b>(150,438)</b>		<b>(119,732)</b>

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

2017/18 £000		2018/19 £000
(4,800)	Net gain/(loss) on sale of non-current assets	9,728
50,734	Capital grants/contributions recognised in CI&E	49,018
0	Other cash items which effect investing or financing activities	468
<b>45,934</b>		<b>59,214</b>

### 33. Prior Period Adjustment

During 2018/19, the Council became aware that a previous decision taken in 2014/15 to recognise a voluntary aided school, St Teilo's Church in Wales School, on the asset register was incorrect due to misinterpretation of information received at the time. The removal of the asset totalling £26.026 million (£1.784 million Revaluation Reserve and £24.242 million Capital Adjustment Account) has been recognised as a prior period adjustment for Cardiff Council and its Group. A Balance Sheet as at 31 March 2017 is included within the Core Financial Statements, in addition to the restated Balance Sheet as at 31 March 2018. The brought forward balances within the Capital Adjustment Account, Revaluation Reserve (note 29) and Non-Current Assets (note 18) have been restated to reflect this disposal. The treatment of other voluntary aided schools has been reviewed to ensure correctness.

### 34. Events After the Reporting Period

There are no events after the reporting period to report.

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

This Statement of Accounts was authorised for issue on 12 September 2019 by the Corporate Director Resources. Post Balance Sheet events have been considered up to this date.

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# Housing Revenue Account



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## 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).

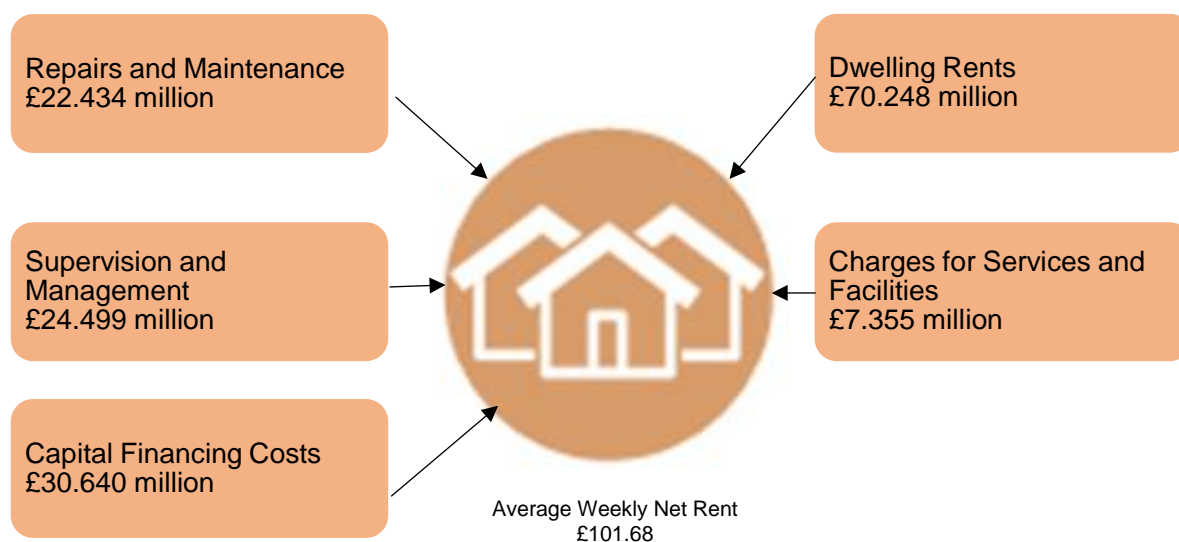
A 30 year business plan and financial model, completed on an annual basis for submission to Welsh Government, provides financial forecasts and performance and service information for the HRA. The plan includes our approach to maintaining the Welsh Housing Quality Standards, energy efficiency, remodelling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

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 a further 1,000 over the longer term. Other objectives include support for people in vulnerable situations, including homelessness 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

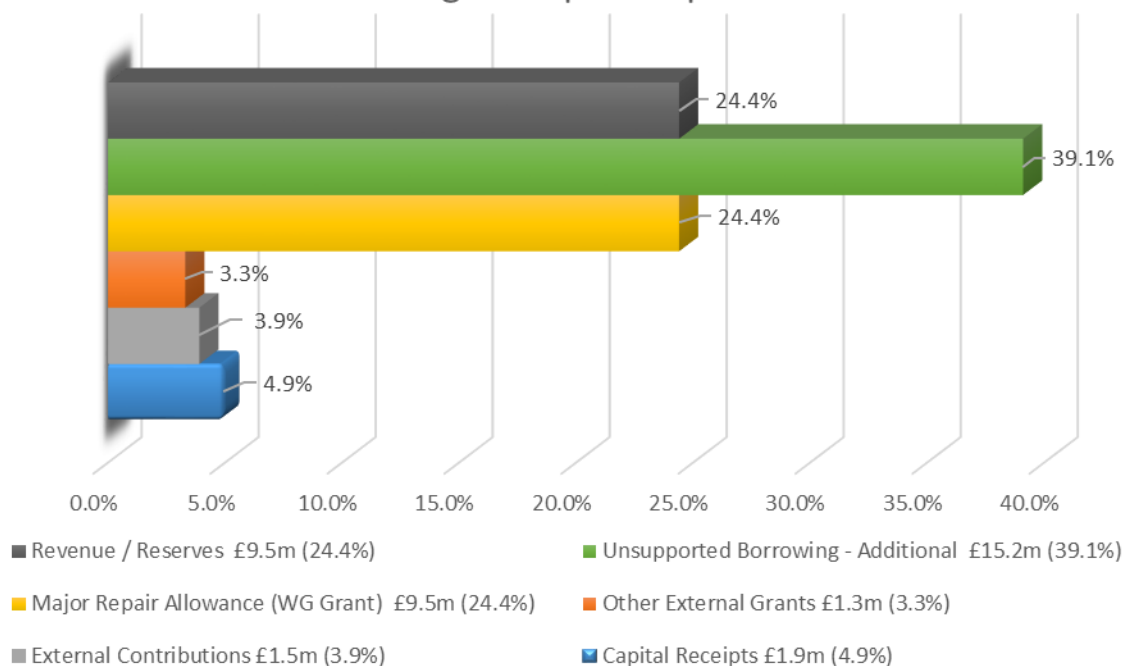


Our housing stock is valued in the accounts at £594.881 million. Dwellings were revalued in 2018/19 with the vacant possession value deemed to be £1.574 billion. In accordance with the valuation requirements, this was adjusted downwards by an adjustment factor of 37% in order to show the economic cost 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 2019, this stands at £279.245 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 £38.877 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.

### Funding of Capital Expenditure



During 2018/19, some key performance indicators included:

- Void property levels were 1.7% as a percentage of overall stock (1% 2017/18)
- 99% of reported graffiti cleared in line with targets (100% 2017/18)
- 99% of over 6,000 clean and clear jobs completed within 10 working days (99% 2017/18)
- 98% of urgent antisocial behaviour cases contacted within 1 working day (99% 2017/18)
- 98% of emergency repairs completed on time (98% 2017/18)
- 93% of responsive repairs carried out by the in-house workforce. (94% 2017/18)

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:

- 89% of tenants were satisfied with the way we deal with repairs (92% 2017/18)
- 89% of tenants were satisfied with their neighbourhood as a place to live (90% 2017/18)
- 95% of tenants were satisfied that they were kept informed about things affecting them as tenants. (95% 2017/18)

## 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.

2017/18 £000		Note	2018/19 £000
20,027	Repairs and maintenance		22,434
22,751	Supervision and management		24,499
93	Rents, rates, taxes and other charges		156
701	Provision for bad and doubtful debts		1,327
10,164	Depreciation, impairment and revaluation losses of non-current assets	8	(5,835)
55	Sums directed by the Welsh Government that are expenditure in accordance with the Code	9	0
45	Debt management costs		42
<b>53,836</b>	<b>Total Expenditure</b>		<b>42,623</b>
(66,107)	Dwelling rents	2	(70,248)
(80)	Non-dwelling rents		(50)
(6,709)	Charges for services and facilities		(7,355)
<b>(72,896)</b>	<b>Total Income</b>		<b>(77,653)</b>
	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>		
(19,060)			(35,030)
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income &amp; Expenditure Statement:</b>		
(2,485)	(Gain)/loss on sale of HRA non-current assets		(1,271)
11,779	Interest payable and similar charges		11,716
0	Changes in fair value of investment properties		(23)
(1)	Interest and Investment income		(1)
(11,855)	Capital grants and contributions applied		(12,318)
<b>(21,622)</b>	<b>(Surplus)/Deficit for year on HRA Services</b>		<b>(36,927)</b>

### Movement on HRA Balance

2017/18 £000		Note	2018/19 £000
<b>(8,438)</b>	<b>Balance on the HRA at the end of the previous year</b>		<b>(8,983)</b>
(21,622)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement		(36,927)
21,940	Adjustments between accounting basis and funding basis under regulations	1	39,655
<b>318</b>	<b>Net (increase)/decrease before transfers to or from reserves</b>		<b>2,728</b>
(863)	Transfers to/(from) earmarked reserves		(2,728)
<b>(545)</b>	<b>Increase or decrease in the year on the HRA</b>		<b>0</b>
<b>(8,983)</b>	<b>Balance on the HRA at the end of the current year</b>		<b>(8,983)</b>

## Notes to Housing Revenue Account

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

2017/18 £000		Note	2018/19 £000
	<b>Adjustments primarily involving the Capital Adjustment Account:</b>		
	<u>Reversal of items debited or credited to the HRA Income and Expenditure Statement:</u>		
9,699	Charges for depreciation and impairment of non-current assets	8	10,560
268	Revaluation losses of non-current assets	8	(16,523)
(12)	Reverse previous impairment on revaluation	8	(35)
208	Amortisation of intangible assets	8	163
0	Movement in the market value of investment properties		(23)
(11,855)	Capital grants and contributions applied		(12,318)
55	Sums directed by Welsh Government	9	0
1,526	Non-current assets written off as part of the gain/loss on disposal to the HRA Income and Expenditure Statement		605
(11,112)	Prudent Provision for the financing of capital investment		(11,413)
(7,633)	Capital expenditure charged against the HRA		(9,469)
51	Credit for disposal costs that qualify to be met from the resulting capital receipts		20
	<b>Adjustments involving the Revaluation Reserve:</b>		
(4,010)	Non-current assets written off as part of the gain/loss on disposal to the HRA Income & Expenditure Account		(1,876)
	<b>Adjustments involving the Pensions Reserve:</b>		
4,038	Net Retirement Benefits per IAS19		4,496
(3,273)	Employers Contributions to pension schemes		(3,783)
119	Pension Strain Accrual – future years		(199)
	<b>Adjustments involving the Accumulated Absences Account:</b>		
(9)	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		140
(21,940)	<b>Total Adjustments</b>		<b>(39,655)</b>

### 2. Rental Income

This is the total rent income due for the year after allowance is made for voids etc. Vacancies accounted for 1.58% of the total potential rental income (1.20% in 2017/18). Average rents were £101.68 per week (£95.27 in 2017/18) based on a 52 week year.

### 3. Rent Arrears, Service Charge Arrears and Bad Debt Provision

The following sums were due from tenants:

## Notes to Housing Revenue Account

31 March 2018			31 March 2019	
Arrears £000	Bad debt provision £000		Arrears £000	Bad debt provision £000
		<b>Rent Arrears</b>		
3,588	2,753	Dwellings	4,618	3,465
40	40	Leasehold properties	36	36
253	253	Hostels	345	345
<b>3,881</b>	<b>3,046</b>	<b>Total Rent Arrears</b>	<b>4,999</b>	<b>3,846</b>
		<b>Other</b>		
100	60	Service charges	116	70
441	441	Tenants recoverables	479	479
<b>541</b>	<b>501</b>	<b>Total Other Arrears</b>	<b>595</b>	<b>549</b>
<b>4,422</b>	<b>3,547</b>	<b>Total</b>	<b>5,594</b>	<b>4,395</b>

During 2018/19 a number of old debts totalling £424,533 were written off as irrecoverable (£298,905 in 2017/18).

#### 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:

2017/18 £000		2018/19 £000
4,038	Current service cost	4,496
(3,273)	Cost of employer's contributions plus discretionary benefits	(3,783)
119	Pension Strain Accrual - Future Years	(199)
<b>884</b>	<b>Net transfer to Pensions Reserve</b>	<b>514</b>

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

#### 5. Housing Stock

The Council's housing stock is shown below:

31 March 2018		31 March 2019
7,205	Houses	7,231
628	Bungalows	629
5,082	Flats/Bedsits	5,085
169	Maisonettes	169
352	Retirement complexes	352
<b>13,436</b>	<b>Total</b>	<b>13,466</b>

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

31 March 2018		31 March 2019
9	Bed spaces in hostels	36
49	Flats in hostels	49
<b>58</b>	<b>Total</b>	<b>85</b>



## Notes to Housing Revenue Account

### 6. Capital Expenditure and Capital Financing

2017/18 £000		2018/19 £000
<b>273,882</b>	<b>Opening Capital Financing Requirement</b>	<b>266,709</b>
	<u>Capital Expenditure:</u>	
24,729	Property , Plant and Equipment	38,859
38	Intangible assets including intangible AUC	0
0	Investment Properties	18
55	Expenditure on REFCUS	0
2,159	Appropriation of land	8,780
	<u>Sources of Finance:</u>	
(3,558)	Capital Receipts	(1,920)
(11,855)	Government grants and other contributions *	(12,319)
(7,633)	Direct revenue contributions and reserves	(9,469)
(11,108)	Prudent revenue and capital provision for loan repayment	(11,413)
<b>266,709</b>	<b>Closing Capital Financing Requirement</b>	<b>279,245</b>
316,554	Debt Cap at 31 March	0
<b>49,845</b>	<b>Headroom</b>	<b>N/A</b>
	<b>Explanation of Movements in Year:</b>	
(7,171)	Increase / (decrease) in underlying need to borrow (unsupported by government financial assistance - relating to previous years)	12,536
<b>(7,171)</b>	<b>Movement in Capital Financing Requirement</b>	<b>12,536</b>

\* £9.514 million (£9.532 million in 2017/18) 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 was required to adhere to a debt cap set by Welsh Government. This was based on the Housing Capital Financing Requirement (CFR) calculation. The cap was removed by Welsh Government during 2018/19.

### 7. Capital Receipts

Proceeds from the disposal of HRA Assets during 2018/19 were as follows:

- Council Dwellings and Home Purchase Contributions £1.838 million (£3.766 million in 2017/18)
- Land £0.366 million (£0.108 million in 2017/18)

### 8. Depreciation, Impairment and Revaluation Charged

Depreciation and impairment were 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.

2017/18 £000		2018/19 £000
9,071	Council dwellings	10,040
203	Land and buildings	202
486	Vehicles, plant & equipment, intangibles and AUC	481
<b>9,760</b>	<b>Total Depreciation , Amortisation and Impairment</b>	<b>10,723</b>
26	Council dwellings	(16,962)
257	Land and buildings	404
121	Vehicles, plant & equipment, intangibles and AUC	0
<b>404</b>	<b>Total Revaluation</b>	<b>(16,558)</b>
<b>10,164</b>	<b>Total</b>	<b>(5,835)</b>

## Notes to Housing Revenue Account

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

2017/18 £000		2018/19 £000
	<b>Expenditure:</b>	
55	Buildings not owned by the Council	0
55	<b>Charged to Income and Expenditure Account</b>	<b>0</b>
	<b>Funded by:</b>	
0	Grants and Contributions	0
(55)	Borrowing, Receipts and other Capital Resources	0
(55)		0

# Group Accounts



## Introduction

The group accounts that follow comply with the requirement of the 2018/19 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 2018/19. 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 and its subsidiaries. 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 with the following additions and exceptions:

### 1. Retirement Benefits

Cardiff City Transport Services Ltd. operates two defined benefit funded pension schemes which it accounts for in accordance with 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 2017/18 figures in the Council's note 24 Interest in Other Companies and the group accounts have been restated for 2017/18 Cardiff Bus final accounts, as these were not available at 30 September 2018.

## Group Comprehensive Income and Expenditure

2017/18				Note	2018/19		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
13,455	(3,164)	10,291	Corporate Management		35,392	(1,416)	33,976
71,446	(37,654)	33,792	Economic Development		75,934	(40,445)	35,489
375,118	(90,253)	284,865	Education & Lifelong Learning		366,473	(92,894)	273,579
8,186	(1,690)	6,496	Governance & Legal Services		6,938	(1,067)	5,871
9,134	(6,484)	2,650	Harbour Authority		8,977	(6,074)	2,903
53,836	(72,896)	(19,060)	Housing Revenue Account		42,624	(77,654)	(35,030)
248,468	(200,324)	48,144	Housing and Communities		240,878	(194,488)	46,390
137,238	(77,869)	59,369	Planning , Transport and Environment		151,371	(74,742)	76,629
37,300	(14,854)	22,446	Resources		39,103	(15,278)	23,825
184,095	(26,541)	157,554	Social Services		196,129	(24,084)	172,045
2,701	(5,813)	(3,112)	Summary Revenue Account		3,688	(5,514)	(1,826)
<b>1,140,977</b>	<b>(537,542)</b>	<b>603,435</b>	<b>Net Cost of Services</b>		<b>1,167,507</b>	<b>(533,656)</b>	<b>633,851</b>
31,216	0	31,216	Police and Crime Commissioner for South Wales		33,499	0	33,499
310	0	310	Community Council Precepts		367	0	367
17,115	0	17,115	Levies & Contributions		17,439	0	17,439
29,135	(27,165)	1,970	(Gain)/loss on sale of non-current assets		9,106	(9,949)	(843)
<b>77,776</b>	<b>(27,165)</b>	<b>50,611</b>	<b>Other Operating Expenditure</b>		<b>60,411</b>	<b>(9,949)</b>	<b>50,462</b>
31,781	0	31,781	Interest Payable on debt		32,176	0	32,176
209	0	209	Interest element of finance leases	4	215	0	215
16,535	(1,761)	14,774	Interest on net defined liability/(asset)		16,176	(11)	16,165
0	(700)	(700)	Interest & Investment Income		0	(972)	(972)
2,502	(38)	2,464	Change in fair value of Investment Properties		5,066	(5,655)	(589)

## Group Comprehensive Income and Expenditure

51,027	(2,499)	48,528	Financing and Investment Income & Expenditure		53,633	(6,638)	46,995
0	(50,734)	(50,734)	Recognised Capital Grants & Contributions		0	(49,018)	(49,018)
0	(312,736)	(312,736)	Revenue Support Grant		0	(325,564)	(325,564)
0	(115,480)	(115,480)	Non-Domestic Rates		0	(115,383)	(115,383)
2,070	(191,095)	(189,025)	Council Tax Income		2,282	(202,564)	(200,282)
2,070	(670,045)	(667,975)	Taxation & Non-Specific Grant Income		2,282	(692,529)	(690,247)
(439)	0	(439)	Tax expenses - Corporation Tax payable/(owing)		131	0	131
1,271,411	(1,237,251)	34,160	(Surplus)/Deficit on Provision of Services		1,283,964	(1,242,772)	41,192
		(2,262)	Revaluation Gains				(45,320)
		2,128	Revaluation Losses				21,306
		361	Impairment losses on non-current assets charged to the Revaluation Reserve				2,399
		45	(Surplus)/Deficit on Financial Instrument Revaluation Reserve				13
		33,581	Actuarial gains/losses on pension assets/liabilities				(23,066)
		135	Share of other comprehensive income & expenditure of subsidiaries				0
		33,988	Other Comprehensive Income & Expenditure				(44,668)
		68,148	Total Comprehensive Income & Expenditure				(3,476)

\*The opening balance has not been amended for changes to Joint Committees after 30 September 2018

## Group Movement In Reserves

	Council Fund Balance	Council Fund Earmarked Reserves	HRA Balance	HRA Earmarked Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves Council	Unusable Reserves - Group Entities	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2017 carried forward</b>	<b>14,255</b>	<b>59,391</b>	<b>8,438</b>	<b>4,086</b>	<b>7,205</b>	<b>93,375</b>	<b>515,975</b>	<b>6,481</b>	<b>615,831</b>
<b><u>Movement in Reserves during 2017/18</u></b>									
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	(33,503)	(485)	(33,988)
<b>Total Comprehensive Income and Expenditure</b>	<b>(53,869)</b>	<b>0</b>	<b>21,622</b>	<b>0</b>	<b>0</b>	<b>(32,247)</b>	<b>(33,503)</b>	<b>(2,398)</b>	<b>(68,148)</b>
Adjustments between accounting basis & funding basis under regulations	56,321	0	(21,940)	0	14,115	48,496	(48,496)	0	0
<b>Net Increase / (Decrease) before Transfers to/(from) Earmarked Reserves</b>	<b>2,452</b>	<b>0</b>	<b>(318)</b>	<b>0</b>	<b>14,115</b>	<b>16,249</b>	<b>(81,999)</b>	<b>(2,398)</b>	<b>(68,148)</b>
Transfers to/(from) Earmarked Reserves	(2,452)	2,452	863	(863)	0	0	0	0	0
<b>Increase / (Decrease) in 2017/18</b>	<b>0</b>	<b>2,452</b>	<b>545</b>	<b>(863)</b>	<b>14,115</b>	<b>16,249</b>	<b>(81,999)</b>	<b>(2,398)</b>	<b>(68,148)</b>
<b>Balance at 31 March 2018 carried forward</b>	<b>14,255</b>	<b>61,843</b>	<b>8,983</b>	<b>3,223</b>	<b>21,320</b>	<b>109,624</b>	<b>433,976</b>	<b>4,083</b>	<b>547,683</b>
<b><u>Movement in Reserves during 2018/19</u></b>									
Surplus or (deficit) on the provision of Services	(78,008)	0	36,927	0	0	(41,081)	0	(111)	(41,192)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	43,138	1,530	44,668
<b>Total Comprehensive Income and Expenditure</b>	<b>(78,008)</b>	<b>0</b>	<b>36,927</b>	<b>0</b>	<b>0</b>	<b>(41,081)</b>	<b>43,138</b>	<b>1,419</b>	<b>3,476</b>
Adjustments between accounting basis & funding basis under regulations	69,879	0	(39,655)	0	(12,832)	17,392	(17,392)	0	0
<b>Net Increase / (Decrease) before Transfers to/(from) Earmarked Reserves</b>	<b>(8,129)</b>	<b>0</b>	<b>(2,728)</b>	<b>0</b>	<b>(12,832)</b>	<b>(23,689)</b>	<b>25,746</b>	<b>1,419</b>	<b>3,476</b>
Transfers to/(from) Earmarked Reserves	8,129	(8,129)	2,728	(2,728)	0	0	0	0	0
<b>Increase / (Decrease) in 2018/19</b>	<b>0</b>	<b>(8,129)</b>	<b>0</b>	<b>(2,728)</b>	<b>(12,832)</b>	<b>(23,689)</b>	<b>25,746</b>	<b>1,419</b>	<b>3,476</b>
<b>Balance at 31 March 2019 carried forward</b>	<b>14,255</b>	<b>53,714</b>	<b>8,983</b>	<b>495</b>	<b>8,488</b>	<b>85,935</b>	<b>459,722</b>	<b>5,502</b>	<b>551,159</b>

## Group Balance Sheet

31 March 2017 restated £000	31 March 2018 restated £000		Note	31 March 2019 £000
1,688,105	1,707,366	Property, Plant & Equipment:	7	1,768,343
53,846	54,099	Heritage Assets		54,152
132,241	103,820	Investment Properties		118,003
3,315	2,701	Intangible Non-Current Assets including AUC		2,222
412	366	Long-term Investments		478
5,616	8,087	Long-term Debtors		10,251
856	1,201	Deferred tax asset		762
<b>1,884,391</b>	<b>1,877,640</b>	<b>Total Long-Term Assets</b>		<b>1,954,211</b>
66,124	34,033	Short-term Investments		69,032
80	6,375	Assets held for Sale		2,570
2,466	2,377	Inventories		2,594
84,844	87,850	Short-term Debtors	9	96,267
22,336	55,804	Cash and Cash Equivalents	10	21,799
<b>175,850</b>	<b>186,439</b>	<b>Total Current Assets</b>		<b>192,262</b>
(14,972)	(13,440)	Short-term Borrowing		(13,306)
(89,867)	(91,316)	Short-term Creditors	11	(109,249)
(1,414)	(1,884)	Pension Strain		(1,769)
(8,031)	(5,640)	Provisions	12	(6,876)
(4,311)	(5,090)	Deferred Liabilities	13	(3,596)
(66)	0	Deferred tax liability		0
<b>(118,661)</b>	<b>(117,370)</b>	<b>Total Current Liabilities</b>		<b>(134,796)</b>
(668,028)	(688,713)	Long Term Borrowing		(717,700)
(28,938)	(25,188)	Provisions	12	(25,706)
(19,018)	(17,565)	Deferred Liabilities	13	(15,311)
(11,843)	(9,961)	Capital Contributions Receipts in Advance		(14,485)
(2,016)	(6,484)	Revenue Grants Receipts in Advance		(12,412)
(974)	(412)	Capital Grants Receipts in Advance		(782)
(3,219)	(2,794)	Pension Strain		(2,560)
(590,544)	(646,865)	Net Pensions Liability		(670,958)
(1,169)	(1,044)	Deferred tax liability		(604)
<b>(1,325,749)</b>	<b>(1,399,026)</b>	<b>Total Long-Term Liabilities</b>		<b>(1,460,518)</b>
<b>615,831</b>	<b>547,683</b>	<b>NET ASSETS</b>		<b>551,159</b>
		<b>Financed by:</b>		
14,255	14,255	Council Fund Balance		14,255
59,391	61,843	Council Fund Earmarked Reserves		53,714
8,438	8,983	Housing Revenue Account Balance		8,983
4,086	3,223	Housing Revenue Account Earmarked Reserves		495
7,205	21,320	Capital Receipts Reserve		8,488
<b>93,375</b>	<b>109,624</b>	<b>Usable Reserves</b>		<b>85,935</b>
260,300	256,961	Revaluation Reserve		271,739
851,833	828,081	Capital Adjustment Account		864,171
2,038	4,511	Deferred Capital Receipts		5,008
4,574	4,528	Financial Instruments Adjustments Reserve		4,516
(597,671)	(654,441)	Pensions Reserve		(678,942)



## Group Balance Sheet

(8,252)	(9,333)	Accumulated Absences Adjustment Account	(8,901)
9,634	7,752	Reserves (Group Entities)	7,633
522,456	438,059	Unusable Reserves	465,224
615,831	547,683	<b>TOTAL RESERVES</b>	<b>551,159</b>

\*The opening balance has not been amended for changes to Joint Committees after 30 September 2018

## Group Cash Flow

2017/18		Note	2018/19
£000			£000
34,160	Net (Surplus) /Deficit on the provision of services		41,192
(152,883)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	14	(121,080)
45,725	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	14	59,214
<b>(72,998)</b>	<b>Net cash flows from operating activities</b>		<b>(20,674)</b>
126,943	Purchase of property, plant and equipment, investment property and intangible assets		133,361
0	Purchase of short-term and long-term Investments		35,000
936	Other payments for investing activities		(4,936)
(24,889)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(9,232)
(45,621)	Capital Grants and Contributions		(68,618)
<b>57,369</b>	<b>Net cash flows from investing activities</b>		<b>85,575</b>
(25,004)	Cash receipts from short-term and long-term borrowing		(32,934)
(2,826)	Other receipts from financing activities		(4,145)
1,907	Cash payments for the reduction of outstanding liabilities relating to finance leases		1,895
7,791	Repayments of short-term and long-term borrowing		4,288
293	Other payments for financing activities		0
<b>(17,839)</b>	<b>Net cash flows from financing activities</b>		<b>(30,896)</b>
<b>(33,468)</b>	<b>Net (increase)/ decrease in cash and cash equivalents</b>		<b>34,005</b>
22,336	Cash and cash equivalents at the beginning of the reporting period		55,804
<b>55,804</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>21,799</b>

## Notes to Group Accounts

### NOTES TO THE GROUP ACCOUNTS

The notes to the Council's Core Financial Statements also apply to the Group Accounts with the following additions and exceptions:

#### 1. Remuneration

The number of employees of the group whose remuneration is over £60,000 per annum is disclosed below.

Remuneration band £	Number of Employees			
	2017/18		2018/19	
	Non Schools	Schools	Non Schools	Schools
60,000-64,999	9	51	9	65
65,000-69,999	19	27	19	31
70,000-74,999	1	11	1	12
75,000-79,999	2	8	3	8
80,000-84,999	9	8	8	9
85,000-89,999	1	4	0	6
90,000-94,999	0	2	2	1
95,000-99,999	0	2	1	3
100,000-104,999	0	2	1	2
105,000-109,999	1	2	1	1
110,000-114,999	0	1	0	1
115,000-119,999	0	2	0	0
120,000-124,999	6	0	4	2
125,000-129,999	0	1	0	1
130,000-134,999	1	0	0	0
135,000-139,999	0	1	2	1
140,000-144,999	0	0	0	0
145,000-149,999	0	1	0	0
150,000-154,999	0	0	0	1
155,000-169,999	0	0	0	0
170,000-174,999	1	0	0	0
175,000-179,999	0	0	1	0
<b>Total</b>	<b>50</b>	<b>123</b>	<b>52</b>	<b>144</b>

#### 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 organisations.

#### 3. External Audit Costs

In 2018/19 the following fees were paid by the group in respect of audit and inspection:

2017/18 £000		2018/19 £000
383	Fees payable to Wales Audit Office for external audit services	382
30	Fees payable to other external auditors for external audit services	45
65	Fees payable to external auditors for the certification of grant claims and returns	65
40	Fees payable to other external auditors for other services	54

## Notes to Group Accounts

518	Total	546
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### 4. Leasing

#### Operating Leases

Operating leases exist in respect of properties, vehicles and other items of equipment. Payments made during 2018/19 were as follows

2017/18 £000		2018/19 £000
1,346	Property Leases	1,291
3,127	Other leases	2,316
4,473		3,607

The group was committed at 31 March 2019 to making payments of £12.843 million under operating leases (£13.895 million at 31 March 2018) comprising the following elements:

	Property Leases £000	Other Leases £000
Minimum lease payments not later than one year	1,217	2,003
Minimum lease payments later than one year but not later than five years	1,594	3,355
Minimum lease payments later than five years	4,669	5
	7,480	5,363

#### Finance Leases

The assets acquired under finance leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

2017/18 £000		2018/19 £000
13,257	Vehicles, Plant, furniture & Equipment	11,664

Obligations under finance leases:

2017/18 £000		2018/19 £000
1,895	Obligations payable within 1 year	1,948
5,128	Obligations payable between 2 and 5 years	3,611
431	Obligations payable after 5 years	0
7,454	Total liabilities as at 31 March	5,559

The aggregate finance charges made during 2018/19 were as follows:

2017/18 £000		2018/19 £000
209	Vehicles, Plant & Equipment	198

### 5. Pensions

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

	2017/18 £000	2018/19 £000
<b>Net Cost of Services</b>		
Past and current service cost and operating charge	52,668	79,984
<b>Net Operating Expenditure</b>		
Interest on net defined benefit liability/(asset)	14,510	15,940
<b>Net charge to Group Income &amp; Expenditure Account</b>	<b>67,178</b>	<b>95,924</b>
Appropriation to/(from) Pensions Reserve to Council Fund Balance	(22,320)	(50,668)
Appropriation to/(from) Pensions Reserve to Profit and Loss Accounts of subsidiaries	582	442
<b>Net charge to Council Fund Balance and Profit &amp; Loss Accounts of Subsidiaries in respect of Pensions</b>	<b>45,440</b>	<b>45,698</b>
<b>Presented by:</b>		
Employers Contributions Payable to the Scheme	(40,820)	0
Payments in Respect of Unfunded Pensions Liabilities	(3,210)	(44,540)
<b>Total Employers Contributions Charged to Council Tax</b>	<b>(44,030)</b>	<b>(44,540)</b>
Employers Contributions Made by Subsidiaries to Defined Benefit Schemes in the Year	(1,410)	(1,158)
<b>Total Contributions</b>	<b>(45,440)</b>	<b>(45,698)</b>

#### **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 2018/19 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.

#### **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 £42.1 million 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 Pension Protection Fund (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 19.5% of pensionable pay from 1 April 2019. 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 2019 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 2017	31 March 2018	31 March 2019
Rate of increase in salaries	3.3% pa	3.2% pa	n/a
Discount rate	2.6% pa	2.6% pa	2.3% pa
Inflation Assumption (RPI)	3.3% pa	3.2% pa	3.2% pa
Inflation Assumption (CPI)	2.3% pa	2.2% pa	2.2% pa
Pension Increases (CPIS)	2.3% pa	2.2% pa	2.2% pa

Mortality assumptions are based on S2PXA tables, relevant to year of birth rated up two years, with future improvements in line with the CMI2017 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 20.1 years (2018: 20.3) if they are male and for a further 22.0 years (2018: 22.1) 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 21.2 years after retirement (2018: 21.4) if they are male and for a further 23.2 years after retirement (2018: 23.3) if they are female.

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

	2016/17	2017/18	2018/19
	Fair Value £000	Fair Value £000	Fair Value £000
Equities	14,679	12,980	6,184
Diversified Growth	16,724	13,758	12,081
Convertible Bonds	4,001	6,931	3,763
Cash and LDI	2,414	4,391	8,688
Bonds	0	0	10,128
	<b>37,818</b>	<b>38,060</b>	<b>40,844</b>

## Notes to Group Accounts

The net pension liability measured under IAS19 comprised the following:

	31 March 2017 £000	31 March 2018 £000	31 March 2019 £000
Total market value of assets	37,818	38,060	40,844
Present value of scheme liabilities	(38,459)	(38,444)	(38,375)
<b>Net IAS19 Scheme Deficit</b>	<b>(641)</b>	<b>(384)</b>	<b>2,469</b>

	31 March 2017 £000	31 March 2018 £000	31 March 2019 £000
<b>Analysis of amount charged to operating profit</b>			
Current service cost and administration	(885)	(914)	(556)
<b>Analysis of amount credited/(charged) to interest receivable/payable</b>			
Expected return on pension scheme assets	1,142	981	617
Interest on pension scheme liabilities	(1,110)	(995)	(974)
<b>Net finance income/(charge)</b>	<b>32</b>	<b>(14)</b>	<b>(357)</b>

### Analysis of amount recognised in the primary statements

	31 March 2017 £000	31 March 2018 £000	31 March 2019 £000
Actual return less expected return on pension assets	4,348	(528)	2,882
Changes in financial assumptions underlying the scheme/(liabilities)	(5,985)	612	(161)
<b>Actuarial gain/(loss) recognised in the primary statements</b>	<b>(1,637)</b>	<b>84</b>	<b>2,721</b>

### Movements in scheme deficit during the year

	31 March 2017 £000	31 March 2018 £000	31 March 2019 £000
<b>Balance as at 1 April</b>	<b>878</b>	<b>(641)</b>	<b>(384)</b>
Movement in year:			
Total operating charge	(589)	(618)	(556)
Contributions	971	1,072	1,045
Net finance income/(charge)	(264)	(281)	(357)
Actuarial gain/(loss) in the primary statements	(1,637)	84	2,721
<b>Balance as at 31 March</b>	<b>(641)</b>	<b>(384)</b>	<b>2,469</b>

## Notes to Group Accounts

### 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 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 result of this valuation revealed that the company's required contributions to this scheme in respect of its employees who are members will be 25.4% of pensionable pay from 1 April 2017 continuing into 2019/20. 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 principle assumptions used by the actuary were:

	31 March 2017	31 March 2018	31 March 2019
Rate of increase in salaries	3.3% pa	3.3% pa	2.2% pa
Discount rate	2.6% pa	2.6% pa	2.6% pa
Rate of increase in pensions in payment	2.3% pa	2.3% pa	2.2% pa
Rate of increase in deferred pensions	2.3% pa	2.3% pa	2.2% pa
Rate of inflation (RPI)	3.3% pa	3.3% pa	3.2% pa
Rate of inflation (CPI)	2.3% pa	2.3% pa	2.2% pa

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 22.2 years (2018: 20.6) if they are male and for a further 24.1 years (2018: 22.4) 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 23.2 years after retirement (2018: 21.7) if they are male and for a further 25.3 years after retirement (2018: 23.6) if they are female.

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

	2016/17	2017/18	2018/19
	Fair Value	Fair Value	Fair Value
	£000	£000	£000
Equities	23,640	20,130	19,832
Government bonds	2,573	4,661	2,397
Corporate bonds	1,756	3,148	3,331
Property	1,907	1,907	3,425
Cash	454	424	467
Other assets	(60)	0	1,681
	<b>30,270</b>	<b>30,270</b>	<b>31,133</b>

The net pension liability measured under IAS19 comprised the following:

	31 March 2017	31 March 2018	31 March 2019
	£000	£000	£000
<b>Analysis of amount charged to operating profit</b>			
Current service cost and administration	(210)	(210)	(160)



## Notes to Group Accounts

<b>Analysis of amount credited/(charged) to interest receivable/payable</b>			
Expected return on pension scheme assets	920	780	770
Interest on pension scheme liabilities	(1,030)	(850)	(850)
<b>Net Finance Income / (Charge)</b>	<b>(110)</b>	<b>(70)</b>	<b>(80)</b>

	31 March 2017	31 March 2018	31 March 2019
	£000	£000	£000
Total market value share of assets	30,270	30,270	31,133
Present value of scheme liabilities	(33,450)	(33,470)	(34,870)
<b>Net IAS19 Scheme Deficit</b>	<b>(3,180)</b>	<b>(3,200)</b>	<b>(3,737)</b>

### Analysis of amount recognised in the primary statements:

	31 March 2017	31 March 2018	31 March 2019
	£000	£000	£000
Actual return less expected return on pension assets	3,580	140	1,300
Changes in financial assumptions underlying the scheme/(liabilities)	(3,430)	(390)	(1,710)
<b>Actuarial gain/(loss) recognised in the primary statements</b>	<b>150</b>	<b>(250)</b>	<b>(410)</b>

### Movements in scheme deficit during the year:

	31 March 2017	31 March 2018	31 March 2019
	£000	£000	£000
<b>Balance as at 1 April</b>	<b>(3,670)</b>	<b>(3,180)</b>	<b>(3,200)</b>
<b>Movement in year:</b>			
Total operating charge	(210)	(210)	(160)
Contributions	660	510	113
Net finance income/(charge)	(110)	(70)	(80)
Actuarial gain/(loss) in the primary statements	150	(250)	(410)
<b>Balance as at 31 March</b>	<b>(3,180)</b>	<b>(3,200)</b>	<b>(3,737)</b>

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

	31 March 2018	31 March 2019
	£000	£000
Cardiff City Transport Scheme	383	(2,469)
Cardiff & Vale of Glamorgan Pension Scheme	3,200	3,737
Deferred Tax Asset	(681)	(241)
<b>Total</b>	<b>2,902</b>	<b>1,027</b>

### 6. Exceptional Items

There are no exceptional items reported in the 2018/19 Cardiff Bus Accounts.

## Notes to Group Accounts

### 7. Non-Current Assets Note

Property, Plant and Equipment	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	P, P & E under construction	Total Property, Plant & Equipment
Movements in Cost or Values	£000	£000	£000	£000	£000	£000	£000	£000
<b>1 April 2017</b>	<b>554,803</b>	<b>747,469</b>	<b>76,496</b>	<b>605,525</b>	<b>19,652</b>	<b>40,992</b>	<b>42,555</b>	<b>2,087,492</b>
Additions	17,633	32,934	7,905	14,943	84	14	54,899	128,412
Revaluations Increases/(Decreases) recognised in the RR	0	27	0	0	0	(844)	0	(817)
Revaluations Increases/(Decreases) recognised in the SDPS	0	(20,209)	0	0	0	(16,396)	0	(36,605)
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 - Transfers	3,243	(864)	17	3,746	0	22,348	(28,271)	219
<b>31 March 2018</b>	<b>574,175</b>	<b>750,284</b>	<b>79,204</b>	<b>624,214</b>	<b>19,736</b>	<b>39,572</b>	<b>67,725</b>	<b>2,154,910</b>
Additions	22,682	45,396	6,716	18,396	10	3,844	23,270	120,314
Revaluations Increases/(Decreases) recognised in the RR	17,507	(1,854)	0	0	0	(1,833)	0	13,820
Revaluations Increases/(Decreases) recognised in the SDPS	(9,008)	(46,606)	0	0	0	130	156	(55,328)
Impairment Losses/Reversals to RR	0	(174)	0	0	0	(2,225)	0	(2,399)
Impairment Losses/Reversals to SDPS	(133)	(756)	0	0	0	(2,784)	(78)	(3,751)
Derecognition - Disposals	(711)	(3,008)	(3,945)	0	0	(81)	0	(7,745)
Reclassified (to)/from Held for Sale	0	0	0	0	0	(1,695)	0	(1,695)
Other Reclassifications - Transfers	277	42,387	795	6,748	60	3,271	(54,772)	(1,234)
<b>31 March 2019</b>	<b>604,789</b>	<b>785,669</b>	<b>82,770</b>	<b>649,358</b>	<b>19,806</b>	<b>38,199</b>	<b>36,301</b>	<b>2,216,892</b>
<b>Movements in Depreciation/Impairment</b>								
<b>1 April 2017</b>	<b>16,941</b>	<b>26,487</b>	<b>45,054</b>	<b>310,904</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>399,386</b>
Depreciation Charge	9,072	16,679	7,375	22,135	0	0	0	55,261

## Notes to Group Accounts

Depreciation written out on Impairment	0	(262)	0	0	0	0	0	(262)
Depreciation written out to the RR	0	(804)	0	0	0	0	0	(804)
Depreciation written out to the SDPS	0	(97)	0	0	0	(27)	0	(124)
Derecognition - Disposals	(42)	(723)	(5,148)	0	0	0	0	(5,913)
Reclassifications - Transfers	0	(27)	0	0	0	27	0	0
<b>31 March 2018</b>	<b>25,971</b>	<b>41,253</b>	<b>47,281</b>	<b>333,039</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>447,544</b>
Depreciation Charge	9,908	17,412	7,661	21,217	0	0	0	56,198
Depreciation written out on Impairment	0	(130)	0	0	0	0	0	(130)
Depreciation written out to the RR	0	(10,192)	0	0	0	0	0	(10,192)
Depreciation written out to the SDPS	(25,971)	(14,759)	0	0	0	0	0	(40,730)
Derecognition - Disposals	0	(173)	(3,901)	0	0	0	0	(4,074)
Reclassifications - Transfers	0	(67)	0	0	0	0	0	(67)
<b>31 March 2019</b>	<b>9,908</b>	<b>33,344</b>	<b>51,041</b>	<b>354,256</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>448,549</b>
<b>Net Book Value</b>								
<b>At 31 March 2018</b>	<b>548,204</b>	<b>709,031</b>	<b>31,923</b>	<b>291,175</b>	<b>19,736</b>	<b>39,572</b>	<b>67,725</b>	<b>1,707,366</b>
<b>At 31 March 2019</b>	<b>594,881</b>	<b>752,325</b>	<b>31,729</b>	<b>295,102</b>	<b>19,806</b>	<b>38,199</b>	<b>36,301</b>	<b>1,768,343</b>

\* 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 that the Council's shareholding in Cardiff Bus ceases to be a financial instrument, as the group balance sheet includes the net assets of the subsidiary and their corresponding net worth.

### 9. Short Term Debtors

31 March 2018		31 March 2019
£000		£000
45,784	Central Government Bodies	44,634
17,259	Other Local Authorities & NHS Bodies	27,164
24,807	Other Entities and Individuals including Public Corporations	24,469
<b>87,850</b>	<b>Total Short Term Debtors</b>	<b>96,267</b>

### 10. Cash and Cash Equivalents

This figure represents cash temporarily available for investment at balance sheet date and includes £2.098 million (£2.398 million in 2017/18) held in money market funds that are not instant access and a bank overdraft of £1.172 million (£651,000 in 2017/18) resulting in a total cash and cash equivalents figure of £926,000 (£1.747 million in 2017/18).

### 11. Short Term Creditors

31 March 2018		31 March 2019
£000		£000
(12,608)	Central Government Bodies	(11,667)
(11,183)	Other Local Authorities & NHS Bodies	(19,496)
(67,525)	Other Entities and Individuals including Public Corporations	(78,086)
<b>(91,316)</b>	<b>Total Short Term Creditors</b>	<b>(109,249)</b>

### 12. Provisions

	Balance 1 April 2018 £000	Utilised/ Released in year £000	Transfers to Provisions £000	Balance 31 March 2019 £000	Not later than one year £000	Later than one year £000
Insurance & MMI Scheme	(8,468)	2,874	(5,071)	(10,665)	(4,798)	(5,867)
Ferry Road Landfill	(8,462)	185	0	(8,277)	(195)	(8,082)
Lamby Way Landfill	(11,230)	391	0	(10,839)	(507)	(10,332)
Cardiff Bus Insurance Provision	(1,411)	1,701	(2,015)	(1,725)	(776)	(949)
City Deal	(427)	343	(145)	(229)	0	(229)
Other	(830)	657	(674)	(847)	(600)	(247)
<b>Total Provisions</b>	<b>(30,828)</b>	<b>6,151</b>	<b>(7,905)</b>	<b>(32,582)</b>	<b>(6,876)</b>	<b>(25,706)</b>

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

## Notes to Group Accounts

### 13. Deferred Liabilities

	Balance 1 April 2018 £000	Utilised/ Released in year £000	Transfers to Deferred Liabilities £000	Balance 31 March 2019 £000	Not later than one year £000	Later than one year £000
Commuted Maintenance Sums	(9,039)	1,170	(349)	(8,218)	(523)	(7,695)
Rent Smart Wales Income in Advance	(6,162)	1,032	0	(5,130)	(1,125)	(4,005)
Cardiff Bus Finance Lease Liability	(7,454)	1,895	0	(5,559)	(1,948)	(3,611)
<b>Total Deferred Liabilities</b>	<b>(22,655)</b>	<b>4,097</b>	<b>(349)</b>	<b>(18,907)</b>	<b>(3,596)</b>	<b>(15,311)</b>

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

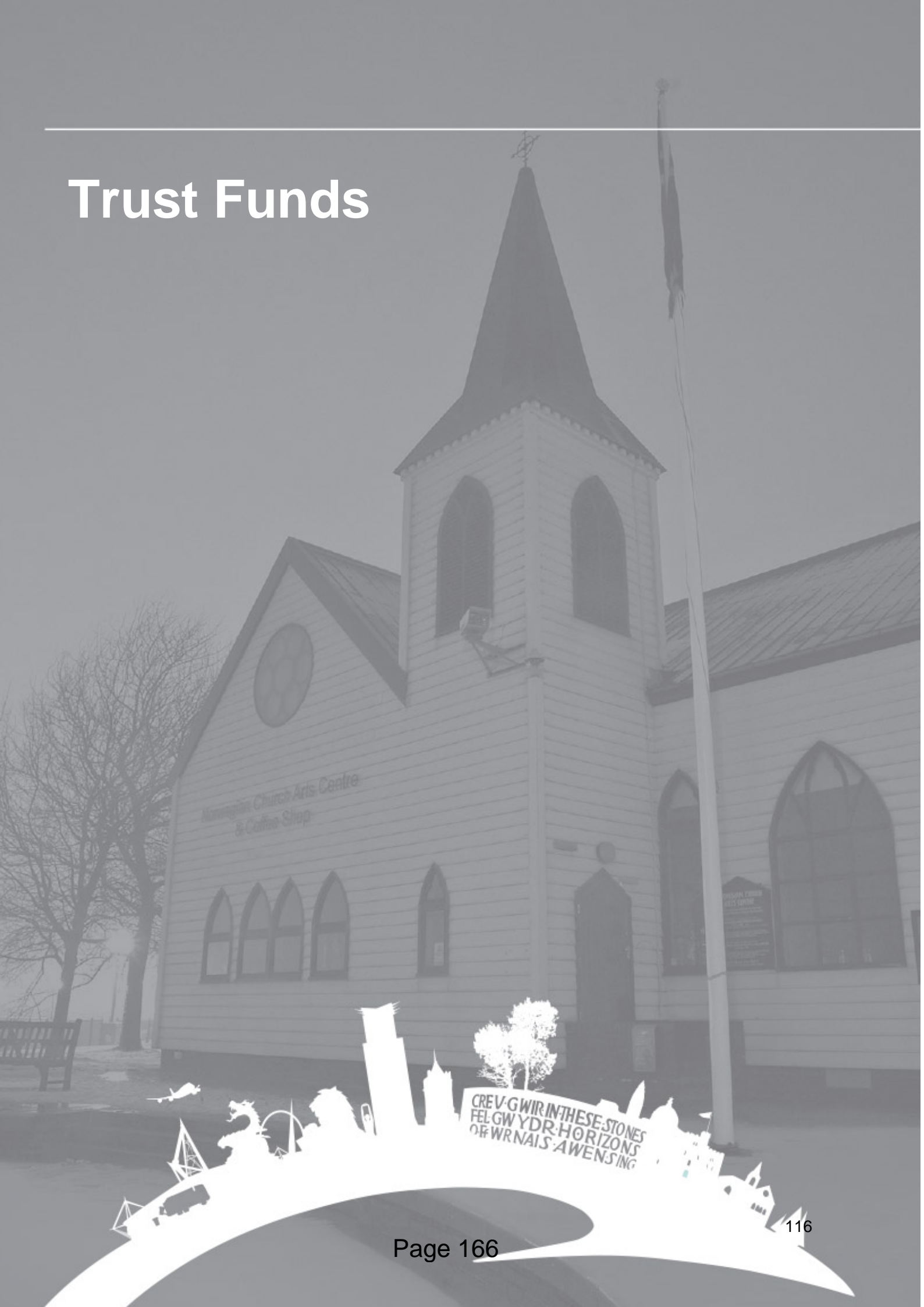
2017/18 £000		2018/19 £000
(99,237)	Depreciation and impairment	(75,505)
(22,618)	Charges made for retirement benefits (IAS19) less employers contributions	(26,886)
(30,862)	Carrying amount of non-current assets sold or derecognised	(3,527)
439	Cardiff Bus Taxation	0
(89)	Increase/(decrease) in stock	216
265	Increase/(decrease) in debtors (exc capital)	19,965
(6,301)	(Increase)/decrease in creditors (exc capital creditors)	(17,611)
3,056	Other non-cash items affecting net surplus or deficit on provision of services	(17,732)
<b>(155,347)</b>		<b>(121,080)</b>

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

2017/18 £000		2018/19 £000
(4,800)	Net gain/(loss) on sale of non-current assets	9,728
(209)	Repayments of liabilities under finance leases	0
50,734	Capital grants/contributions recognised in I&E	49,018
0	Other cash items which affect investing or financing activities	468
<b>45,725</b>		<b>59,214</b>

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# Trust Funds



## Trust Funds

During 2018/19, 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 2019 have yet to be examined. This is to be undertaken in January 2020 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:

Christopher Lee  
Corporate Director Resources  
County Hall  
Cardiff  
CF10 4UW

## Trust Funds

	Balance as at 31 March 2018 £	Income £	Expenditure £	Asset Revaluation £	Balance as at 31 March 2019 £
<b>General Funds</b>					
Llandaff War Memorial Fund	1,428	11	(11)	0	1,428
Maindy Park Foundation	78,633	374	(11)	0	78,996
Norwegian Church Preservation Trust	(93,564)	107,572	(124,904)	0	(110,896)
<b>Further Education</b>					
Cardiff Further Education Trust/ Craddock Wells	24,557,920	146,678	(59,153)	31,897	24,677,342
<b>Total funds for which the Council is Sole Trustee</b>	<b>24,544,417</b>	<b>254,635</b>	<b>(184,079)</b>	<b>31,897</b>	<b>24,646,870</b>
<b>Other funds administered by the Council</b>					
R Fice Memorial Trust	65,549	2,481	(4,173)	189	64,046
The Howardian Trust	32,950	955	0	1,228	35,133
<b>Total other funds which are administered by the Council</b>	<b>98,499</b>	<b>3,436</b>	<b>(4,173)</b>	<b>1,417</b>	<b>99,179</b>
<b>Total</b>	<b>24,642,916</b>	<b>258,071</b>	<b>(188,252)</b>	<b>33,314</b>	<b>24,746,049</b>



# Cardiff Harbour Authority



## Narrative Report

### Introduction

This document presents the Statement of Accounts for Cardiff Harbour Authority. Section 42(1) of the Harbours Act 1964 sets out that statutory undertakings, such as local authorities that have functions of maintaining, improving or managing a harbour are required to prepare an annual statement of accounts relating to the harbour activities. These accounts have been prepared in line with International Financial Reporting Standards as well as 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 or separate legal entity. 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 1993.

The Agreement has since been varied by the Deeds of Variation between the Welsh Ministers and the Council, with the latest dated 17 April 2018.

### Review of the Financial Year

Welsh Government funding for Cardiff Harbour Authority is subject to three-year funding agreements, the latest of which expired 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. However, the review, originally planned for the autumn of 2017 was delayed until the latter stages of the 2018/19 financial year. Subsequently, agreement was reached between the two parties for the 2018/19 budget to be set at £5.400 million, representing a reduction of £491,000 or 8.33% on 2017/18.

The financial deficit after accounting adjustments for the year ended 31 March 2019 was £2.791 million (£1.876 million in 2017/18).

Total Capital Expenditure incurred during the year was £201,000 and of this, £104,000 was funded by Harbour Grant. This was a single year programme in 2018/19 for works at the harbour, barrage and surrounding environmental infrastructure, including works on the bascule bridges, replacement of pump out facility barrage south and additional submersible pumps.

### Key Achievements

During 2018/19 Cardiff Harbour Authority continued 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
- The Volvo Ocean Race Atlantic stopover was delivered successfully in May 2018, with expectations of significant visitor engagement, conferences and sustainability outputs met
- Extreme sailing series returned to Cardiff for its final year of a three year contract in August 2018, supported by the Cardiff Harbour Festival
- The community liaison team won the Arts & Business Environment category award for their water safety campaign 'would you jump?' This partnership with Theatre Na Nog and Milford Haven Port Authority took a thought provoking play and drama workshops into schools to raise awareness of the dangers of swimming and jumping in the Bay
- Maintained statutory water quality standards comprising over 400,000 readings
- Litter weighing 465 tonnes was removed from the rivers and bay

- Successful accreditation of the ISO14001 Standard for Environmental Management
- Café facility on the barrage leased to Royal Society for the Protection of Birds Cymru and opened in April 2018
- Excellent attendance and feedback on courses, activities and events at Cardiff International White Water, Cardiff Bay Water Activity Centre and Cardiff Sailing Centre including successful Sailability and All Aboard programmes and the largest entry to date for the Welsh Indoor Rowing Championships & Schools Championships
- Cardiff International White Water was a key venue in the United Kingdom Rescue Organisation challenge 2018 and hosted GB Standup Paddleboarding race, part of the national series
- Retained Green Flag Status for the Barrage, Cardiff Bay Wetlands and Flat Holm
- Allocated Regional Tourism Enhancement Fund grant from WG to deliver 'Sanctuary in the Sea', a series of Holistic weekends on Flat Holm with links to supporting local Cardiff businesses and partnering with local hotels to extend stays in Cardiff Bay.

### **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 2018/19 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 its income and expenditure for the financial year 2018/19 and financial position of the Authority at 31 March 2019.

**Christopher Lee**  
**Corporate Director Resources**

**Date: 12 September 2019**

## **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 2019 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 International Financial Reporting Standards (IFRSs) as applied by the European Union.

In my opinion the financial statements:

- give a true and fair view of the financial position of Cardiff Harbour Authority as at 31 March 2019 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and International Financial Reporting Standards (IFRSs) as applied by the European Union.

### **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 Narrative Report. The other information comprises the information included in Narrative 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 to the accounts 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:

- proper 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](http://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 2018/19 financial year and its financial position at 31 March 2019. 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 such as wages and salaries, paid annual leave, sick leave and expenses are paid on a monthly basis and reflected as expenditure on an accruals basis in the relevant service line in the Comprehensive Income and Expenditure Statement.

#### **3. 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.

### **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.

#### **4. 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 expenditure.

#### **5. 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.

#### **6. 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.

#### **7. 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.

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, excluding borrowing costs which are not capitalised. These assets are then carried in the Balance Sheet using the following measurement bases:

Asset Type	Measurement	Range of Remaining Useful Lives
Assets under Construction	Depreciated Historical Cost	n/a
Buildings	Existing Use or Depreciated Replacement Cost	14-57
Community Assets	Depreciated Historical Cost	n/a
Heritage Assets	Historic Cost and only measured at fair value where the benefits of doing so outweigh the costs	n/a
Infrastructure **	Depreciated Historical Cost	7-120
Investment Properties	Fair Value	n/a
Surplus Assets	Fair Value	n/a
Vehicles, Plant, Furniture & Equipment	Depreciated Historical Cost	7

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

**Revaluation:**

Buildings, Investment properties and Surplus Assets 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 impaired in value, either due to a significant reduction in service potential or significant permanent market value reduction. Where a material change in value is identified, the accounting treatment is 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.
- thereafter, or if there is no balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

### **Depreciation:**

Depreciation is provided for on all Property, Plant and Equipment assets by an allocation of their depreciable amounts over their estimated useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land, heritage and community assets) as well as assets that are not yet available for use (i.e. assets under construction).

### **8. 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.

### **9. 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 2019**

2017/18 £000		2018/19 £000
	<b>Income</b>	
(5,598)	Government Grants	(5,202)
(774)	Capital Grants Applied	(104)
(886)	Fees and Charges	(958)
<b>(7,258)</b>	<b>Total Income</b>	<b>(6,264)</b>
	<b>Expenditure</b>	
2,864	Employees	2,867
1,364	Premises	1,171
76	Transport	57
1,559	Supplies and Services	1,647
536	Support Services	481
2,735	Capital Charges	2,832
<b>9,134</b>	<b>Total Expenditure</b>	<b>9,055</b>
<b>1,876</b>	<b>Net Expenditure for the Year</b>	<b>2,791</b>

**Balance Sheet as at 31 March 2019**

31 March 2018 £000		Note	31 March 2019 £000
165,540	Property, Plant and Equipment	2	162,811
56	Heritage Assets	2	56
<b>165,596</b>	<b>Total Long Term Assets</b>		<b>162,867</b>
362	Inventories	3	352
56	Debtors	4	40
312	Cash		633
<b>730</b>	<b>Total Current Assets</b>		<b>1,025</b>
(397)	Creditors	5	(853)
<b>(397)</b>	<b>Total Current Liabilities</b>		<b>(853)</b>
<b>165,929</b>	<b>Net Assets</b>		<b>163,039</b>
	<b>Funded by:</b>		
161,341	General Reserve	1	158,550
4,588	Revaluation Reserve	1	4,489
<b>165,929</b>	<b>Total Reserves</b>		<b>163,039</b>

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

2017/18			2018/19	
General Reserve	Revaluation Reserve		General Reserve	Revaluation Reserve
£000	£000		£000	£000
<b>163,217</b>	<b>4,588</b>	<b>Balance as at 1 April</b>	<b>161,341</b>	<b>4,588</b>
(1,876)	0	Movements in Reserves	(2,791)	(99)
<b>161,341</b>	<b>4,588</b>	<b>Balance as at 31 March</b>	<b>158,550</b>	<b>4,489</b>

Held within the General Reserve is an earmarked amount reserved for project activities and contingencies. This amount is £42,000 as at 31 March 2019 (£382,000 as at 31 March 2018).

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.

Property, Plant and Equipment	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus	Investment Assets	PP&E under construction	Total Property, Plant & Equipment	Heritage Assets
Movements in Cost or Value	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>1 April 2017</b>	<b>6,749</b>	<b>996</b>	<b>218,658</b>	<b>1,103</b>	<b>0</b>	<b>333</b>	<b>176</b>	<b>228,015</b>	<b>56</b>
Additions	0	361	591	0	0	0	46	998	0
Revaluations Increases/(Decreases) recognised in the RR	0	0	0	0	0	0	0	0	0
Revaluations Increases/(Decreases) recognised in the SDPS	0	0	0	0	0	0	0	0	0
Impairment Losses/Reversals to RR	0	0	0	0	0	0	0	0	0
Impairment Losses/Reversals to SDPS	0	0	0	0	0	0	0	0	0
Derecognition - Disposals	0	0	0	0	0	0	0	0	0
Reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0	0
Other Reclassifications - Transfers	0	0	0	0	0	0	0	0	0
<b>At 31 March 2018</b>	<b>6,749</b>	<b>1,357</b>	<b>219,249</b>	<b>1,103</b>	<b>0</b>	<b>333</b>	<b>222</b>	<b>229,013</b>	<b>56</b>
Additions	0	72	129	0	0	0	0	201	0
Revaluations Increases/(Decreases) recognised in the RR	(235)	0	0	0	0	0	0	(235)	0
Revaluations Increases/(Decreases) recognised in the SDPS	(126)	0	0	0	10	0	0	(116)	0
Impairment Losses/Reversals to RR	0	0	0	0	0	0	0	0	0
Impairment Losses/Reversals to SDPS	0	0	0	0	0	0	0	0	0
Derecognition - Disposals	0	(156)	0	0	0	0	0	(156)	0
Reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0	0
Other Reclassifications - Transfers	189	0	0	0	33	0	(222)	0	0
<b>At 31 March 2019</b>	<b>6,577</b>	<b>1,273</b>	<b>219,378</b>	<b>1,103</b>	<b>43</b>	<b>333</b>	<b>0</b>	<b>228,707</b>	<b>56</b>
<b>Movements in Depreciation/Impairment</b>									
<b>1 April 2017</b>	<b>115</b>	<b>403</b>	<b>60,219</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>60,737</b>	<b>0</b>
Depreciation Charge	57	194	2,485	0	0	0	0	2,736	0
Depreciation written out on Impairment	0	0	0	0	0	0	0	0	0
Depreciation written out to the RR	0	0	0	0	0	0	0	0	0
Depreciation written out to the SDPS	0	0	0	0	0	0	0	0	0
Derecognition - Disposals	0	0	0	0	0	0	0	0	0

## Cardiff Harbour Authority

Reclassifications - Transfers	0	0	0	0	0	0	0	0	0
<b>At 31 March 2018</b>	<b>172</b>	<b>597</b>	<b>62,704</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>63,473</b>	<b>0</b>
Depreciation Charge	72	182	2,496	0	0	0	0	2,750	0
Depreciation written out on Impairment	0	0	0	0	0	0	0	0	0
Depreciation written out to the RR	(136)	0	0	0	0	0	0	(136)	0
Depreciation written out to the SDPS	(35)	0	0	0	0	0	0	(35)	0
Derecognition - Disposals	0	(156)	0	0	0	0	0	(156)	0
Reclassifications - Transfers	0	0	0	0	0	0	0	0	0
<b>At 31 March 2019</b>	<b>73</b>	<b>623</b>	<b>65,200</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>65,896</b>	<b>0</b>
<b>Net Book Value:</b>									
<b>At 31 March 2018</b>	<b>6,577</b>	<b>760</b>	<b>156,545</b>	<b>1,103</b>	<b>0</b>	<b>333</b>	<b>222</b>	<b>165,540</b>	<b>56</b>
<b>At 31 March 2019</b>	<b>6,504</b>	<b>650</b>	<b>154,178</b>	<b>1,103</b>	<b>43</b>	<b>333</b>	<b>0</b>	<b>162,811</b>	<b>56</b>

\* RR = Revaluation Reserve

\*\*CIES = Comprehensive Income and Expenditure Statement

### 3. Inventory

2017/18 £000		2018/19 £000
<b>343</b>	<b>Balance as at 1 April</b>	<b>362</b>
19	Inventory written off to the CIES	(10)
<b>362</b>	<b>Balance as at 31 March</b>	<b>352</b>

### 4. Debtors

31 March 2018 £000		31 March 2019 £000
56	Central Government Bodies	0
0	Trade Receivables	40
<b>56</b>	<b>Total Debtors</b>	<b>40</b>

### 5. Creditors

31 March 2018 £000		31 March 2019 £000
(30)	Central Government Bodies	(93)
(367)	Trade Payables	(760)
<b>(397)</b>	<b>Total Creditors</b>	<b>(853)</b>

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# Cardiff Port Health Authority



## Narrative Report

Port Health Authorities are constituted with the primary objective of preventing the spread of infectious diseases without creating unnecessary interference to world shipping.

Cardiff Port Health Authority was originally established by a Provisional Order in 1882, becoming permanently constituted by the Cardiff Port Order (1894) and consolidated by the Cardiff Port Order (1938) and the Port Health Authorities (Wales) Order (1974). Its authority covers the area, from low water mark, three miles seaward, between Sully Island and the River Rhymney, including all water, docks, harbours and vessels.

The Authority, through the officers of the Environmental Service of the Shared Regulatory Service, inspects ships entering the area to ensure compliance with health regulations. To meet the expenditure incurred in these activities, the Authority raises a levy on the County Council of the City and County of Cardiff and the Vale of Glamorgan Council. Its other main revenue source is income arising from the granting of Ship Sanitation Control Exemption Certificates/Ship Sanitation Control Certificates.

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.

### 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 2018 £	31 March 2019 £
<b>Statement of Income and Expenditure</b>		
Balances brought forward	(136,479)	(120,421)
Income from local taxation and/or levy	(126,596)	(126,600)
Other receipts	(1,505)	(1,996)
Staff costs	124,721	131,159
Other payments	19,438	19,692
<b>Total</b>	<b>(120,421)</b>	<b>(98,166)</b>
<b>Statement of Balances</b>		
Debtors	0	(12,827)
Cash and investments	(123,230)	(89,641)
Creditors	2,809	4,302
<b>Balance carried forward</b>	<b>(120,421)</b>	<b>(98,166)</b>

## Annual Governance Statement

We acknowledge as the members of the Body, our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the Body's accounting statements for the year ended 31 March 2019, that:

	Agreed?	
	Yes	No
1. We have put in place arrangements for: <ul style="list-style-type: none"> <li>effective financial management during the year; and</li> <li>the preparation and approval of the accounting statements.</li> </ul>	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	

## 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:

<p><b>Certification by the Corporate Director Resources (RFO)</b></p> <p>I certify that the accounting statements contained in this Annual Return presents fairly the financial position of the Body and its income and expenditure for the year ended 31 March 2019</p>	<p><b>Approval by the Body</b></p> <p>I confirm that these accounting statements and Annual Governance Statement were approved by the Body under body minute reference:</p>
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<b>RFO signature:</b>	<b>Lord Mayor signature:</b>
<b>Name: Christopher Lee</b>	<b>Name: Councillor Daniel De'Ath, Lord Mayor</b>
<b>Date:</b>	<b>Date:</b>

**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 2019 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.

<b>External Auditor's name:</b>	
<b>External Auditor's signature</b>	<b>Date:</b>
<b>For and on behalf of the Auditor General for Wales</b>	

# 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 pension's scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation, or the actuarial assumptions have changed.

### **Agency Services**

The provision of services or functions, which are the responsibility of one Authority or public body, by another. The policy and financial resources are set by the principal Authority and implemented by the agent Authority.

### **Assets Held for Sale**

Assets meeting all the criteria of: - immediately available for sale, where the sale is highly probable, actively marketed and expected to be sold within 12 months.

### **Asset under Construction**

An asset that is not yet complete.

### **Borrowing**

Loans taken out taken out by the Council to pay for capital expenditure or for the prudent management of the Council's financial affairs.

### **Capital Adjustment Account**

The Account accumulates (on the debit side) the write-down of the historical cost of non-current assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (revenue expenditure funded by capital under statute). The balance on the account thus represents timing differences between the amount of the historical cost of non-current assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

### **Capital Expenditure**

Capital expenditure pays for improvements to existing and new assets used in the delivery of Council services as well as other items determined by Regulation. Capital resources are scarce, costly and also have long term revenue implications over many years and even generations where capital expenditure is funded by borrowing. Hence the requirement of the Prudential Code to ensure what is charged as Capital Expenditure is Prudent, Sustainable and Affordable.

The statutory definition of capital expenditure is given in the Local Government Act 2003, the Local Authorities (Capital Finance) Regulations 2003 and 2004 amended. Statute relies on the accounting measurement of cost in IAS 16 to determine whether expenditure is eligible to be capitalised or whether it should be treated as revenue expenditure. Key to what is eligible as capital spend are the following words in IAS 16 - 'Costs directly attributable to bringing the specific asset into working condition for its intended use'.

### **Capital Financing Requirement**

A Council's underlying need to borrow for a capital purpose. It measures capital expenditure incurred but not yet financed by the receipt of grants, contributions and charges to the revenue account via a prudent minimum revenue provision.

### **Capital Receipts**

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

### **Carrying Amount**

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

### **Cash and Cash Equivalents**

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

### **Chartered Institute of Public Finance & Accountancy (CIPFA)**

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

### **Civil Parking Enforcement**

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

### **Community Assets**

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

### **Contingent Liabilities or Assets**

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

### **Council Dwellings**

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

### **Council Fund Balance**

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

### **Credit Criteria**

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

### **Credit Rating**

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

### **Creditors**

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

### **Current Service Cost (Pensions)**

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

### **Current Value**

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

### **Curtailement (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

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

### **Heritage Asset**

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

### **Housing Revenue Account (HRA)**

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

### **Impairment**

A reduction in the value of assets below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

### **Infrastructure Assets**

Fixed Assets which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges and water and drainage facilities.

### **Intangible Assets**

These are assets that do not have physical substance but are identifiable and controlled by the Council. Examples include software, licenses and patents.

### **Interest Cost (Pensions)**

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

### **Investment Properties**

Property, which can be land or a building or part of a building or both, that is held solely to earn rentals or for capital appreciation or both, rather than for operational purposes.

### **Investments**

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

### **Joint Venture**

A joint venture is a joint arrangement whereby the parties who have joint control of the arrangement have rights to the net assets of the arrangement.

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

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

### **Levy**

An amount of money which a Local Authority is required to collect on behalf of another organisation.

### **Liabilities**

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

### **Materiality**

Information is material if omitting it or misstating it could influence the decisions that users make on the basis of financial information about a specific reporting authority.

### **Market Loans**

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.



# Statement of Accounts 2018-19



Cardiff & Vale of Glamorgan  
**Pension Fund**



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## Narrative Report

Cardiff Council is the Administering Authority for the Cardiff and Vale of Glamorgan Pension Fund (the 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 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 5.4% during 2018/19, from £2.067 billion to £2.178 billion. Investment markets were volatile over the year due to economic and political uncertainties. Investor sentiment swung from optimistic in April and May to pessimistic towards the end of 2018, and back to optimistic in the first quarter of 2019. The return for the year was 5.1% against a benchmark return of 5.7%. Over the longer term, returns on the Fund's investments have averaged around 8% per annum.

The eight LGPS fund authorities in Wales continued to make progress during the year in the development of the Wales Pension Partnership (WPP) which was established in 2017 to oversee the pooling of the funds' investments. The WPP's Authorised Contractual Scheme (ACS) was approved by the FCA in July 2018 and the first pooled funds were launched in January 2019. Cardiff did not participate in this tranche, however further funds will be launched during 2019/20. The WPP is developing a Responsible Investment Policy to address issues of shared concern but each fund will continue to be responsible for its own investment strategy and asset allocation.

During the year progress was made in the development of a Climate Change Investment Policy in response to the Council's commitment to work with the Pensions Committee to consider divesting investments from fossil fuel companies. An analysis of the carbon impact of the Fund's investments was commissioned to set a benchmark against which the impact of changes to the investment strategy can be measured. Proposals for addressing this critical issue were considered by the Pensions Committee and Local Pension Board in January 2019 and will be developed further during 2019/20.

The Fund's key objective continues to be to deliver an effective and efficient service to nearly 41,000 contributing employees, pensioners and deferred members, and to minimise the financial burden on contributing employers over the long term.

Finally, the Annual Governance Statement for Cardiff Council includes the findings of a review across all services, including Pension Fund arrangements. An Action Plan is also included to address any governance issues identified and the document 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/Pages/default.aspx>

**Christopher Lee**  
**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, 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 required to be paid by participating employers with effect from 1 April 2017 was:
  - 16.6% of pensionable pay. This is 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

- Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 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'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 is in accordance with the Funding Strategy Statement. Different approaches adopted in implementing contribution increases and individual Employers' recovery periods were agreed with the Administering Authority reflecting the Employers' circumstances.
5. The valuation was carried out using the projected unit actuarial method for most employers and the main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows:

Discount rate for periods in service	
Scheduled body / subsumption funding target	4.6% p.a.
Orphan body funding target	4.6% p.a.
Discount rate for periods after leaving service	
Scheduled body / subsumption funding target	4.6% p.a.
Orphan body funding target	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.

## Actuarial Statement

*In addition, the discount rate for already orphaned liabilities (i.e. where there is no scheme employer responsible for funding those liabilities) was 2.1% p.a. in service and left service.*

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

	Men	Women
Current pensioners aged 65 at the valuation date	22.4	24.8
Future pensioners aged 45 at the valuation date	23.0	25.9

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 Adjustments 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 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, there have been a number of developments in respect of the Local Government Pension Scheme (LGPS):
  - **Increases to Guaranteed Minimum Pensions (GMPs):**  
HM Treasury, in its response to the consultation on indexation and equalisation of GMPs in public sector schemes, announced an extension of 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 in advance of this announcement, but the increase in liability is not expected to be material. In addition, on 26 October 2018 the High Court ruled in the Lloyds Banking Group case that schemes are required to equalise male and female members' benefit for the effect of unequal GMPs. Our understanding is that this will not alter HM Treasury's approach to GMP equalisation in the LGPS.
  - **Cost Management Process and McCloud judgement:**  
Legislation requires HM Treasury and the LGPS Advisory Board to undertake periodic valuations to monitor the cost of the LGPS to ensure it remains sustainable and affordable. Initial results from the Scheme Advisory Board process indicated that benefit improvements / member contribution reductions would be required. However, the cost management process has been paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sergeant) were age discriminatory; these cases could have knock on implications for the LGPS (potentially increasing the liabilities) which also had transitional arrangements when the new scheme was introduced with effect from April 2014.

## Actuarial Statement

9. The actuarial valuation of the Fund as at 31 March 2019 is currently underway and the Regulations require the formal report on the valuation and the Rates and Adjustments Certificate setting out employer contributions commencing from 1 April 2020 to be signed off by 31 March 2020. Asset values have increased since 2016, on its own leading to an improvement in the funding level due to higher than assumed investment returns. Liability values and employer contributions, as well as being affected by the items listed in paragraph 8 above, will depend upon membership factors, changes to expectations of future returns and other assumptions (including allowance for the slow-down in longevity improvements) and any changes to funding strategy made as part of the 2019 valuation.
10. This Statement has been prepared by the current Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of their 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.
11. The actuarial valuation report is available on the Fund's website at the following address:  
<https://www.cardiffandvalepensionfund.org.uk/about-the-fund/actuarial-valuation-reports/>

Aon does not accept any responsibility or liability to any party other than our client, City and County of Cardiff, the Administering Authority of the Fund, in respect of this Statement.

**Aon Hewitt Limited**  
**May 2019**

# Statement of Responsibilities

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

### The Council's responsibilities

As administering Authority of the Cardiff and Vale of Glamorgan Pension Fund, the County Council of the City and County of Cardiff 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 2018/19 that officer was Christopher Lee, 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 Daniel De'Ath**  
**Lord Mayor**

**Date: 12 September 2019**

### 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 2018/19 (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 Cardiff and Vale of Glamorgan Pension Fund give a true and fair view of its income and expenditure for the financial year 2018/19 and financial position at 31 March 2019.

**Christopher Lee**  
**Corporate Director Resources**

**Date: 12 September 2019**

## **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 2019 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 2018-19 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 2019, and of the amount and disposition at that date of its assets and liabilities
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19.

### **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 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. 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.



# Audit 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 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 Cardiff and Vale of Glamorgan 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, 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](http://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

2017/18 £000		Note	2018/19 £000
	<b>Dealings with members, employers and others directly involved in the fund</b>		
	<b>Contributions</b>		
(65,638)	From employers	7	(69,768)
(17,675)	From employees	7	(18,626)
(1,088)	Group transfers from other schemes or funds		(5,168)
(3,846)	Individual transfers from other schemes or funds		(6,719)
(2,633)	Other income (capitalised payments and interest on deficit funding)		(2,825)
<b>(90,880)</b>			<b>(103,106)</b>
	<b>Benefits Payable</b>		
62,507	Pensions	8	65,790
14,256	Lump sums, grants and other payments	8	18,134
	<b>Payments to and on account of leavers</b>		
114	Refunds of contributions		188
9,694	Group transfers to other schemes or funds		67
6,315	Individual transfers to other schemes or funds		7,397
<b>92,886</b>			<b>91,576</b>
<b>2,006</b>	<b>Net (additions)/withdrawals from dealings with members of the Fund</b>		<b>(11,530)</b>
7,902	Management expenses	9	8,083
<b>9,908</b>	<b>Net (additions)/withdrawals including fund management expenses</b>		<b>(3,447)</b>
	<b>Returns on Investment</b>		
(21,247)	Investment income	10	(27,498)
(53,567)	Change in market value of investments	11a	(80,299)
<b>(74,814)</b>	<b>Net returns on investments</b>		<b>(107,797)</b>
<b>(64,906)</b>	<b>Net (increase)/decrease in the Fund during year</b>		<b>(111,244)</b>
(2,001,678)	Opening net assets of the scheme		(2,066,584)
<b>(2,066,584)</b>	<b>Closing net assets of the scheme</b>		<b>(2,177,828)</b>

## Net Assets Statement

2017/18 £000		Note	2018/19 £000
2,011,844	Investments at market value	11	2,112,376
37,826	Cash (including derivatives) and investment proceeds due	11	51,029
<b>2,049,670</b>	<b>Total investments</b>		<b>2,163,405</b>
153	UK & overseas tax		42
4,716	Contributions due from employers and deficit funding		4,845
278	Sundry debtors		443
2,152	Pension strain costs due within one year		2,177
<b>7,299</b>	<b>Total current assets</b>		<b>7,507</b>
8,922	Deficit funding (former employers)		6,947
2,794	Pension strain costs due after one year		2,560
<b>11,716</b>	<b>Total non-current assets</b>		<b>9,507</b>
(838)	Unpaid benefits		(426)
(1,263)	Sundry creditors		(1,358)
0	Provision - death grants	19	(105)
<b>(2,101)</b>	<b>Total current liabilities</b>		<b>(1,889)</b>
0	Provision - death grants	19	(702)
<b>0</b>	<b>Total non-current liabilities</b>		<b>(702)</b>
<b>2,066,584</b>	<b>Net assets of the scheme</b>		<b>2,177,828</b>

# Notes to the Accounts

## 1. Basis of Preparation

The Statement of Accounts summarises the transactions and net assets of the Fund for the financial year 2018/19. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, 2018/19 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.

The accounts have been prepared on a going concern basis.

## 2. Summary of Significant Accounting Policies

### Accounting standards that have been issued but not yet adopted

At the balance sheet date, no accounting standards issued but not yet adopted have been identified.

### Income and Expenditure

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 benefits in the future, which has been separately disclosed within the notes to the accounts.

### 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".

### Valuation of Investments

Investments are included in the financial statements on a fair value basis as at the reporting date. The values of investments as shown in the net assets statement have been determined in accordance with the requirements of the Code and IFRS 13. Valuation methods employed by the fund are detailed within Note 13c.

### Foreign Currency Transactions

Overseas investments have been converted at WM/Reuters closing spot rates of exchange.

### Cash and Cash Equivalents

Cash is represented by bank balances. Cash equivalents include Call Accounts repayable with under ninety days notice and Money Market Funds repayable without penalty on notice of not more than twenty four hours.

### Taxation

Taxation	Treatment
UK Income Tax	The fund is an exempt approved fund able to recover UK Income Tax.
UK Capital Gains Tax	No Capital Gains Tax is Chargeable.

## Notes to the Accounts

<b>Value Added Tax</b>	Accounts are shown exclusive of VAT. As the Council is the administering Authority, VAT is recoverable on all Fund activities.
<b>Overseas Withholding Tax</b>	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.

### 3. 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.

#### Pension Fund liability

This is calculated in accordance with IAS19 every three years by the actuary, with an annual statement in the intervening years. This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary.

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

The Statement of Accounts contains estimated figures based on assumptions made taking into account historical experience, current trends and other factors. As balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Item	Uncertainties	Effect if actual results differ from assumptions
<b>Actual present value of promised retirement benefits</b>	Estimations of the liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries increase, changes in mortality rates and expected returns on pension fund assets. The actuary provides the fund with advice regarding the assumptions to be used.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, an increase in the discount rate assumption would result in a decrease in the pension liability. An increase in assumed earnings inflation or assumed life expectancy would increase the value of the liabilities.
<b>Private Equity Valuations</b>	Private equity investments are valued at fair value in accordance with international accounting standards. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £82 million. There is a risk that this investment may be under, or overstated in the accounts.
<b>Pooled Property Funds</b>	Valuation techniques are used to determine the carrying amount of pooled property funds.	Changes in the valuation assumptions used, together with significant changes in rental growth could affect (increase or decrease) the fair value of property-based investments.

### 5. 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 2019 by The Northern Trust Company for the benefit of the Council. Statements of holdings have been provided by Northern Trust.

## Notes to the Accounts

### 6. Membership of the Fund

Fund membership at 31 March 2019 is as follows:

2017/18		2018/19
37	Contributing employers	45
16,128	Contributors	16,193
11,128	Pensioners	11,554
12,757	Deferred pensioners	13,040
<b>40,013</b>	<b>Total membership</b>	<b>40,787</b>

### 7. Employing Bodies – Contributions

2018/19	No. of contributors at 31/03/2019	Employers £000	Employees £000	Total £000	Additional lump sum (memo) £000
<b>Administering Body:</b>					
Cardiff Council	10,036	(42,897)	(11,316)	(54,213)	0
<b>Scheduled Bodies:</b>					
Vale of Glamorgan Council	3,969	(14,127)	(3,809)	(17,936)	(4)
Town and Community Councils	58	(277)	(63)	(340)	0
Education Bodies	1,376	(6,071)	(2,245)	(8,316)	(1,006)
Other Scheduled Bodies	15	(114)	(33)	(147)	0
<b>Admitted Bodies:</b>					
Admitted Bodies	739	(6,282)	(1,160)	(7,442)	(2,420)
<b>Total</b>	<b>16,193</b>	<b>(69,768)</b>	<b>(18,626)</b>	<b>(88,394)</b>	<b>(3,430)</b>

2017/18	No. of contributors at 31/03/2018	Employers £000	Employees £000	Total £000	Additional lump sum (memo) £000
<b>Administering Body:</b>					
Cardiff Council	10,121	(39,310)	(10,501)	(49,811)	0
<b>Scheduled Bodies:</b>					
Vale of Glamorgan Council	3,878	(13,837)	(3,802)	(17,639)	(4)
Town and Community Councils	54	(266)	(63)	(329)	0
Education Bodies	1,376	(5,500)	(2,125)	(7,625)	(834)
Other Scheduled Bodies	17	(511)	(45)	(556)	(360)
<b>Admitted Bodies:</b>					
Admitted Bodies	682	(6,214)	(1,139)	(7,353)	(2,444)
<b>Total</b>	<b>16,128</b>	<b>(65,638)</b>	<b>(17,675)</b>	<b>(83,313)</b>	<b>(3,642)</b>

#### Additional deficit funding

There was no additional deficit funding in 2018/19 (no additional deficit funding in 2017/18).

## Notes to the Accounts

### 8. Employing Bodies - Benefits Payable

2018/19	Retirement Pensions £000	Lump Sums on Retirement £000	Death Grants £000	Commutation Payments £000
<b>Administering Body:</b>				
Cardiff Council	41,735	8,777	1,685	442
<b>Scheduled Bodies:</b>				
Vale of Glamorgan Council	12,801	3,689	554	173
Town and Community Councils	228	53	0	0
Education Bodies	3,037	882	332	58
Other Scheduled Bodies	2,604	212	0	0
<b>Admitted Bodies:</b>				
Admitted Bodies	5,385	1,060	212	5
<b>Total</b>	<b>65,790</b>	<b>14,673</b>	<b>2,783</b>	<b>678</b>

2017/18	Retirement Pensions £000	Lump Sums on Retirement £000	Death Grants £000	Commutation Payments £000
<b>Administering Body:</b>				
Cardiff Council	39,968	6,521	561	297
<b>Scheduled Bodies:</b>				
Vale of Glamorgan Council	11,997	2,807	509	173
Town and Community Councils	217	29	0	0
Education Bodies	2,849	1,121	142	36
Other Scheduled Bodies	3,088	703	0	0
<b>Admitted Bodies:</b>				
Admitted Bodies	4,388	1,026	331	0
<b>Total</b>	<b>62,507</b>	<b>12,207</b>	<b>1,543</b>	<b>506</b>

### 9. Management Expenses

Management Expenses fully charged to the Fund are:

2017/18 £000		2018/19 £000
836	Administration costs	1,120
32	Audit fees	32
<b>868</b>	<b>Total administration costs</b>	<b>1,152</b>
6,774	Management fees	6,704
151	Custody fees	126
<b>6,925</b>	<b>Total investment management expenses</b>	<b>6,830</b>
109	Oversight and governance costs	101
<b>7,902</b>	<b>Total</b>	<b>8,083</b>

Note: 2017/18 has been reclassified to show split as per 2018/19.

## Notes to the Accounts

### 10. Investment Income

2017/18 £000		2018/19 £000
(5,964)	UK fixed interest securities	(10,167)
(2,570)	Overseas fixed interest securities	(4,209)
(3,960)	UK equities and private equity funds	(4,638)
(1,715)	Pooled investments	(1,650)
(4,652)	Overseas equities	(4,615)
(2,207)	Pooled Property Unit Trust Income	(1,922)
(83)	Interest on UK cash	(196)
(96)	Securities lending	(101)
<b>(21,247)</b>	<b>Total</b>	<b>(27,498)</b>

### 11. Investments at Market Value

2017/18 £000		2018/19 £000
76,907	UK public sector fixed interest securities	92,014
332,432	UK other (pooled) fixed interest securities	286,132
143,580	Overseas public sector (pooled)	186,911
<b>552,919</b>	<b>Total fixed interest</b>	<b>565,057</b>
116,033	UK quoted equities & convertibles	119,317
178,074	Overseas quoted equities	179,868
<b>294,107</b>	<b>Total quoted equities</b>	<b>299,185</b>
403,603	UK unitised insurance policies (pooled)	425,357
95,505	UK other managed funds	96,964
377,472	Overseas unitised insurance policies (pooled)	411,205
74,759	Overseas other managed funds	76,440
<b>951,339</b>	<b>Total pooled funds</b>	<b>1,009,966</b>
134,177	Pooled property unit trusts (UK & Global)	155,944
79,302	Private equity	82,224
<b>2,011,844</b>	<b>Subtotal</b>	<b>2,112,376</b>
1,237	Derivatives: Forward currency contracts	(1,243)
<b>1,237</b>	<b>Total derivatives</b>	<b>(1,243)</b>
7,683	Fund manager's cash	15,214
26,729	Internal/custodian cash	34,355
2,177	Net investment proceeds due	2,703
<b>36,589</b>	<b>Total cash</b>	<b>52,272</b>
<b>2,049,670</b>	<b>Total</b>	<b>2,163,405</b>

*Note: 2017/18 cash and pooled funds have been reclassified to show split as per 2018/19.*



## Notes to the Accounts

### 11a. Reconciliation in movement in investments

2018/19	Value at 31/03/18	Purchase at cost	Sale proceeds	Change in market value	Value at 31/03/19
	£000	£000	£000	£000	£000
Fixed interest securities	552,919	294,150	(292,012)	10,000	565,057
Equities	294,107	54,983	(47,302)	(2,603)	299,185
Pooled funds	951,339	920	0	57,707	1,009,966
Pooled property unit trusts	134,177	14,633	0	7,134	155,944
Private equity	79,302	7,268	(18,214)	13,868	82,224
<b>Sub-total</b>	<b>2,011,844</b>	<b>371,954</b>	<b>(357,528)</b>	<b>86,106</b>	<b>2,112,376</b>
Derivatives	1,237	2,813,437	(2,813,426)	(2,491)	(1,243)
<b>Total derivatives</b>	<b>1,237</b>	<b>2,813,437</b>	<b>(2,813,426)</b>	<b>(2,491)</b>	<b>(1,243)</b>
Managers' cash	7,683				15,214
Internal/custodian cash	26,729			(3,316)	34,355
Net investment proceeds due	2,177				2,703
<b>Total cash</b>	<b>36,589</b>			<b>(3,316)</b>	<b>52,272</b>
<b>Total</b>	<b>2,049,670</b>			<b>80,299</b>	<b>2,163,405</b>

2017/18	Value at 31/03/17	Purchase at cost	Sale proceeds	Change in market value	Value at 31/03/18
	£000	£000	£000	£000	£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
Pooled property unit trusts	126,298	857	0	7,022	134,177
Private equity	88,328	7,802	(25,933)	9,105	79,302
<b>Sub-total</b>	<b>1,937,128</b>	<b>672,097</b>	<b>(642,289)</b>	<b>44,908</b>	<b>2,011,844</b>
Derivatives	933	2,315,248	(2,321,678)	6,734	1,237
<b>Total derivatives</b>	<b>933</b>	<b>2,315,248</b>	<b>(2,321,678)</b>	<b>6,734</b>	<b>1,237</b>
Managers' cash	11,698				7,683
Internal/custodian cash	30,237			1,925	26,729
Debtors	1,993				2,177
<b>Total cash</b>	<b>43,928</b>			<b>1,925</b>	<b>36,589</b>
<b>Total</b>	<b>1,981,989</b>			<b>53,567</b>	<b>2,049,670</b>

#### Analysis of derivatives

##### Objectives and policies for holding derivatives

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 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 Mesirov, which hedges significant long term currency movements to limit losses. The portfolio covers US dollar, Yen and Euro currencies.

## Notes to the Accounts

### 12. Summary of manager's portfolio values

2017/18		Fund Manager	2018/19	
£000	% of Fund		£000	% of Fund
555,569	27.1	Aberdeen Asset Management	571,700	26.4
74,758	3.6	Aberdeen Emerging Markets	76,440	3.5
510,767	24.9	Blackrock Investment Management	565,841	26.2
95,505	4.7	Invesco Perpetual	96,964	4.5
87,414	4.3	JP Morgan	88,835	4.1
121,052	5.9	Majedie	125,788	5.8
95,323	4.7	Nikko	91,782	4.2
86,144	4.2	Schroder Investment Managers	91,989	4.3
182,895	8.9	State Street Global Advisers (SSGA)	181,886	8.4
134,177	6.5	Property	155,944	7.2
79,302	3.9	Private Equity Managers	82,224	3.8
2,090	0.1	Mesirow currency overlay & cash with custodian	2,644	0.1
24,674	1.2	Internally managed (Cash)	31,368	1.5
<b>2,049,670</b>	<b>100.0</b>	<b>Total</b>	<b>2,163,405</b>	<b>100.0</b>

#### 12a. Investments exceeding 5% of net assets

The following investments represent more than 5% of the net assets available to pay benefits.

2017/18		Fund Manager	2018/19	
£000	% of net assets		£000	% of net assets
316,190	15.4	BlackRock Aquila Life UK Equities Indexed Fund	336,522	15.5
194,577	9.5	BlackRock Aquila Life US Equities Indexed Fund	229,320	10.5
182,895	8.9	SSGA MPF Europe ex UK Equities Active Fund	181,886	8.4
165,743	8.1	Aberdeen Corporate Bond Fund	174,416	8.0
111,342	5.4	Aberdeen Target Return Bond Fund	111,716	5.1
110,313	5.4	Aberdeen Global Government Bond Fund	107,749	4.9

## Notes to the Accounts

### 13. Financial Instruments

#### 13a. Classification of financial instruments

Value at 31/03/18				Value at 31/03/19		
Fair value through profit and loss £000	Loans and receivables £000	Financial liabilities at amortised costs £000		Fair value through profit and loss £000	Amortised Cost £000	Financial liabilities at amortised costs £000
552,919	0	0	Fixed interest securities	565,057	0	0
294,107	0	0	Equities	299,185	0	0
951,339	0	0	Pooled funds	1,009,966	0	0
134,177	0	0	Pooled property trusts	155,944	0	0
79,302	0	0	Private equity	82,224	0	0
147,144	0	0	Derivatives	137,741	0	0
0	36,589	0	Cash	0	52,272	0
1,237	0	0	Other investments	0	0	0
0	19,015	0	Debtors	0	17,014	0
<b>2,160,225</b>	<b>55,604</b>	<b>0</b>	<b>Total financial assets</b>	<b>2,250,117</b>	<b>69,286</b>	<b>0</b>
(145,805)	0	0	Derivatives	(138,984)	0	0
0	0	(2,101)	Creditors	0	0	(1,784)
<b>(145,805)</b>	<b>0</b>	<b>(2,101)</b>	<b>Total financial liabilities</b>	<b>(138,984)</b>	<b>0</b>	<b>(1,784)</b>
<b>2,014,420</b>	<b>55,604</b>	<b>(2,101)</b>	<b>Net financial assets</b>	<b>2,111,133</b>	<b>69,286</b>	<b>(1,784)</b>

#### 13b. Net gains and losses on financial instruments

31/03/18 £000		31/03/19 £000
65,682	Fair value through profit and loss	86,803
<b>65,682</b>	<b>Total financial assets</b>	<b>86,803</b>
(12,228)	Fair value through profit and loss	(6,821)
113	Amortised cost	317
<b>(12,115)</b>	<b>Total financial liabilities</b>	<b>(6,504)</b>
<b>53,567</b>	<b>Net financial assets</b>	<b>80,299</b>

## Notes to the Accounts

### 13c. Fair value – Basis of valuation

Investment	Valuation Method	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
<b>Level 1</b> Quoted prices for similar instruments.			
<b>Quoted Bonds (Fixed Interest Securities)</b>	Market value based on current yields	Not required	Not required
<b>Market Quoted Investments</b>	Published bid market price at close of business on the final working day of the accounting period	Not required	Not required
<b>Level 2</b> Traded in a market which is not considered to be active, or where valuation techniques are used to determine fair value which use inputs that are based significantly on observable market data.			
<b>Pooled Investments - Quoted Equity</b>	Closing bid price where bid and offer prices are published. Closing single price where single price published	Net Asset Value (NAV) based pricing set on a forward pricing basis	Not required
<b>Derivatives - Forward Currency Contracts</b>	Market forward exchange rates at the year-end date	Exchange rate risk	Not required
<b>Level 3</b> Inputs not based on observable market data			
<b>Private Equity Funds</b>	Valuations provided by the general partners to the private equity funds in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	Earnings before interest, tax, depreciation and amortisation (EBITDA) multiple, revenue multiple, discount for lack of marketability and control premium	Valuations may be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date (although updated to reflect calls/distributions made during this period), changes to expected cash flows and any differences between unaudited and audited accounts
<b>Pooled Investments - Property Funds</b>	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Valuations may be affected by post balance sheet events, changes to expected cash flows and any differences between unaudited and audited accounts

## Notes to the Accounts

### 13d. Fair Value Hierarchy

As detailed above, investments have been classified into three levels according to the quality and reliability of the information used to determine fair values. The following table provides an analysis of the assets and liabilities of the Pension Fund based on the level at which the fair value is observable.

Value at 31/03/19	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	864,242	1,147,707	238,168	2,250,117
Amortised Cost	69,286	0	0	69,286
<b>Total financial assets</b>	<b>933,528</b>	<b>1,147,707</b>	<b>238,168</b>	<b>2,319,403</b>
Financial liabilities at fair value	0	(138,984)	0	(138,984)
Financial liabilities at amortised cost	(1,784)	0	0	(1,784)
<b>Total financial liabilities</b>	<b>(1,784)</b>	<b>(138,984)</b>	<b>0</b>	<b>(140,768)</b>
<b>Net financial assets</b>	<b>931,744</b>	<b>1,008,723</b>	<b>238,168</b>	<b>2,178,635</b>

Value at 31/03/18	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
<b>Total financial assets</b>	<b>1,085,525</b>	<b>768,444</b>	<b>361,860</b>	<b>2,215,829</b>
Financial liabilities at fair value	0	0	(145,805)	(145,805)
Financial liabilities at amortised cost	(2,101)	0	0	(2,101)
<b>Total financial liabilities</b>	<b>(2,101)</b>	<b>0</b>	<b>(145,805)</b>	<b>(147,906)</b>
<b>Net financial assets</b>	<b>1,083,424</b>	<b>768,444</b>	<b>216,055</b>	<b>2,067,923</b>

### 13e. Reconciliation of fair value measurements within Level 3

2018/19	Market Value at 31/03/18	Transfers into level 3	Transfers out of level 3	Purchases	Sales	Unrealised gains/(losses)	Realised gains/(losses)	Market Value at 31/03/19
	£000	£000	£000	£000	£000	£000	£000	£000
Private equity	79,302	0	0	7,268	(18,214)	13,868	0	82,224
Pooled property unit trusts	134,177	0	0	14,633	0	7,134	0	155,944
Derivatives	1,339	0	(1,339)	0	0	0	0	0
<b>Total</b>	<b>214,818</b>	<b>0</b>	<b>(1,339)</b>	<b>21,901</b>	<b>(18,214)</b>	<b>21,002</b>	<b>0</b>	<b>238,168</b>

- a) Transferred from level 3 to level 2 due to an improvement in observable market data.  
b) All transfers between levels are recognised at the end of the reporting period.

## Notes to the Accounts

### 13f. Sensitivity of Assets Valued at Level 3

Having analysed historical data, current market trends, and consulted with independent investment advisors (Pensions and Investments Research Consultants Ltd (PIRC)), the fund has determined that the valuations methods described above for Level 3 investments are likely to be accurate to within the following ranges, and has set out the consequential impact below:

	Assessed valuation range (%)	Value at 31/03/19 £000	Value on increase £000	Value on decrease £000
Private Equity	10.5	82,224	90,841	73,607
Pooled Property Trusts	4.1	155,944	162,369	149,519
<b>Total</b>		<b>238,168</b>	<b>253,210</b>	<b>223,126</b>

### 14. Nature and extent of risks arising from financial instruments

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

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

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

**Market risk** 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 31/03/19	Change to the net assets available to pay benefits	
		+ 100bps	- 100bps
	£000	£000	£000
Cash and cash equivalents	51,029	510	(510)
Fixed interest securities	565,057	5,651	(5,651)
<b>Total</b>	<b>616,086</b>	<b>6,161</b>	<b>(6,161)</b>

## Notes to the Accounts

Asset Type	Carrying Amount as at 31/03/18	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)
<b>Total</b>	<b>590,745</b>	<b>5,907</b>	<b>(5,907)</b>

**Currency risk** is the risk to which the Pension Fund is exposed to fluctuations in foreign currency exchange rates. The Fund's Global Bonds and North American, European and Japanese Equities portfolios are covered by currency hedging arrangements. Fund managers will also take account of currency risk in their investment decisions.

Following analysis of historical data and consulted with independent investment advisors Pensions and Investments Research Consultants Ltd (PIRC), the Fund's aggregate currency change has been calculated as 6.10%. A 6.10% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure – asset type	Asset Value as at 31/03/19	Change to net assets available to pay benefits	
		+ 6.1%	- 6.1%
	£000	£000	£000
Overseas quoted securities	179,868	190,840	168,896
Overseas pooled funds	487,645	517,391	457,899
Overseas pooled property	52,325	55,517	49,133
<b>Total change in assets available</b>	<b>719,838</b>	<b>763,748</b>	<b>675,928</b>

Currency exposure – asset type	Asset Value as at 31/03/18	Change to net assets available to pay benefits	
		+ 9.3%	- 9.3%
	£000	£000	£000
Overseas quoted securities	644,105	704,007	584,203
<b>Total change in assets available</b>	<b>644,105</b>	<b>704,007</b>	<b>584,203</b>

**Price risk** is the risk of losses associated with the movement in prices of the underlying assets. By diversifying investments across asset classes and managers, the Pension Fund aims to reduce the exposure to price risk. Diversification of asset classes seeks to reduce correlation of price movements, whilst employing specialist managers enables the Fund to benefit from investment expertise.

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 below for total assets 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.

## Notes to the Accounts

Asset type	Value at 31/03/19 £000	Percentage change %	Value on increase £000	Value on Decrease £000
UK Equities	641,638	8.95	699,065	584,211
Overseas Equities	667,513	10.13	735,132	599,894
Fixed Interest (Bonds)	565,057	3.64	585,625	544,489
Cash and Cash Equivalents	51,029	0.13	51,095	50,963
Private Equity	82,224	10.48	90,841	73,607
Property	155,944	4.12	162,369	149,519
<b>Total Assets</b>	<b>2,163,405</b>	<b>6.09</b>	<b>2,295,156</b>	<b>2,031,654</b>

Asset type	Value at 31/03/18 £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
Fixed Interest (Bonds)	555,569	4.70	581,681	529,457
Cash	26,764	0.10	26,791	26,737
Private Equity	79,302	9.00	86,439	72,165
Property	134,177	3.90	139,410	128,944
<b>Total Assets</b>	<b>2,049,670</b>	<b>6.80</b>	<b>2,189,048</b>	<b>1,910,292</b>

**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 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 internally managed cash holding under its treasury management arrangements is held with the following institutions:

	Fitch Rating	31/03/18 £000	31/03/19 £000
<b>Money market funds</b>			
Aberdeen Standard Liquidity - Sterling Fund	AAA	12,025	12,000
Blackrock ICS Sterling Liquidity Fund	AAA	11,925	12,000
Deutsche Global Liquidity - Sterling Fund	AAA	0	7,650
<b>Bank current account</b>			
Lloyds Bank	A	723	(282)
<b>Total</b>		<b>24,673</b>	<b>31,368</b>

The Pension Fund has experienced no defaults from fund managers, brokers or bank accounts over the past ten years, therefore no expected credit loss provision is required.

**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.



## Notes to the Accounts

### 15. Actuarial Present Value of Promised Retirement Benefits

CIPFA's Code of Practice requires the disclosure of the actuarial present value of promised retirement benefits calculated on an IAS 19 basis, as set out in IAS 26.

Therefore, in addition to the triennial funding valuation, the Fund's actuary undertakes a valuation of the Pension Fund liabilities on an IAS 19 basis at the same date. The IAS 19 valuation is carried out using updated actuarial assumptions from those used for setting fund contribution rates and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

The most recent actuarial valuation based on IAS 19 is shown below:

31/03/2013 £m		31/03/2016 £m
2,029	Actuarial Present Value of Promised Retirement Benefits	2,274

The estimated future Pension Fund liabilities will also be subject to the consideration of the McCloud judgement and GMP equalisation. The impact will be considered by the actuary within the valuation taking place in 2019. This is currently estimated as an additional £17.1m relating to the McCloud judgement based on 0.75% of the present value of benefits and £6.8m GMP equalisation based on 0.3% of the present value of estimates, as suggested by the actuary.

### 16. 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 in accordance with section 4(2)b of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093). However, as the administering authority, we oversee the following AVC arrangements:

2017/18 £000		2018/19 £000
721	AVC paid during the year	648
3,700	Market Value of separately invested AVC's	3,902

### 17. Contractual Commitments

As at 31 March 2019 the Fund had outstanding private equity commitments of a maximum of £44.264 million (£47.137 million at 31 March 2018).

As at 31 March 2019 the Fund had forward currency contracts amounting to £137.741 million of purchases and £138.984 million of sales, showing an unrealised loss of £1.243 million.

### 18. Securities Lending

At the year end the value of quoted equities on loan was £68.619 million (£108.126 million at March 2018) in exchange for which the custodian held collateral of £72.760 million (£114.020 million at March 2018). For the year ending 31 March 2019, the Fund received income of £101,000 from the lending of stock.

### 19. Provisions and Contingent Liabilities

A number of death grants have been identified where the Fund has been unable to trace the next of kin meaning no payment has been made to date. Where contact has been made it is expected that these cases will be resolved within the year, whilst cases where no contact has been made successfully are expected to exceed a year.

Due to the uncertainty surrounding the timing of these payments and final amounts payable, a provision for £0.807 million has been created during 2018/19, which consists of £0.105 million short term, £0.558 million long term and £0.144 million of estimated interest.

## Notes to the Accounts

The Fund has no material contingent liabilities.

### 20. Related Party Transactions

The Cardiff and Vale of Glamorgan Pension Fund is administered by Cardiff Council. The related party transactions with the Council are:

- Cash invested internally by the Council (for working capital purposes) – see Note 12.
- Administration expenses charged to the Fund by the Council are shown in Note 9.
- 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 Cardiff Council Statement of Accounts.

Three members of the pension fund committee and three members of the pension fund board are active members of the Pension Fund. One of the active members on the pension fund board was also in receipt of pension fund benefits from the Cardiff and Vale of Glamorgan Pension Fund.

### 21. Contributing Employers

The active contributing employers as at 31 March 2019 are detailed below:

Administering Body	
Cardiff Council	
Scheduled Bodies	
Councils	Town and Community Councils
Vale of Glamorgan Council	Barry Town Council
Education Bodies	Cowbridge Town Council
Cardiff And Vale College	Lisvane Community Council
Cardiff Metropolitan University	Llantwit Major Council
St David's Sixth Form College	Penarth Town Council
Stanwell Comprehensive	Penllyn Community Council
Other Scheduled Bodies	Pentyrch Community Council
Cardiff Bus	Radyr & Morganstown Community Council
Public Services Ombudsman For Wales	Wenvoe Community Council
Admitted Bodies	
A and R Cleaning Gabalfa*	Eisteddfod Genedlaethol Cymru
A and R Cleaning Greenway*	Glen Cleaning (Barry Comprehensive)
A and R Cleaning Lansdowne	Glen Cleaning (Eastern High)*
A and R Cleaning Trowbridge*	Glen Cleaning (Gladstone Primary)*
A and R Cleaning Whitchurch*	Glen Cleaning (Llandough)
Adult Learning Wales	Greenwich Leisure Limited (GLL)
Cardiff Business Technology Centre	Grangetown Primary Cleaning (APP)
Cardiff University	Mirus Wales
Careers Wales (Cardiff And Vale)	National Trust (Dyffryn)
Children In Wales	One Voice Wales
Circle IT (Cowbridge Comprehensive)*	Play Wales
Circle IT (Eastern High)*	Sports Council for Wales
Colegau Cymru - Colleges Wales	St Teilos Cleaning (APP)
Design Commission For Wales	Wales Council For Voluntary Action

\*Employers contributing to the Fund in 2018/19 that were not contributing to the Fund in 2017/18.

## Notes to the Accounts

### 22. Events After the Reporting Period

There are no events after the reporting period to report.

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

This Statement of Accounts was authorised for issue on 12 September 2019 by the Corporate Director Resources. Post balance sheet events have been considered up to this date.

## 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.

### **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.

### **Deferred Pensioner**

A member who has stopped paying into the scheme but is not yet retired.

### **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.

## Glossary

### **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.

### **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 liabilities 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 Manager**

A fund that handles investments on behalf of the pension fund according to an agreed investment mandate.

### **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
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.

### **Pensioner**

A scheme member who received a pension from the Fund.

### **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.

## Glossary

**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.

**Unit Trust**

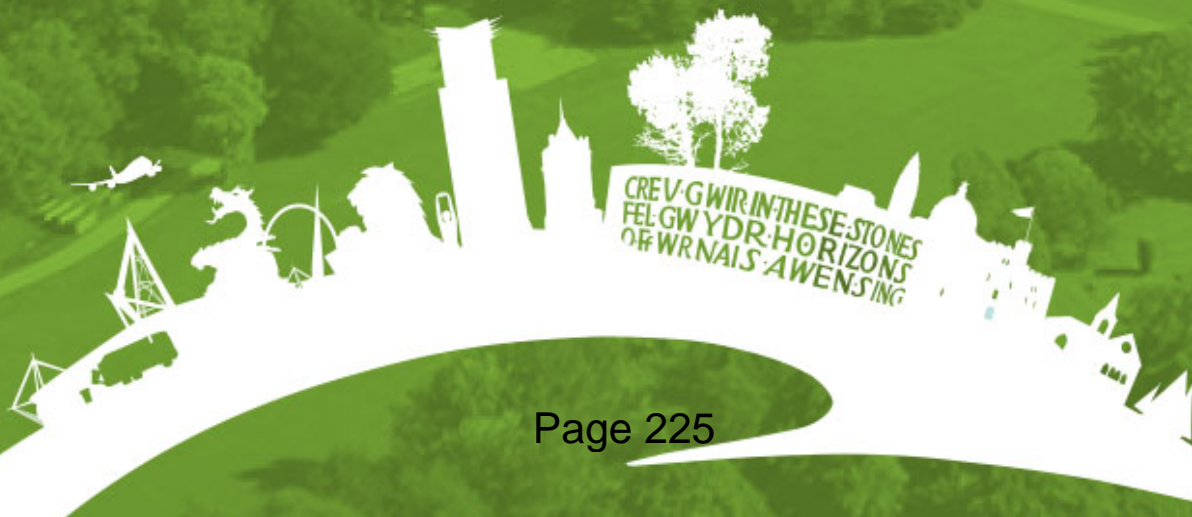
A collective investment fund that is priced, bought and sold in units that represent a mixture of the securities underlying the fund.

**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 2018/19



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## **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. 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 2018/19, 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 2018/19. 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.

## **The Purpose of the Governance Framework**

5. The Governance Framework comprises the systems, processes, culture and values by which the Council is directed, 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. The Code of Corporate Governance developed in 2017/18, and reviewed by Audit Committee in January 2018, documents how we apply the principles of good governance (as summarised in Section 4 of the AGS – Assessment Process and Summary). This Code was approved at the Constitution Committee on 11th February 2019 and is included in the Council's Constitution.

### **The Governance Framework**

8. The Framework comprises two core principles and five supporting principles. Principles A and B run through 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:**

#### **Supporting principles:**

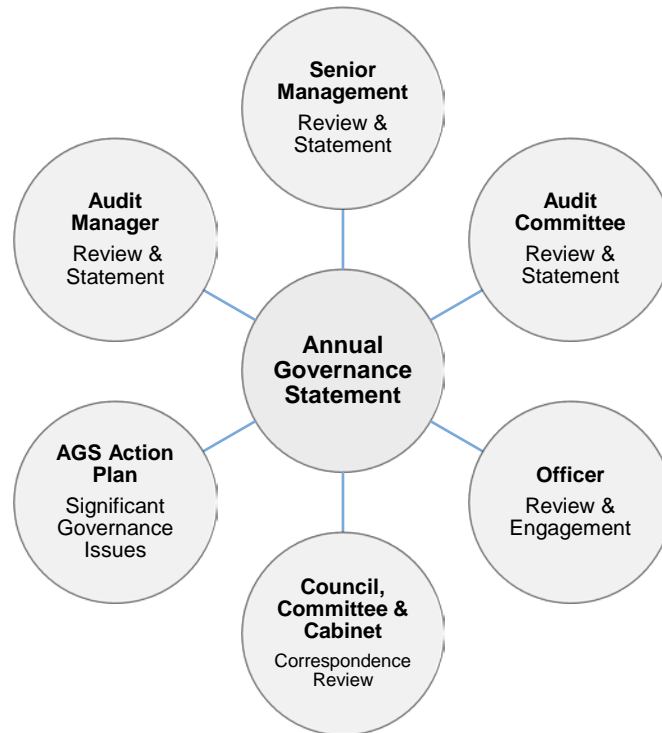
- c. Defining outcomes in terms of sustainable economic, social, and environmental benefits
- d. Determining the interventions necessary to optimise the achievement of the intended outcomes
- e. Developing the entity's capacity, including the capability of its leadership and the individuals within it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

### **Assessment Process and Summary**

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. These three elements 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 in fig. 1 sets out the components of this assessment.

**Fig1**



**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 2018/19. The assessment was based on the governance maturity which we could evidence within each Directorate 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 2019, from which the Chief Executive authorised the overall position.
15. The Senior Management Assurance process and engagement within our Directorate Management Teams has led to a more transparent discussion around evidencing our assessments. We can report an overall assessment of approaching strong application of good governance across the assurance areas with some examples of embedded and limited in some assurance areas

in some directorates. This assessment 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 Senior Management focus is on ensuring that there is a wider consistency of strong across directorates and the Council which reflects the findings identified through the Senior Management Assurance process and operational reviews.

16. The maturity assessment highlighted opportunities to further enhance the disciplines of partnership and collaborative governance and compliance the detail of which is presented in the Annual Governance Statement Action Plan. The Senior Management Team recognises the need to prioritise actions for enhancement to enable strong evidence of application across all areas going forward.
17. In relation to the work of the Senior Management Team in 2018/19 we continued to collectively own the Corporate Risk Register, we reviewed all corporate risks quarterly, and monitored progress against the action plan of significant governance issues.
18. The Chief Executive has emphasised the importance of achieving consistent standards of governance and control across all directorates, and has reinforced these expectations to be monitored and managed through the senior management assurance statement process as we enter 2019/20.

### **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:
  - *Assurance Audit Assignments* – work undertaken through the risk-based annual audit plan, with delivery prioritised to maximise assurance and added value. The audit plan is responsive to risk and informed by audit information and existing assurances, information from Senior Management, and monitoring of Council activity, strategy, risks, and wider assurance sources.
  - *Discussion with Senior Managers* – quarterly relationship manager meetings with Directors, Audit Manager attendance at Assurance Senior Management Team meetings, and regular meetings with the Corporate Director Resources (Section 151 Officer) and the Chief Executive.
  - *Consultancy* - advice and guidance offered generally or on specific matters, including the design and development of new processes, such as Procure

to Pay (P2P) and a wider process and control reviews, such as a Service Review for Social Services.

- *Risk & Governance* – assurance reviews on the co-ordination of the Corporate Risk Register, the management disclosures which support the Annual Governance Statement, and wider governance reviews (including programmes and projects and financial / contract procedures).

21. Based on the programme of audit work undertaken to assess internal controls and reviews of governance and risk management arrangements, it is considered that the application of the overall framework for control within the Council for 2018/19 is **effective with opportunity for improvement**. This opinion is based on the delivery of a comprehensive audit plan, and an acknowledgment of the increasing pressure on resources in both demand and budgets, which has been managed through a resilient performance culture.
22. The control environment for core financial systems, and for the majority of audits overall (70%) was considered as adequate, and allocated an effective audit opinion. Twenty audits have been given an audit opinion of “insufficient with major improvement needed” recognising the need for attention to achieve sound controls, and six audits were given “unsatisfactory” opinions in certain Schools, School Traded Services, and areas of Waste Management. Allegations of fraud isolated within the Waste Management Service have been robustly investigated and are being managed in accordance with the Council’s disciplinary policy, and through Police liaison. Audit assurance and support, targets and follows up on the highest risk areas.

**Audit Committee Statement**

23. Based on the evidence presented to the Audit Committee during 2018/19, it is the considered view of the Committee that the Council does have, for the most part, sound internal 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 2019/20, include:

<p><b>Budget Management</b></p>	<p>The Audit Committee recognises the sustained financial pressure that the Council is under and notes that whilst the overall financial position was balanced, some particular directorates had significant overspends, for which controls have been in need of improvement.</p> <p>The Audit Committee continues to raise concerns about the controls in place within directorates to achieve budget savings proposals put forward, which is increasingly important as the financial parameters within which the Council operate become further constrained. The Committee will be interested in the level of savings achieved in 2019/20 and will reinforce expectations for delivery given the significant financial pressures facing the Council.</p>
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<p><b>Internal Control</b></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. At a time when many decisions have to be finance driven, it is essential that internal controls are not neglected or impaired, and that strong controls operate throughout reformed processes and systems.</p> <p>The Audit Committee has invited senior officers to attend each Committee meeting this year, to account for their delivery of good governance, risk management and internal control. In addition, the Audit Committee has continued to receive the details of all Internal Audits completed, and the respective assurance ratings. We have observed isolated internal control gaps in areas of Waste Management, and within certain Schools and School Traded services. Whilst the number of unsatisfactory Internal Audit opinions remain low, management must maintain sound systems of internal control and promptly address identified weaknesses. The Audit Committee is aware of the allegations of fraud within the Waste Management Service, which have been investigated within the Council and referred to the Police. Once associated disciplinary procedures have concluded, Audit Committee will seek assurance on the robustness of post investigation review.</p> <p>The Committee receives a list of all Internal Audit recommendations raised and agreed, and visibility of updated management comments until the point of implementation. Whilst the Audit Committee has an overall assurance of internal control, we continue to require officers to account for services or functions where internal control weaknesses have been identified. We continue to challenge any impairment in stewardship and control of public funds and assets, seeking prompt and proportionate management actions. The Audit Committee has approved the 2019/20 Internal Audit Plan and will closely monitor its progress and findings over the year.</p>
<p><b>Financial Resilience (including Treasury Management)</b></p>	<p>In a position of austerity, the Audit Committee is focussed on ensuring that financial decisions are made for the benefit the organisation over the medium and long term, in addition to meeting current service needs. The Audit Committee has received updates on financial resilience as part of the finance updates and has welcomed the assurance to be gained from an ongoing external review of the Council Treasury Management activities, by the Council's Treasury Management advisors. The outputs of this review will inform our focus in 2019/20.</p> <p>The Audit Committee will continue to look to gain assurance of sound treasury management practices and strategy. This is vital</p>



	<p>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.</p>
<p><b>Schools Governance &amp; Compliance</b></p>	<p>Audit Committee has raised concerns about governance and compliance matters in schools for some time, which are regularly responsible for a greater proportion of audit reports giving concern. This year, whilst we have received comfort from the assurances given through school governance themed audit work, certain schools have not achieved a satisfactory level of stewardship and internal control.</p> <p>In view of an ongoing need for regular school governance assurance, Audit Committee has arranged to receive an update from the Director of Education and Lifelong Learning twice a year on the monitoring, controls and progress of governance improvements in Schools for which an assurance gap has been identified. This is with the understanding that Audit Committee can request the attendance of those directly responsible for governance at an individual school level, to a Committee meeting, in the event that assurances are not considered as acceptable.</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.**

24. 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
25. The Director of Governance and Legal Services is the Monitoring Officer, has the specific duty to ensure that the Council, its Officers, and its Elected Councillors, maintain the highest standards of conduct in all they do based on Section 5 of the Local Government and Housing Act 1989, as amended by Schedule 5 paragraph 24 of the Local Government Act 2000.
  26. 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.
  27. In 2018/19 the Monitoring Officer was notified of a total of twelve complaints relating to Member conduct. The Monitoring Officer has not referred any of these complaints to the Public Services Ombudsman, however, six complaints were made directly by the complainants to the Ombudsman. Four of the complaints relate to one Member's activities in connection with a particular organisation. Two of these complaints were made directly to the Ombudsman. One these two matters the Ombudsman determined that it was not appropriate to investigate these complaints. The other two related complaints were resolved informally by the Monitoring Officer. One was resolved by way of an explanation, and the complainant agreed that no further action was necessary. The other complaint was resolved by the Member offering an immediate apology and repayment of Council printing costs. Of the remaining eight complaints, four have been resolved informally by the Monitoring Officer. One complaint was determined by the Ombudsman with a finding of no evidence of a breach of the Code. Another complaint determined by the Ombudsman related to 10 members of the Planning Committee which resulted in the decision by the Ombudsman not to investigate the complaint. Two complaints remain awaiting the decision of the Ombudsman.
  28. 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. The summary of the survey was reported in the Annual Governance Statement for 2017/18.
  29. The results from the Member Exit Survey in 2017 were discussed at the Annual Meeting between the Standards and Ethics Committee and the Political Group Leaders and Whips on 13 June 2018. The outcome of this was included in the Standards & Ethics Annual Report.
  30. The key aspects from the survey were that there was an 'observed improvement in Members' conduct and the quality of debate at Council

meetings was welcomed, that the reduction in the number of formal complaints was very encouraging, and that Member conduct issues indicated some positive trends, but also identified some level of bullying and behavioural issues’.

31. The Standard and Ethics Committee in June 2018 received the analysis of responses relating to Member Conduct and behaviour and matters referred on to the all Party Women’s Group to consider. The All Party Women’s Council Group is a Member Group set up in accordance with Part 5 of the Constitution, administered by a lead Member and all Members are invited to participate. The Group established in 2017 did not meet during the 2018/19 Municipal Year due to the availability of the Chair.
32. The Standards and Ethics Committee introduced bi-annual Member briefings to report on the work of the Committee and to underline the importance of the Cardiff Undertaking. During 2018/19 one meeting of the Standards and Ethics Committee took place. The associated Member Briefing prepared to reflect outcomes of the meeting issued in February 2019.
33. The Member Exit Survey will be undertaken towards the end of an administrative period with the next Survey scheduled for March 2022.
34. 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 have been reviewed and agreed by Senior Management Team and the register will be published on the Council’s website during 2019/20.
35. 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.
36. The Workforce Strategy and Employee Charter continues to ensure that there is alignment between the Council’s vision and values and 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
  - The Workforce Strategy seeks to deliver outcomes for and with employees, within a culture that supports a flexible, skilled, engaged and diverse workforce
37. 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
38. 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.
39. 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 not been any new whistleblowing cases reported to the Monitoring Officer in 2018/19.
40. The Corporate Director Resources is the Council's Section 151 Officer with overall responsibility for the financial administration of the Council and is also the Senior Information Risk Owner (SIRO) with overall responsibility for the information governance arrangements 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) and the Information Governance requirements set out in the Data Protection Act 2018. During 2018/19 the recruitment of a new Corporate Director Resources commenced. The new post holder took up the position on the conclusion of the budget strategy and budget setting process in March 2019. Transition arrangements were put in place to the end of the financial year to ensure continuity.
41. During 2018/19 the post of a full time Audit Manager was re-established after a period of strategic oversight by the Head of Finance as the Acting Audit Manager.

## **B. Ensuring openness and comprehensive stakeholder engagement.**

42. 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.
43. To support openness, the Council is focusing on proactively publishing data through the 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). Data sets continue to be identified for publication.
44. 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. An Assurance Board has been developed within the SMT environment where the Chief Executive, and Directors discuss aspects of the assurance, for example risk management, performance management, outcomes and progress on audit recommendations made by the internal and external bodies and regulators. This has increased the visibility and the connections between these assurance pieces. The meetings between the Chief Executive, Directors and Cabinet Members to agree actions arising from an open debate of performance and service delivery challenges has continued in 2018/19.
45. 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. During 2018/19 Council meetings and the Planning Committee meeting were the primary focus of webcasts. Scrutiny and other meetings were allocated webcasting time based on public interest and prioritisation of specific items including the development and implementation of dual language webcast for Council meetings. A review of webcasting to identify and widen and balance webcasting use with other committees and meetings is planned to establish future webcasting priorities. Papers and reports are also available on the Council’s website to assist with engagement in webcasting, and in general.
46. 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.

47. Citizens, communities and partners continue to be engaged through a programme of citizen engagement, budget consultation, Ask Cardiff surveys that seek opinions of a range of Quality of Life and Quality of Services statements. The output of these are used to inform proposals and decisions of priorities and planning for the provision of services.
48. 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.
49. 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. The Wellbeing Plan which responds to the evidence from the Wellbeing 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 was adopted by Full Council and statutory member organisations by the statutory deadline of May 3rd 2018. During 2018/19 the relationships have matured and a Leadership Group comprised of elected members, and a Delivery Group comprised of the Chief Executives established where the delivery of the Wellbeing Plan is monitored through a process of high level exception reporting.
50. A pilot project has taken place during 2018/19 in Butetown to consider how partnership working is delivered at a ward level. The pilot has brought together a range of partners to identify, discuss and jointly plan work in the area. A workshop approach was taken to identify a range of task and finish groups to take forward the work. Initial findings from the pilot work have been positive and will help shape how locality based partnerships working and Council resources can be better aligned moving forward.
51. 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.**

52. 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. The Corporate Plan is aligned to the focus of the political vision set out in the Capital Ambition and sets out the organisation's priorities and clear improvement objectives to be delivered with the support of Lead Members. In order to provide a more consistent approach to planning across a range of partners there are clear links between the Partnership Plan, and the regional plan with the Health Board as a result of the Social Services and Wellbeing (Wales) Act 2014 The Corporate Plan is a rolling 3 year plan which is refreshed annually. The latest refresh was approved by Council in February 2019 for the period 2019 – 2022, informed by the consultation on budget proposals for 2019/20. It sets the strategic direction and provides a framework for Directorate Delivery Plans and performance management objectives. Corporate Plan priorities are based on the same Wellbeing Objectives as the Cardiff PSB:

- Cardiff is a great place to grow up
- Cardiff is a great place to grow older
- Supporting people out of poverty
- Safe, confident and empowered communities
- A capital city that works for Wales
- Cardiff grows in a resilient way
- Modernising and integrating our public services

54. The delivery of the Corporate Plan is monitored through the Council's Performance Management Framework, which includes:

- Quarterly Performance monitoring by SMT as part of it's Assurance Board role
- Progress reported to Members alongside the Budget Monitoring
- Joint Cabinet and Senior Management Team Performance Challenge meetings
- Quarterly monitoring of the strategic issues arising from delivering the Capital Ambition is undertaken at a joint Cabinet and Senior Management meeting

55. The four year Capital Ambition Delivery Programme replaced the Council's Organisational Development Programme (ODP) in 2017/18, is aligned to the delivery of corporate priorities and budgets, and comprises of two discrete components:

- Modernisation: Transformation of corporate systems and processes that support service delivery, led by the Corporate Director - Resources
  - Resilient Services: Transformation of front-line services, led by the Corporate Director - People and Communities
56. 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. The CCRCDC involves the UK Government, Welsh Government and ten Council's working together, through joint enterprise.
  57. The CCR City Deal five year strategic business plan was approved by the Regional Cabinet of 10 local authority leaders in February 2018 and the governance arrangements have been strengthened to include a Joint Scrutiny Committee which is hosted by Bridgend County Borough Council on behalf of the local authority partners.
  58. During 2018/19 the Wales Audit Office reviewed the governance arrangements put in place to support the CCR City Deal's first investment decision. They identified that as the decision was made very early in the newly formed partnership and before the agreed assurance framework was fully in place, that there are lessons to be learnt for future investment decisions by the CCR City Deal and other similar partnerships.
  59. The Final Local Government Settlement for 2018/19 for Cardiff was received in December 2017 equated to a funding increase of 0.9%. Additional cash of £3.98 million was allocated compared with 2017/18, but this was eroded to £2.426 million (+0.55%) 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.
  60. Consultation on the Council's 2018/19 budget proposals "Changes for Cardiff" ran from 2nd November 2017 – 14th December 2017. 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.
  61. Building on the approach to the Council's Budget Strategy over the last few years is key to planning for future years. The Council has identified a budget gap of £73 million for the period 2019/20 to 2021/22. The outlook over the medium term remains a matter of concern and the Budget Report 2019/20 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.**

62. Cardiff City Transport Services Ltd. (Cardiff Bus), one of the Council's wholly owned subsidiary companies, reviewed the composition of the Board to consider whether or not the right skills mix required was supported by the current structure. The review determined that there was a need for the Board to acquire two independent non-executive directors with proven skills in governance and transport services and agreed a revised structure in November 2018. Appointments to the Board were concluded by the end of the financial year.
63. 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.
64. 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 Corporate Plan. This process has helped to integrate the sustainable development principle and the Act in organisational processes and decision making. The 5 ways of working have been integrated into our partnership planning to ensure a more systemic approach to delivering the identified outcomes.
65. The Corporate Plan continues to be informed by the views of the views of a range of stakeholders, including the people of Cardiff, public service and private sector partners, and Council staff helped contribute to the development of the Council's well-being objectives. This includes:
- The Ask Cardiff annual resident survey, gives people the opportunity to tell the Council about their own well-being and their experiences of public services, and helps the Council understand what is important to residents and local communities. With over 5,500 responses it is one of the most successful surveys of this type in Wales or across UK Core Cities.
  - Consultation with seldom heard groups such as locality and partner events in neighbourhood areas, the Cardiff Youth Council Grand Council, the 50 + Forum focus group, BAME focus groups, Cardiff Deaf Club, Cardiff and Vale Action for Mental Health, Friends and Neighbours Group (Butetown)
  - An engagement event with the city's civic leadership at the 'Liveable City Forum'
66. To ensure staff are consulted, and involved in decision making, various channels of communication are used including Corporate Roadshows, the

Chief Executive's Update, Core Brief, Staff Information messages, the Staff App, and DigiGov (the Council's HR system). The staff Ambassador Group remains active and met with Directors during 2018/19 which has also seen a period of reflection with regards to employee engagement. A revised Employee Engagement Strategy will be brought forward in the new financial year which will also include a rebranding of the Ambassador group and their terms of reference.

67. Consultation on draft decisions resulting from budget proposals is robust and the impact on citizens and service users is an important consideration. The engagement of citizens has continued to be 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.
68. 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 locally selected measures of success which are relevant to Cardiff. 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.
69. The Council's Budget Strategy is based on an incremental budgeting approach where budgets are informed to a greater extent by corporate priorities and the required future shape of the organisation.
70. The themes for savings in the Budget Strategy for 2019/20 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
71. To provide greater confidence in the delivery of savings directorate proposals once submitted were subject to challenge to ensure clarity in ownership, accuracy, feasibility, achievability and risk management. These arrangements were replicated for the development of the Budget Strategy for 2019/20 during the planning period August 2018 to February 2019.

72. The Wales Audit Office (WAO) audit under the Public Audit (Wales) Act 2004 and reporting responsibilities under the Code of Audit Practice found that

*'The Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources.'*

*'work on certification of grant claims and returns has not identified significant issues that would impact on the financial statements or key financial systems'.*

73. 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.**

74. The Annual Wellbeing Statement (formerly the Annual Improvement Plan) provides a comprehensive statement of progress and areas of challenge and links to the Corporate Planning arrangements.

75. 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.

76. 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.

77. 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 are in place for the Capital Ambition Delivery Programme, which include regular updates to the Senior Management Team.

78. The senior management structure of the Council was reviewed in 2017/18 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. This revised senior management structure was put in place during 2018/19.

New Posts	Deleted Posts
Corporate Director, People and Communities	Director of Communities, Housing and Customer Services
Director Planning, Transport and Environment (previously Director, City Operations)	Director, City Operations
Chief Digital Officer	Assistant Director, Children's Services
Assistant Director, Corporate Landlord	Assistant Director, Commercial Services
Assistant Director, Street Scene	Enterprise Architecture Operational Manager
Head of Democratic Services	

79. 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, and a review undertaken during 2017/18 has led in 2018/19 to the programme being offered more widely across the officer body without the requirement to sit a formal ILM level 3 qualification.
80. 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. During 2018/19 the Democratic Services Committee led on the development of an Elected Member Learning and Development Strategy. This Strategy identifies key elements to support the governance arrangements of the Authority including a review of role descriptions which will clarify the individual role of member in the decision making process, and the introduction of a Personal Review Process to support the provision of appropriate learning opportunities to improve the skills and knowledge of elected Members.
81. 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.

82. The Council's Workforce Strategy has employee health and wellbeing as a priority. The Council continues to support the 'Time to Change' Pledge, has been recognised as a Disability Confident Employer, signed the Dying to Work Charter and achieved the Corporate Health Standard Silver Award. During 2018/19 the Council has continued to work towards being recognised as a Dementia Friendly organisation and achieving the Corporate Health Standard Gold Award by March 2020. The Council continued during 2018/19 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.
83. During 2018/19 the Council has published an Annual Wellbeing Report (formerly the Statutory Improvement Report) which provides a retrospective summary evaluation of performance for 2017/18 as required by the Local Government (Wales) Measure 2009.
84. 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. Performance improved against 79% of its indicators, performance was maintained against 7.1% of its indicators and performance declined against 14.3% which represents 2 indicators. This saw the Council's ranking rise significantly within the local government family comparative performance to 5th as compared to 13th in 2016/17.
85. The Wales Audit Office published their Annual Improvement Report 2017/18 of the Council in September 2018. This is a forward-looking assessment that considers the likelihood of compliance with the Council's duty to make arrangements to secure continuous improvement, as well as a view on how the Council was working towards the requirements and obligations in relation to the Wellbeing of Future Generations Act, a service-user-perspective themed review and a review of overview and scrutiny arrangements.
86. The report did not raise any formal recommendations, but it made proposals for improvement relating to potential development, transparency, and the role of Scrutiny can have in governance when determining service changes. The report concluded that:

*'The Council is meeting its statutory requirements in relation to continuous improvement 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 2018-19'*

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

87. 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 2018/19 to provide a transparent representation of the status of corporate risks and to support a proportionate management response.

88. The revised Risk Management Strategy and Policy, which had been developed by the risk management network, with comments from the Cabinet, and considered by the Audit Committee in January 2018 was approved for operation from the second financial quarter of 2018/19.
89. The responsibility for the day to day management of the risk management process moved from the Information Governance and Risk Management Team to the Accountancy Team in December 2018. The process has continued to be 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.
90. 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 Annual Wellbeing Report (formerly the 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.
91. 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 and a Joint (Regional) Scrutiny Committee, Wales Pension Partnership Joint Governance Committee, Prosiect Gwyrdd Joint Committee, the Shared Regulatory Services Joint Committee and the Glamorgan Archives Joint Committee.
92. 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 Deputy Section 151 Officer.
93. 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.

94. 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 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.
95. The Council has robust arrangements for internal control. The risk management strategy and policy 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'.
96. Effective arrangements are in place to safeguard personal data. During 2018/19, the Council continued to prepare for, and enacted the General Data Protection Regulation and Data Protection Act 2018 on 25th May 2018. An action plan setting out the changes in legislation 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. The Council's approach to aspects of Information Governance was tested during 2018/19 through a number of internal audits and an external assessment against the national Cyber Essentials + Standard where no issues were raised.
97. 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.
98. The Council has a Health and Safety Forum, comprised of appointed Elected Members, Union Representatives and relevant Council Officers, which met quarterly during 2018/19 to review, provide feedback and approve a number of health and safety related policy and guidance documents.

99. The Forum, in line with their Terms of Reference, also monitored statutory maintenance compliance (focussing on high risk disciplines), Legionella Management, Fire Safety (the changes affecting the Council's Social Housing Development arising from the 'Building a Safer Future' report), the new health and safety support service to schools (introduced September 2018), and continued to review RIDDOR reportable accident/incidents.
100. 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.**

101. 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.
102. 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.
103. The Council's Annual Wellbeing Report (formerly the Statutory Improvement Report) evaluates performance, summarising the findings of a number of reports on performance, including corporate measures and evaluations of delivery against the Capital Ambition, Wellbeing Plan and the objectives and activities that the Council is delivering as part of the Partnership arrangements (PSB).
104. 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.
105. 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.



106. 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.
  107. 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.
  108. 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.
  109. Performance information is published against statutory NSI and PAM datasets, as set by the Welsh Government. This report includes ranking information to clearly, and transparently show performance relative to each other Local Authorities in Wales.
  110. The Council has taken steps to ensure that recommendations for corrective action made by external audit are acted upon, and targeted governance projects are created 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.
  111. The Council has an effective Internal Audit Service, as supported by performance information and reporting, which was externally assessed as conforming with the Public Sector Internal Audit Standards (PSIAS) in all material respects during 2017/18 by Rhondda Cynon Taf CBC. The PSIAS is a central measure of the effectiveness of the Internal Audit function against the mandatory elements of the International Professional Practices Framework. The small number of recommendations arising from the external assessment to enhance information in the Internal Audit Charter have continued to be progressed by the Audit Manager during 2018/19.
  112. 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**
113. 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 2019, SMT considered the five governance issues for the prior year to determine which if any needed to be retained for 2019/20.

114. The actions related to **capacity and decision making** were completed and those related to **commissioning capability and capacity** were met in part by refocussing key elements of commissioning into the Digital and Service Review Programmes.
115. The actions related to **robust and sustainable savings** were completed and governance arrangements are in place and that the issue of **relevant costs and decision making** focussed on raising awareness, business case development and the role of the Investment Review Board. Whilst **partnership and collaborative governance** has moved forward in relation to the development of the Public Services Board, governance related to Regional Partnerships remains an area to build upon by ensuring that the Internal Audit recommendation in relation to the development of a corporate framework is delivered.
116. The SMT considered for 2019/20 that there was an improvement action required in ensuring that the management of risk was supported by informed and evidenced based decisions and that there was closer connections between assurance and decision making. In addition, a further issue was put forward as an acknowledgment of the wide range of matters that the Council needs to demonstrate compliance against to and the mechanisms that are developed further to highlight early where those gaps in compliance are.
117. The two issues and the corresponding actions that will be undertaken are set out below;

#### **Significant Issue**

Informed, evidenced based decision making' including aspects of Future Generations and further assurance work in relation to partnership and collaborative governance

#### **Actions**

- Review the decision making processes to ensure that all aspects connected with legal and regulatory compliance are embedded into the processes to support the management of risk.
- Further strengthen and develop compliance information provided through the Assurance SMT as part of the decision making process and identify where improvements are needed as appropriate.

- Implement the Partnership and Collaborative Governance Framework to improve the assurance around the governance of these models of service delivery.
- Embed a consistent understanding and application of the Future Generations principle and five ways of working in its endeavours to improve outcomes for its citizens.

### **Significant Issue**

Compliance, specifically around understanding the gaps in the compliance (conformance) with the corporate process to provide a more focussed assessment.

### **Actions**

- Review the compliance framework to ensure that all aspects are reflected in the 'Compliance Category' of the Senior management Assurance Statement
- Implement the process of triangulation of Assurance Statements in line with the Council's Code of Corporate Governance and provide feedback through the Relationship Management Process to ensure that all aspects of compliance are representative

118. Having taken the three opinions into account then we can provide reasonable assurance that Cardiff Council's governance arrangements remain fit for purpose. The steps identified under significant issues will further enhance our governance arrangements

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

119. During 2018/19 the Wales Pension Partnership (WPP) obtained FCA approval for the Authorised Contractual Scheme (ACS) which enables the eight LGPS administering authorities in Wales to pool their investments in compliance with the requirements of the UK Government. The ACS is operated by Link Fund Solutions. Oversight by the eight authorities is through the Joint Governance Committee (JGC) comprising one elected member from each authority. The JGC is supported by an Officer Working Group (OWG) made up of the funds Treasurers and Investment Officers.
120. The first two sub funds within the ACS were launched in January 2019 with pooled assets of £4 billion. No assets were transferred from the Cardiff & Vale of Glamorgan Pension Fund during 2018/19 as the Global Equities asset class covered by the sub funds was outside the Pension Fund's current strategic asset allocation.
121. 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 2018/19	Responsible Officer
<p><b>Wales Pension Partnership – Wales Investment Pool.</b></p> <p>Further pooled funds will be created during 2019/20.</p> <p>Proposals for each fund will be approved by the JGC prior to submission to the FCA.</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:**

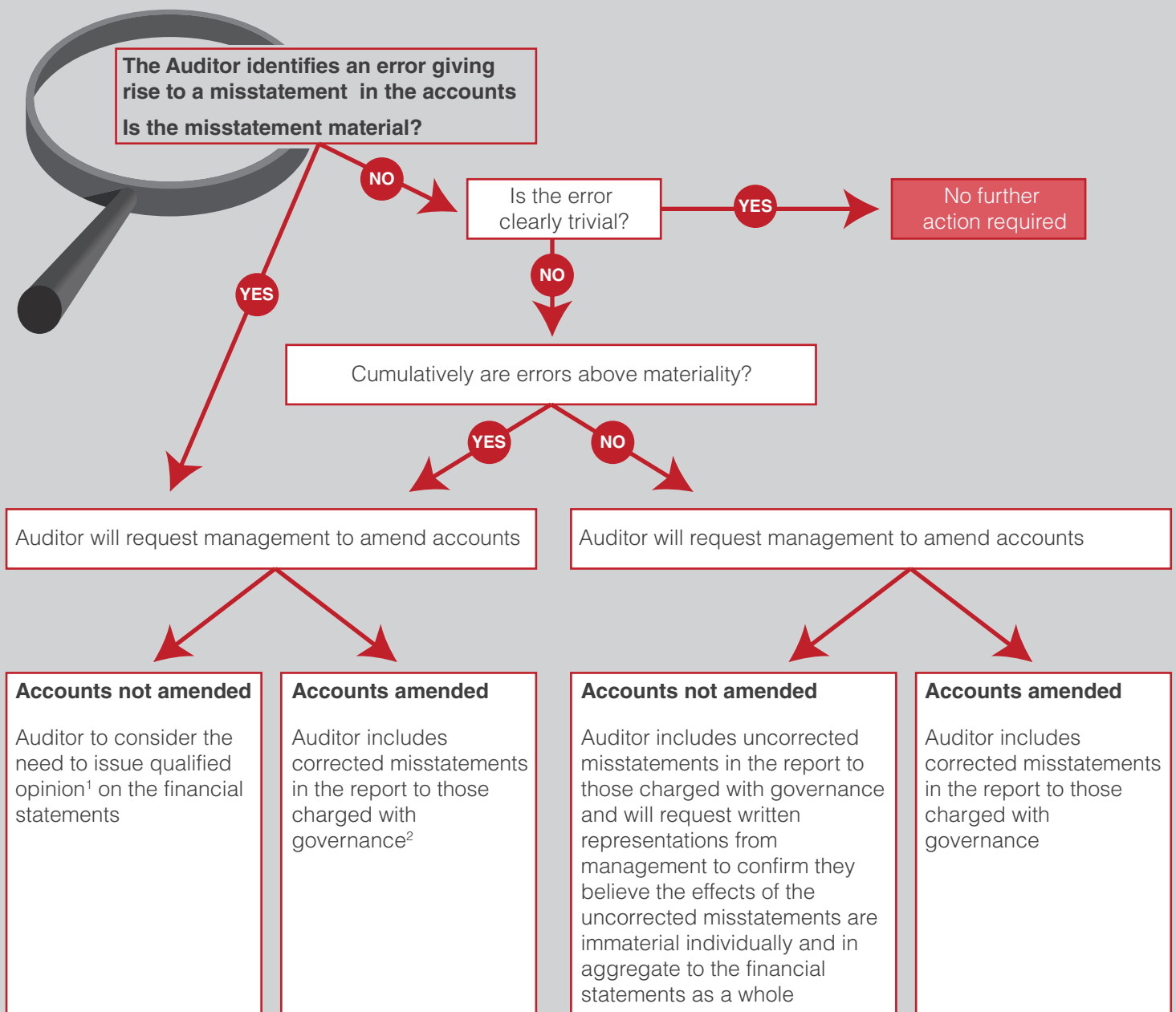
**Paul Orders, Chief Executive**

**Date:**

# Guidance for those charged with governance when evaluating misstatements identified during the audit

Prior to approving the financial statements you will receive a report from the Wales Audit Office on the financial statements that may talk about misstatements.

The flow chart sets out the implications of misstatements identified during the audit to help you understand their impact.



We will also report any significant deficiencies in control to those charged with governance relating to those errors for consideration.

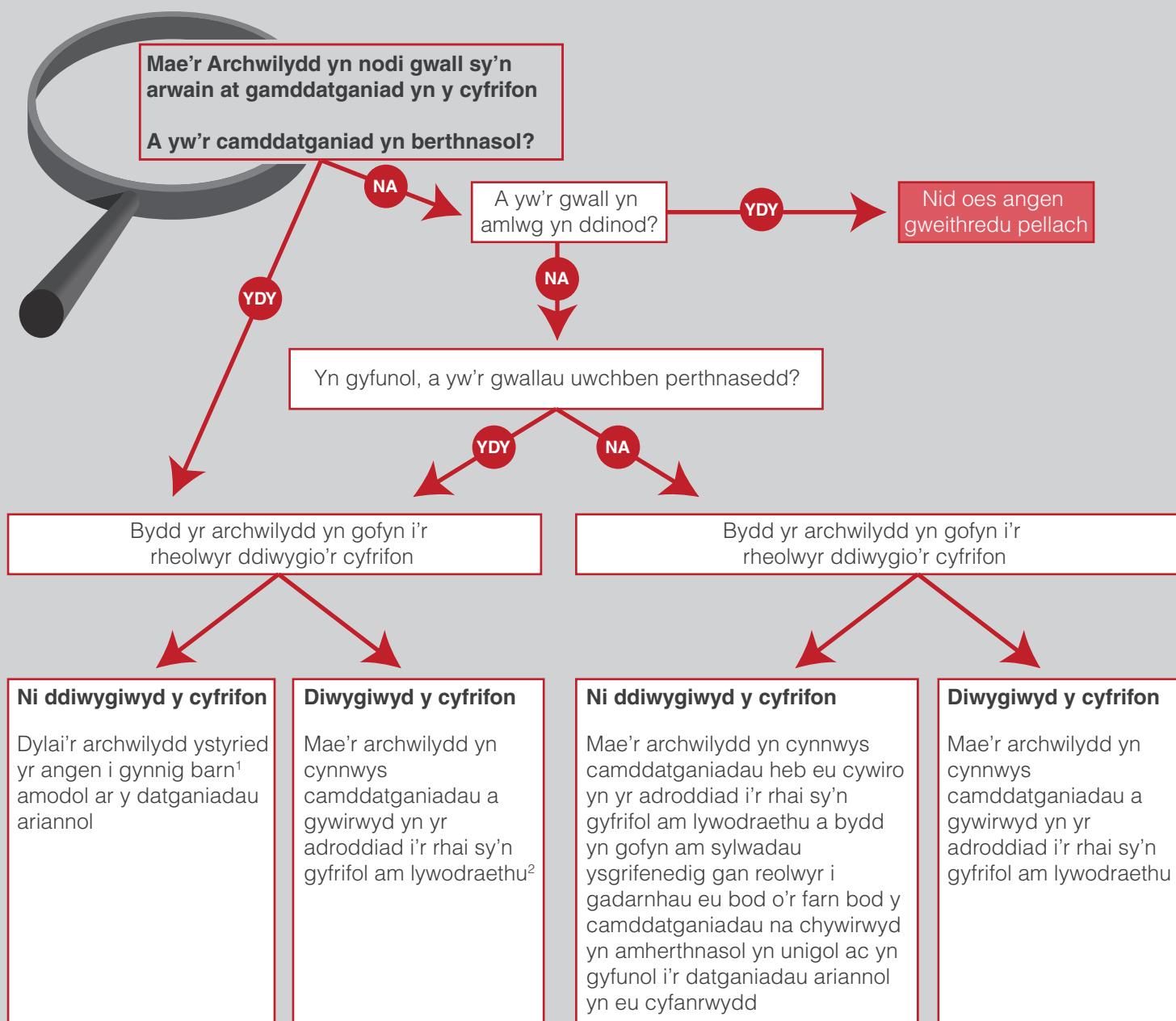
<sup>1</sup> The auditor is required to consider materiality by value and nature.

<sup>2</sup> Those charged with governance are defined as persons, such as an Audit Committee, with responsibility for the accountability of the entity including overseeing the financial reporting process.

# Canllawiau i'r rhai sy'n gyfrifol am lywodraethu wrth werthuso camddatganiadau a nodwyd yn ystod yr archwiliad

Cyn cymeradwyo'r datganiadau ariannol, byddwch yn derbyn adroddiad gan Swyddfa Archwilio Cymru ar y datganiadau ariannol a allai drafod camddatganiadau.

Mae'r siart llif yn nodi goblygiadau camddatganiadau a nodir yn ystod yr archwiliad i'ch helpu i ddeall eu heffaith.



Byddwn hefyd yn adrodd i'r rhai sy'n gyfrifol am lywodraethu ar ddiffygion sylweddol mewn rheolaeth a ddaeth i'r amlwg drwy'r gwallau hynny, er mwyn eu hystyried.

<sup>1</sup> Mae'n ofynnol i'r archwilydd ystyried perthnasedd yn ôl Pwyllgor Archwilio, 2015.

<sup>2</sup> Unigolion diffiniedig, fel Pwyllgor Archwilio, yw'r rhai sy'n gyfrifol am lywodraethu, sy'n gyfrifol am atebolrwydd y colff gan gynnwys goruchwyllo'r broses adrodd ariannol.



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

# Audit of Financial Statements Report – **Cardiff Council**

Audit year: 2018-19

Date issued: August 2019

Document reference: **1480A2019-20**

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](mailto: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 the County Council of the City and County of Cardiff (the Council) at 31 March 2019 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 levels at which we judge such misstatements to be material for the Council is £12,840,000. 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, these can include for example remuneration and related party disclosures.
- 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 2018-19, that require reporting under ISA 260.

## Status of the audit

- 6 We received the draft financial statements for the year ended 31 March 2019 on 13 June 2019, in advance of the statutory deadline of 15 June 2019.
- 7 At the time of drafting this report, we have substantially completed the audit work with the exception of our review of the revised financial statements.
- 8 Our Audit Plan issued in March 2019, highlighted that we aimed to provide our Audit of Financial Statements Report which included our proposed audit opinion in August 2019. This has been achieved 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

- 9 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](#).
- 10 The proposed audit report is set out in [Appendix 2](#).

## Significant issues arising from the audit

### Uncorrected misstatements

- 11 There are no misstatements identified in financial statements which remain uncorrected.

### Corrected misstatements

- 12 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

- 13 During 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

- 14 Generally, 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.
- 15 The quality of the draft financial statements presented to us for audit was generally of a good standard. However, we noted that a number of the prior-year comparators included in the draft financial statements differed in a number of cases from balances included in last year's audited accounts. These changes had been made as a result of late adjustments to the 2017-18 accounts of a Joint Committee. Our review of these adjustments identified that they were not material (therefore there was no requirement to restate the prior-year figures) and that they had not been reflected consistently throughout the draft accounts. Consequently, the 2017-18 figures have been reinstated.

#### We did not encounter any significant difficulties during the audit

- 16 To facilitate the audit process, we agreed an 'Audit Deliverables' schedule with management in March 2019 which set the initial information required by the audit team. This schedule helped to ensure that all key deliverables were produced and audited in accordance with the agreed timetable. We are grateful to the Finance Team for their help and support throughout the audit process.

- 17 We did not encounter any significant difficulties during the audit, and we were not restricted in our work. The general quality of working papers continues to improve. In addition, it is also pleasing to note that the Council has looked to address issues raised in our 2017-18 Accounts Memorandum which has led to noticeable improvements in the timeliness and quality of the information provided to support transactions selected for audit.
- 18 As identified in our Audit Plan, a significant proportion of the Council's property assets have been subject to revaluation during the year. Generally, we found that the Council's processes and assumptions for the revaluation exercise and the work of the management expert was satisfactory. The Council's response to our requests for information in respect of the revaluation exercise and other accounting matters in relation to its fixed assets was timely. There were, however, a few occasions where we experienced lengthy delays in responses being provided for the technical accounting treatment which led to amendments to the draft financial statements as outlined in [Appendix 3](#), specifically relating to the:
- revaluation of some Land & Building assets; and
  - ownership of assets.
- 19 Given that the 2020-21 statutory deadline for the preparation and certification of local authority financial statements will move forward to 31 May and 31 July respectively from 2020-21 onwards, it is important that matters of a technical nature are addressed at an early stage.
- 20 The Council also faces some challenges in bringing forward its accounts closure process to meet these deadlines and should also look to identify additional opportunities to bring forward elements of its accounts production process to earlier in the year. One key area relates to its accounting for fixed assets where currently most of the work is done post year-end.

**There were two significant matters discussed and corresponded upon with management which we need to report to you**

#### **McCloud Judgement**

- 21 The draft financial statements were prepared before the Supreme Court denied the Government's application for leave to appeal the legal judgement about age discrimination in a number of public sector pension schemes, including the local government pension scheme. The judgement related to a decision to move from a 'final salary' to a 'career average' basis for the calculation of pension benefits and is referred to as the McCloud Judgement.
- 22 The cost of providing a remedy to affected employees is likely to be significant. We have concluded that the McCloud Judgement gives rise to a past service cost and liability within the scope of accounting for pensions within local authorities which should be accounted for as an increased liability where a reasonable estimate can be made.

- 23 The Council has obtained updated evidence from its actuary on the impact of this legal judgement which estimates an additional pension liability arising of £14.818 million. As this amount is above the Council's materiality threshold for the 2018-19 financial statements, the Council has adjusted the 2018-19 financial statements to include the estimated additional liability. The impact of the adjustment is set out in [Appendix 3](#) of this report.

#### Contingent Assets / Liabilities

- 24 Our 2017-18 Audit of Financial Statements Report, referred to an issue that the Council had brought to our attention that related to potentially significant liabilities arising from a purportedly undeclared landfill tax assessment. This issue is again referred to in Note 31 of the 2018-19 financial statements 'Contingent Assets/Liabilities'.
- 25 We have continued to discuss the Council's progress in resolving this matter with HMRC throughout the year. At the time of writing this report, the issue remains unresolved and discussions with HMRC are ongoing.
- 26 Note 31 also highlights that the Council has made a payment of £2.452 million to HMRC during the year. The note states that this is not an admission of any liability and the amount will be refunded by HMRC if the assessment is changed or cleared. If there is any further progress on this matter, we will provide the Audit Committee with an update at its meeting on 10 September 2019.

#### There are no other matters significant to the oversight of the financial reporting process that we need to report to you

- 27 We have not identified any 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, but we have identified some areas for improvement

- 28 We have not identified any matters relating to internal controls, which are material to the accuracy and completeness of the financial statements, or any matters which are significant enough to be brought to your attention. We have however identified some areas for improvement which we will include in our Accounts Memorandum which will be issued shortly after the financial statements have been certified later this year. We will discuss and agree the content of the memorandum with management and will include their response to the issues raised within the final document.

There are no other matters specifically required by auditing standards to be communicated to those charged with governance.

- 29 There are no other matters (such as those relating to fraud, compliance with laws and regulations, or subsequent events) that we need to report to you.

## Independence and objectivity

- 30 As part of the finalisation process, we are required to provide you with representations concerning our independence.
- 31 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 2019, 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. 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.
- 32 With the exceptions of the above, all other members of my team are independent of the Council and your officers 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

12 September 2019

### Representations regarding the 2018-19 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 2019 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

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting 2018-19; 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. 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 Council on 12 September 2019.

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: 12 September 2019

Signed by:

[Officer or Member who signs on behalf of those charged with governance (director only for companies)]

Date: 12 September 2019

# Appendix 2

## Proposed audit report of the Auditor General

### The independent auditor's report of the Auditor General for Wales to the members 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 2019 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 [year] 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 2019 and 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 2018-19.

##### 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 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 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 2018-19; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual 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 Annual Governance Statement.

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

- proper 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, 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](http://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  
13 September 2019

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 1: summary of corrections made to the draft financial statements

Value of correction	Nature of correction	Reason for correction
<b>Balance Sheet</b> Note 18 Non-Current Assets - 'Other Land & Buildings' £26,026,000	The net book value (nbv) of 'Other Land and Buildings' has decreased by £26 million to reflect that the ownership and control of the assets associated with a Voluntary Aided School remain with the trustee.	The nbv of 'Other Land and Buildings' has been reduced to reflect that the control of the assets remains with the trustee and therefore should not have previously been included within the Council's balance sheet.
<b>Note 14 – Leasing</b> Council as Lessee - Operating Leases £8,953,000	Increase in Lessee Operating Lease future minimum lease payments within 'Property' and 'Other Leases'.	To ensure the note discloses total future minimum lease payments as per the requirements of the code and IAS17.
<b>Note 14 – Leasing</b> Council as Lessor – Operating Leases £415,610,000	Increase in the total of Lessor Operating Lease future minimum lease payments receivable. The 2017-18 comparator information has also been restated.	To ensure the note discloses total future minimum lease payments as per the requirements of the code and IAS17.
<b>CIES and Note 18 - Other Land &amp; Buildings</b> £1,768,000	The depreciation charge for 'Other Land & Buildings' has decreased by £1,768,000.	The depreciation charge included within the draft financial statements was overstated by £1,768,000. This was due to an isolated error whereby an incorrect useful life indicator for one specific Land & Building asset was included within the Fixed Asset Register.

Value of correction	Nature of correction	Reason for correction
<b>CIES</b> Various within Cost of Service <b>Note 18 - Other Land &amp; Buildings</b> .	Decrease in revaluation gains and losses on land and buildings recognised in the CIES and Note 18.	To ensure that the adjustments required to assets as a result of revaluations are accounted for appropriately (ie within the Capital Adjustment Account and the Revaluation Reserve).
<b>Note 17 – Pensions Past Service Cost and Pension Liability</b> £20,698,000	The liability relating to the defined benefit pension scheme analysed in Note 17 has been increased. In addition, the gross expenditure of the Corporate Management in the Comprehensive Income and Expenditure Statement has also been increased. The adjustment has no impact on the Council's usable reserves.	As noted in paragraphs 22-24, this is to record the additional estimated liability and associated past service cost arising from the McCloud Judgement (£14,818,000). A similar adjustment has been made relating to historic Guaranteed Minimum Pensions arrangements (£5,880,000).
<b>CIES</b> Social Services Net Cost of Service - £36,745,000	Gross Income and Gross Expenditure for Social Services are both reduced by £36,745,000. This reflects that where a pooled budget arrangement exists, the costs and contributions of partner organisations are to be excluded from the host bodies financial statements if it is acting in an agency role.	To ensure that the financial statements correctly reflect the nature of the Pooled Budget arrangements.
<b>Note 22 Cash and Cash Equivalents</b> £9,399,000	Increase in 'Short Term deposits with Banks & Building Societies', with a corresponding reduction in 'Bank including cheque book schools'.	To ensure correct classification of the cash and cash equivalent balances.
<b>Note 18 Non Current Assets</b> Investment Properties £1,430,000	To show correct classification of the revaluation of Investment Properties within the Surplus or deficit on provision of service line.	To ensure disclosure of revaluations are in line with the CIPFA Code.
<b>CIES</b> Housing Revenue Account Net Cost of Service - £1,272,000	Increase in both Gross Income and Expenditure within the CIES	To ensure consistent disclosure between the Council's CIES and its Housing Revenue Account.

Value of correction	Nature of correction	Reason for correction
<b>Note 18 Non-Current Assets</b> Surplus Assets £4,966,000	To correctly analyse reclassifications within 'the to and from held for sale' and the 'Other reclassification Transfers' lines.	To ensure the note represents the accounting treatment applied for Surplus Assets.
<b>Note 18 Non-Current Assets</b> Council Dwellings £25,867,000	Reclassifying write back of depreciation from the Revaluation Reserve to the Surplus or Deficit on Provision of Service line.	To ensure the note represents the accounting treatment applied.
<b>CIES</b> <b>Net Cost of Services</b> <b>Net expenditure has decreased</b> £2,597,000	The net cost of services has decreased as a result of revaluations initially being misclassified as Gains within the Revaluation Reserve.	To ensure that the revaluation gains have been accounted for appropriately within the Cost of Services.
Various adjustments to primary statements to ensure the Council includes the correct share of the Cardiff Capital Region City Deal Joint Committee 18-19 accounts, as audited.	The completion of the audit of the Cardiff Capital Region City Deal Joint Committee accounts identified a number of changes from the draft figures which the consolidation of the Council's share was based on. The two highest value changes related to reclassifications within asset categories on the Balance Sheet: <ul style="list-style-type: none"> <li>• reclassification of Short - term debtors to Long-term debtors - £1.178 million; and</li> <li>• reclassification of Long Term-debtor as Cash - £711,000.</li> </ul>	To ensure the financial statements correctly reflect the share of the Joint Committee results attributable to the Council.
Various prior year comparator (eg MIRS and disclosure notes including Group Notes) have been revised to ensure agreement to the 2017-18 audited financial statement balances.	Our review of the prior-year comparator information identified a number of changes had been made to the 2017-18 audited figures which were not required as they were not material and were not as a result of a change in accounting policies.	To ensure that the comparator information agreed to the 2017-18 audited balances.



Value of correction	Nature of correction	Reason for correction
Various minor presentational and narrative changes to the Narrative report and notes to the financial statements.	A number of narrative and presentational changes were made to the 'Narrative Report' and 'Notes to the Financial Statements'.	To provide enhanced disclosures and understanding of the information contained within the narrative report and financial statements.

Wales Audit Office  
24 Cathedral Road  
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone.: 029 2032 0660

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

Swyddfa Archwilio Cymru  
24 Heol y Gadeirlan  
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn testun: 029 2032 0660

E-bost: [post@archwilio.cymru](mailto:post@archwilio.cymru)

Gwefan: [www.archwilio.cymru](http://www.archwilio.cymru)



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: 2018-19

Date issued: August 2019

Document reference: **1467A1019-20**

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](mailto: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.

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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 2019 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 levels at which we judge such misstatements to be material for the Pension Fund is £21.804 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 2019-20, that require reporting under ISA 260.

## Status of the audit

- 6 We received the draft financial statements for the year ended 31 March 2019 on 11 June 2019 a few a days after the agreed deadline of 7 June 2019 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 Head of 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 is one misstatement that has been corrected by management within 'Note 15 Actuarial Present Value of Promised Retirement Benefits' which relates to a recent legal judgement. The draft financial statements were prepared before the Supreme Court denied the Government's application for leave to appeal the legal judgement about age discrimination in public sector pension schemes, including the local government pension scheme. These changes surrounded a move from final salary to a career average basis and is referred to as the McCloud judgement.
- 12 The pension fund is required to assess the actuarial present value of promised retirement benefits and this recent ruling will impact on the amounts reported within this assessment. The Pension Fund has estimated the potential impact of the McCloud ruling as being a possible increase in pension liabilities of £17.1 million and is potentially material to the financial statements. Cardiff & Vale of Glamorgan Pension Fund reports the pension liability as at the 2016 valuation (the most recent actuarial valuation) and does not report rolled forward liabilities. Management's view is that since this estimate is based on the 2016 actuarial valuation the estimate is not sufficiently certain or accurate to be included in the 2018-19 financial statements. Consequently, Note 15 has been amended and contains additional information in respect of this matter.
- 13 We have reviewed and challenged the supporting assumptions and calculations made by management and we acknowledge the significant uncertainties relating to this estimation of the impact on the Pension Fund's liability. We are satisfied that the disclosure made by management is appropriate given the uncertainties surrounding the estimate including the fact that it is based on the 2016 actuarial valuation.
- 14 In addition, following actuarial advice, Note 15 has increased by a further £6.8 million as a result of the High Court ruling on the Guaranteed Minimum Pension (GMP) equalisation which requires pension schemes to remove gender inequalities caused by GMPs earned in the period 17 May 1990 to 5 April 1997.

### Other significant issues arising from the audit

- 15 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**

- 16 We received the draft financial statements on 11 June 2019 which was a week earlier than in 2017-18. 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.
- 17 Overall, we found that the quality of the draft financial statements presented to us for audit was of a good quality.
- 18 This year we agreed an 'Audit Deliverables' with management during the year. The purpose of this was to facilitate the achievement of the account's preparation and certification deadlines and to set out the initial information and working papers required by the audit team. It is pleasing to note that the working papers were both of a good quality and were received in line with the required timescales.

**We did not encounter any significant difficulties during the audit**

- 19 In addition to issuing our 'Audit Deliverables', we also maintained regular engagement with management throughout the accounts production and audit process which has been very helpful. As a result, we did not encounter any significant difficulties during the audit, and we were not restricted in our work. We are grateful for the help and assistance provided to us by the staff of the finance and other departments throughout the audit.

**There were no significant matters discussed and corresponded upon with management which we need to report to you**

- 20 We have not identified any other matters 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**

- 21 We have not identified any 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:**

- 22 We have not identified any matters, which are material to the accuracy and completeness of the financial statements, or any matters which are significant enough to be brought to your attention.



There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.

- 23 There are no other matters (such as those relating to fraud, compliance with laws and regulations or subsequent events) that we need to report to you.

## Independence and objectivity

- 24 As part of the finalisation process, we are required to provide you with representations concerning our independence.
- 25 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 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

12 September 2019

### Representations regarding the 2018-19 financial statements

This letter is provided in connection with your audit of the financial statements of Cardiff & Vale of Glamorgan Pension Fund for the year ended 31 March 2019 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 the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19; 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 & 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 Council on 12 September 2019.

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: 12 September 2019

Signed by:

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

Date: 12 September 2019

# 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 the 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 2019 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 2018-19 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 2019, 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 2018-19.

#### 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 Narrative 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 Cardiff and Vale of Glamorgan 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, 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](http://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  
13 September 2019

24 Cathedral Road  
Cardiff  
CF11 9LJ





Wales Audit Office  
24 Cathedral Road  
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone.: 029 2032 0660

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

Swyddfa Archwilio Cymru  
24 Heol y Gadeirlan  
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn testun: 029 2032 0660

E-bost: [post@archwilio.cymru](mailto:post@archwilio.cymru)

Gwefan: [www.archwilio.cymru](http://www.archwilio.cymru)



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

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

Audit year: 2018-19

Date issued: August 2019

Document reference: **1468A2019-20**

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

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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](mailto: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.

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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 at 31 March 2019 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 levels at which we judge such misstatements to be material for Cardiff Harbour Authority are £184,000 for income and expenditure items and working capital balances, and £3,276,000 for non-current assets and capital charges. 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 Cardiff Harbour Authority for 2018-19, that require reporting under ISA 260.

## Status of the audit

- 6 We received the draft financial statements for the year ended 31 March 2019 on 13 June a few days after the agreed deadline of 7 June, 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 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 the vast majority of the information in a timely manner and were not restricted in our work.
  - **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 Cardiff Harbour Authority that we consider to bear on our objectivity and independence.



# Appendix 1

## Final Letter of Representation

[Audit body's letterhead]

Auditor General for Wales

Wales Audit Office

24 Cathedral Road

Cardiff

CF11 9LJ

12 September 2019

### Representations regarding the 2018-19 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 2019, 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; the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19; in particular 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 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 and 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 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 12 September 2019.

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: 12 September 2019

Signed by:

[Officer or Member who signs on behalf of those charged with governance (director only for companies)]

Date: 12 September 2019

# Appendix 2

## Proposed audit report of the Auditor General to 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 2019 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 International Financial Reporting Standards (IFRSs) as applied by the European Union.

In my opinion the financial statements:

- give a true and fair view of the financial position of Cardiff Harbour Authority as at 31 March 2019 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and International Financial Reporting Standards (IFRSs) as applied by the European Union.

##### 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 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 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 Narrative Report. The other information comprises the information included in Narrative 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 to the accounts 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 Cardiff Harbour Authority and its environment 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:

- proper 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 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](http://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  
13 September 2019

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 1: summary of corrections made to the draft financial statements

Value of correction	Nature of correction	Reason for correction
<b>Note 5 – Creditors</b> Trade payables decreased by £87,000	Decrease in year-end trade payables and capital additions to ensure the expenditure is recorded in the correct accounting period	Year-end trade payables and capital additions were overstated by £87,000 as a result of expenditure/ capital additions relating to the period post 31 March 2019 being included in the 2018-19 balances.
<b>CIES - Expenditure</b> Capital Charges decreased by £155,000	Capital Charges were overstated by £155,000	Capital charges were decreased by £155,000 as a result of depreciation not being correctly reversed following the revaluation of assets.

Wales Audit Office  
24 Cathedral Road  
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone.: 029 2032 0660

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

Swyddfa Archwilio Cymru  
24 Heol y Gadeirlan  
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn testun: 029 2032 0660

E-bost: [post@archwilio.cymru](mailto:post@archwilio.cymru)

Gwefan: [www.archwilio.cymru](http://www.archwilio.cymru)





24 Cathedral Road / 24 Heol y Gadeirlan  
Cardiff / Caerdydd  
CF11 9LJ

Tel / Ffôn: 029 2032 0500

Fax / Ffacs: 029 2032 0600

Textphone / Ffôn testun: 029 2032 0660

[info@audit.wales](mailto:info@audit.wales) / [post@archwilio.cymru](mailto:post@archwilio.cymru)

[www.audit.wales](http://www.audit.wales) / [www.archwilio.cymru](http://www.archwilio.cymru)

**Reference:** 2019.amh.cphaletter

**Date issued:** 4 September 2019

Dear Committee Members

## Cardiff Port Health Authority Annual Return for the year ended 31 March 2019

The Auditor is responsible for providing an opinion:

- on whether the information contained in the Joint Committee's Annual Return for the year ended 31 March 2019 is in accordance with the Auditor General for Wales' requirements; and
- if any matters have come to the Auditor's attention giving cause for concern that relevant legislation and regulatory requirements have not been met.

We received the draft Annual Return for the financial year ended 31 March 2019 in line with the agreed deadline, and have now completed our audit work. We are reporting to you the issues arising from our work.

### Audit certificate and opinion

It is our intention to issue an unqualified certificate and report for the year ended 31 March 2019 and there are no matters in respect of the opinion which we wish to draw to your attention.

### Qualification issues

There are no qualification issues to report.

### Misstatements in the Statement of Accounts

There were no misstatements found in Section 1: the Statement of Accounts.

**Other matters not affecting our opinion**

There are no other issues outside the scope of our opinion that we wish to draw the attention of the Cardiff Port Health Authority.

Yours sincerely



Ann-Marie Harkin

Engagement Director

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.

Appendix 9

# Treasury Management Annual Report 2018/19

Cardiff Council



## 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 25<sup>th</sup> 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 2018 on the Council's Treasury Management Strategy for 2018/19 and a mid-year review in November 2018.
4. This report provides members with an annual report for the Council's Treasury Management activities for 2018/19. It covers:-
  - the economic background to treasury activities
  - treasury investment strategy and outturn for 2018/19
  - borrowing strategy and outturn for 2018/19
  - 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

6. Economic growth remained low in 2018/19, with growth of 0.4% in the first quarter of the financial year and 0.5% in the last quarter. However, whilst there are concerns over increases in wage inflation, price inflation as measured by CPI has been on a falling trend since November 2017. This is good news for consumers as it increases their spending power, potentially feeding through into economic growth in the coming months. However uncertainty over Brexit could inhibit growth in the short term.
7. Bank rate was increased from 0.5% to 0.75% in August 2018 which allowed the Council a slight increase in return on investment balances. Further changes are unlikely while until the outcome of Brexit is unclear. Borrowing rates continued their downward trend during the latter half of the year as Brexit uncertainties as well as trade and international political issues intensified. Weak growth in Europe also has resulted in additional demand for government bonds, reducing borrowing rates.

## **Investments and Outturn**

8. 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.
9. 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 or the temporary lending of surplus funds. Investment balances 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.
10. The Council invests with institutions approved by Council as part of its Treasury Management Strategy in February 2018 and in accordance with investment guidelines established by the Welsh Government. As part of the Markets and Financial Instruments Directive II, the Council elected for 'professional' status. The categories, names, periods and size limits on the Council's approved investment list can be extended, varied or restricted at any time by the Corporate Director Resources under delegated powers and monitored closely in conjunction with the Council's treasury advisors.
11. At 31 March 2019, investments stood at £93.3 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 2019 are as follows:-
  - Counterparty exposure against the maximum allowed directly with an organisation. This shows that at 31 March 2019 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.
13. Using historic data adjusted for current financial market conditions, the probability of any default is low at circa 0.02% of the investments outstanding, £14,000.
14. All investments held at 31 March 2019 are deemed recoverable. Accordingly, no impairment losses are reflected in the Council's 2018/19 Statement of Accounts arising from the Council's treasury management activities.

15. The overall level of interest receivable from treasury investments totalled £682,000 in 2018/19. The average returns achieved compared to industry benchmarks are shown in the table below.

	Return on Investment 2017/18		Return on Investment 2018/19	
	Benchmark 7day / 3month (%)	Achieved (%)	Benchmark 7day / 3month (%)	Achieved (%)
In-house	0.22/ 0.29	0.44	0.51/ 0.68	0.76

16. 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**

17. 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.
18. At 31 March 2019, the Council had £721.9 million of external borrowing. This was predominantly fixed interest rate borrowing payable on maturity.

31 March 2018			31 March 2019	
£m	Rate (%)		£m	Rate (%)
631.8		Public Works Loan Board	660.9	
51.0		Market (Lender Option Borrower Option)	51.0	
4.6		Welsh Government	4.5	
5.9		Other	5.5	
<b>693.3</b>	<b>4.64</b>	<b>Total External Debt</b>	<b>721.9</b>	<b>4.53</b>

19. Total interest payable on external debt during 2018/19 was £32.2 million of which £11.7 million was payable by the Housing Revenue Account (HRA). In total £38.0 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 2018 are shown below.

*The Council's Borrowing Strategy for 2018/19 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*
- *ensuring borrowing plans are aligned to known capital expenditure spending plans and financial reserve levels and are also consistent with the prudent provision for the repayment of any capital expenditure paid for by borrowing*
- *achieving a balanced maturity profile*
- *having regard to the effects on current and future Council Tax and Rent Payers.*

*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.*

*In the short term, using internal borrowing to meet the CFR is deemed manageable. However, based on the current forecasts of 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 very short term.*

21. During 2018/19 borrowing of £32.9 million was undertaken. This comprised borrowing of £32.4 million from PWLB at an average rate of 2.43% with an average maturity of 43 years, and £565,000 of interest free loans from Salix for specific capital schemes. Together with the natural maturity of £4.3 million of primarily PWLB loans, the overall effect of these transactions during the year was to reduce the average rate on the Council's borrowing to 4.53% at 31 March 2019.
22. As part of its loan portfolio, the Council has six 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 2018/19. £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 7.06%.

£m	Rate	Potential Repayment Date	Option Frequency	Full Term Maturity
6	4.28%	21/05/2019	6 months	21/11/2041
6	4.35%	21/05/2019	6 months	21/11/2041
6	4.06%	21/05/2019	6 months	23/05/2067
6	4.08%	01/09/2019	6 months	23/05/2067
22	3.81%	21/11/2020	5 years	23/11/2065
5	4.10%	16/01/2023	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 2019 as shown later in this report.

### **Debt Rescheduling**

26. No debt rescheduling or early repayment of debt was undertaken during 2018/19. 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 2019, which are eligible for early repayment (£439 million) is £360 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. The Council has also offered the opportunity for early repayment of LOBO loans but any required premiums payable are unviable. 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 is shown in the following paragraphs and compared to the original estimates contained in the 2018/19 Budget Report. Future year's figures are taken from the Budget Report for 2019/20 and will be updated in the Budget Report for 2020/21.

### 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 2018/19 and estimates of capital expenditure for the current and future years as set out in the Budget Report of February 2019 are as follows:-

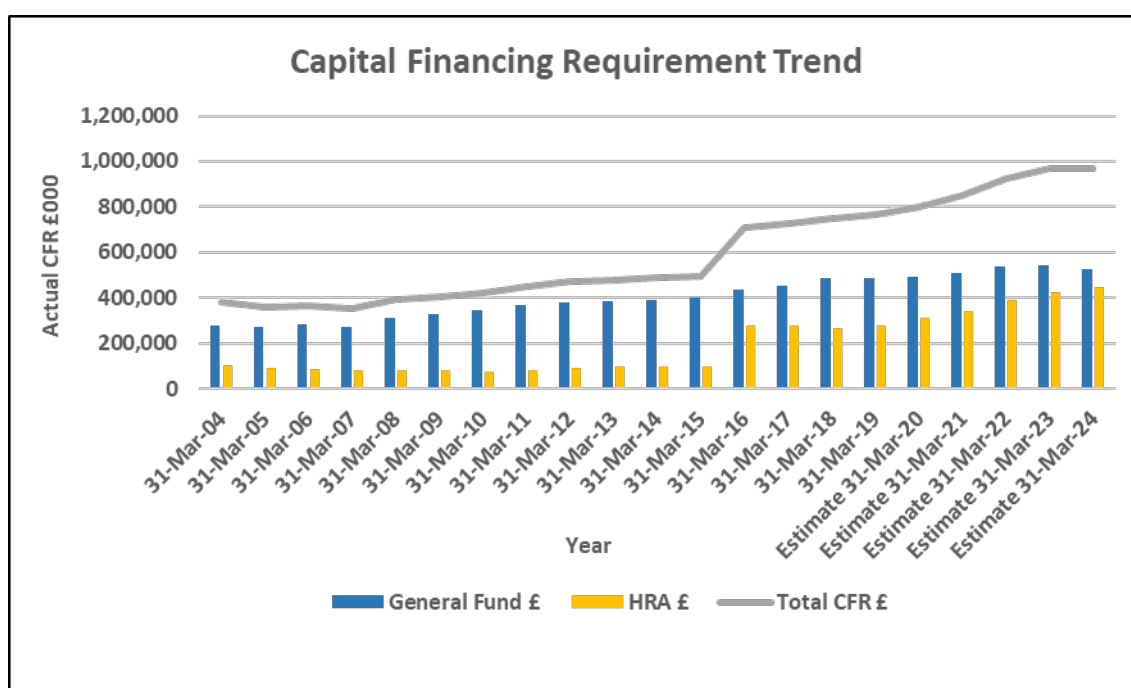
<b>Capital Expenditure</b>							
	<b>2018/19 Actual</b>	<b>2018/19 Original Estimate</b>	<b>2019/20 Estimate Month 4</b>	<b>2020/21 Estimate</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
General Fund	104	100	71	112	172	120	26
HRA	39	42	45	65	80	69	54
<b>Total</b>	<b>143</b>	<b>142</b>	<b>116</b>	<b>177</b>	<b>252</b>	<b>189</b>	<b>80</b>

### 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 i.e. when proposed to be paid for by supported or unsupported borrowing, this will increase what is termed the Council's Capital Financing Requirement (CFR) which is the Council's underlying need to borrow. The Council is required to make a prudent provision for the repayment of historic capital expenditure from its revenue budget. This reduces the CFR. Calculation of the CFR is summarised in the table below 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>

31. 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.



32. The CFR as at 01 April 2018 was £751 million. The actual CFR as at 31 March 2019, estimates for current and future years (estimated in the February 2019 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)							
	31.03.2019	31.03.2019	31.03.2020	31.03.2021	31.03.2022	31.03.2023	31.03.2024
	Actual	Original	Estimate	Estimate	Estimate	Estimate	Estimate
	£m	Estimate	£m	£m	£m	£m	£m
		£m					
General Fund	488	500	483	509	538	543	524
HRA	279	295	304	342	387	426	447
<b>Total CFR</b>	<b>767</b>	<b>795</b>	<b>787</b>	<b>851</b>	<b>925</b>	<b>969</b>	<b>971</b>
External Debt	722						
<b>Over / (Under) Borrowing</b>	<b>(45)</b>						

33. By comparing the CFR at 31 March 2019 (£767 million) and the level of external debt at the same point in time (£722 million), it can be seen that the Council is temporarily using circa £45 million of internal cash balances to finance the Capital Programme at 31 March 2019 (£58 million at 31 March 2018).
34. As set out in the February 2019 Budget Report, the CFR is forecast to increase over the next five years due to capital programme investment in existing assets, new housing,

21<sup>st</sup> century schools and invest to save schemes. Forecasts will be updated in the 2020/21 Budget Report.

35. The Housing Revenue Account CFR at 31 March 2019 is £279 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 was introduced, however this has now been removed following national removal of the Cap.

#### Actual External Debt

36. The Code requires the Council to indicate its actual external debt at 31 March 2019 for information purposes. This was £722 million as shown in the earlier paragraphs.

#### Affordable Borrowing Limit

37. 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.
38. During 2018/19 the Council remained within the authorised limit of £863 million set for that year.

#### Operational Boundary

39. 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 £795 million to match the forecast for the CFR when setting the 2018/19 budget. The actual level of external debt equalled £722 million reflecting the strategy to utilise internal borrowing in the short term.

#### Maturity Structure of Fixed Rate Borrowing

40. The maturity structure remains within the limits below approved as part of the 2018/19 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-18		Upper limit %	31-Mar-19			
	%	£m		Loans to Maturity		Loans if LOBO's Paid Early	
				%	£m	%	£m
Under 12 months	0.7	4.5	10	0.6	4.2	3.9	28.2
12 months and within 24 months	0.5	3.3	10	0.2	1.2	0.2	1.2
24 months and within 5 years	1.9	12.9	15	2.1	15.5	5.9	42.5
5 years and within 10 years	5.1	35.4	20	5.8	42.0	5.8	42.0
10 years and within 20 years	22.4	155.5	30	22.3	161.0	22.3	161.0
20 years and within 30 years	23.9	166.0	35	23.3	168.0	21.6	156.0
30 years and within 40 years	30.4	210.7	35	29.4	212.7	29.5	212.7
40 years and within 50 years	14.4	100.0	35	15.6	112.3	10.8	78.3
50 years and within 60 years	0.7	5.0	15	0.7	5.0	0.0	0.0

41. The maturity profile of the Council's borrowing as at 31 March 2019 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 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

42. 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/Earn schemes.
43. 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							
	2018/19 Original Estimate %	2018/19 Actual %	2019/20 Estimate %	2020/21 Estimate %	2021/22 Estimate %	2022/23 Estimate %	2023/24 Estimate %
General Fund – <b>Net</b> Capital Financing Budget	5.76	5.69	5.59	5.71	6.04	5.90	5.70
General Fund – <b>Gross</b> Capital Financing Budget	7.53	7.65	7.50	7.82	8.40	8.52	8.41
HRA	31.53	31.21	33.14	35.72	36.75	36.26	37.44

44. 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 revenue budget cannot be directly influenced such as schools delegated budgets, fire levy and Council Tax Reduction Scheme payments
- 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 capital financing costs for schemes where additional borrowing is undertaken to be repaid from within directorate budgets.

45. Although there may be short term implications, invest to save/earn 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.

46. 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 2023/24. These indicators, which will be updated in the budget proposals report for 2020/21, show capital financing costs of the Council as a percentage of its controllable budget, excluding treasury investment income:

Capital Financing Costs as percentage of Controllable Budget									
	2011/12	2018/19	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Difference 11/12-23/24
	Actual	Original Estimate	Actual	Estimate	Estimate	Estimate	Estimate	Estimate	%
	%	%	%	%	%	%	%	%	
Net	13.47	13.87	13.99	13.75	14.59	15.95	15.90	15.56	15.52
Gross	15.17	18.07	18.66	18.38	19.88	22.08	22.83	22.81	50.36

47. 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 impact on the controllable base budget of the significant level of savings having to be found in 2019/20 and over the medium term.

#### Principal Invested for over 364 days

48. 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 2018/19.

#### Treasury Management issues for 2019/20

49. Whilst this report is primarily backward looking, in relation to Treasury Activities for 2018/19, some key issues for 2019/20 are:

- The timing of external borrowing given uncertainty over Brexit and the Council's longer term need to borrow
- WG consultation to update investment guidance for local authorities.

50. In accordance with the Council's Treasury Management Policy, Council will receive a further update on Treasury Management issues as part of the 2019/20 Mid-Year Treasury Management report in November 2019.

#### **Christopher Lee**

Corporate Director Resources

3 September 2019

The following Annexes are attached:-

Annexe A – Treasury Management Policy and Four Clauses of Treasury Management

Annexe B – Investments at 31 March 2019

Annexe C – Investment charts at 31 March 2019

Annexe D – Maturity analysis of debt as at 31 March 2019

## **Annexe A – Treasury Management Policy and Four Clauses of Treasury Management adopted by Council 25/02/2010**

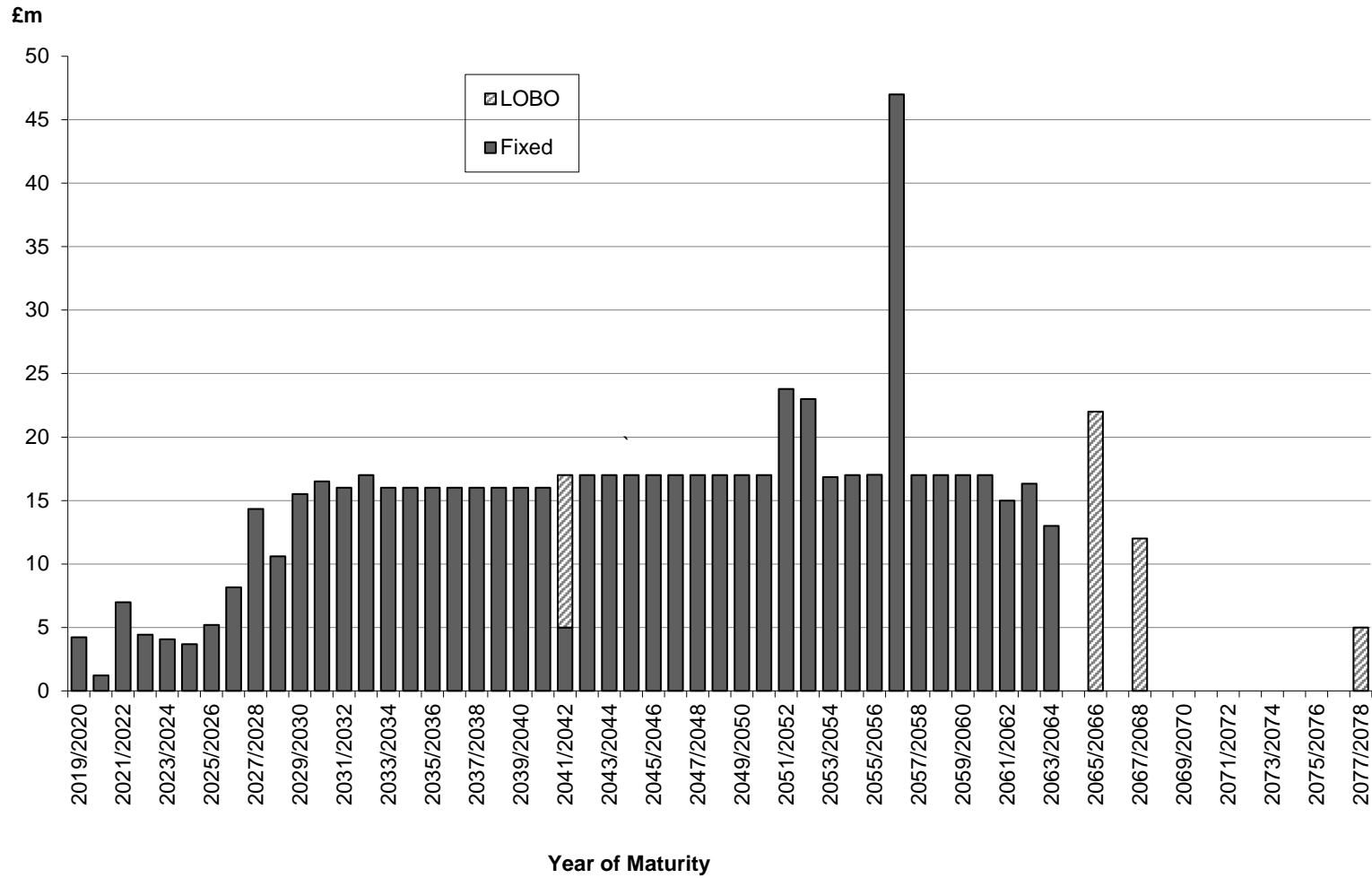
### **Council's treasury management Policy / Activities**

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.

## Annexe D – Maturity Profile of Debt at 31 March 2019





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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**COUNCIL:****12 SEPTEMBER 2019**

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**LEADER & CABINET STATEMENTS**

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1. Leader Statement – Councillor Huw Thomas
2. Cabinet Member, Social Care, Health & Well-being –  
Councillor Elsmore
3. Cabinet Member, Strategic Planning & Transport –  
Councillor Wild
4. Cabinet Member, Investment & Development – Councillor  
Goodway
5. Cabinet Member, Culture & Leisure – Councillor Bradbury
6. Deputy Leader, Education, Employment & Skills  
Statement - Councillor Merry
7. Cabinet Member, Finance Modernisation & Performance -  
Councillor Weaver
8. Cabinet Member, Housing & Communities - Councillor  
Thorne
9. Cabinet Member, Clean Streets, Recycling & Environment  
– Councillor Michael
10. Cabinet Member, Children & Families - Councillor Hinchey

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**COUNCIL: 12 SEPTEMBER 2019**

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**STATEMENT OF THE LEADER**

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**Brexit Preparedness Update**

At time of writing, and following the Prime Minister's declaration that the UK will leave the EU on 31 October 2019, the likelihood of the UK leaving the EU without a deal has substantially increased. The Council's ongoing Brexit planning and preparation work has therefore been further re-assessed with a specific focus on a No-Deal scenario.

As I have previously updated Council, established processes are in place to reasonably plan, prepare and respond to the identified issues which may occur as a consequence of Brexit. The work has included a review of Business Continuity Plans and Emergency Planning Arrangements, as well as the production of Assurance Statements by Directorates confirming that arrangements are in place to respond to issues identified by local, regional and national planning work. This has included a consideration of the resilience of supply chains, particularly those supporting key services.

The Council continues to engage with National Government, Welsh Government, Welsh Local Government Association and Public Service Delivery partners through established structures to identify and respond to relevant issues. For example, arrangements for a Wales-specific Civil Contingencies response to Brexit have been undertaken. Brexit is also recognised as a Corporate Risk, which allows the Council to satisfy itself that appropriate processes and governance structures are in place to ensure an informed and coordinated approach to Brexit. This structured approach enables the Council to identify issues, either during the short term period immediately before and after Brexit or over the medium to longer term period following Brexit, which may require planning or mitigation. Councillors should be aware of some of the immediate issues facing the city.

In August 2019, the Home Office published the first quarterly release of more detailed statistics on the progress of the EU Settlement Scheme. The publication takes a more in-depth look at the total number of applications to the scheme between 28 August 2018 and 30 June 2019, and their outcomes, including a breakdown by Local Authority area. This covers the period between the launch of the first private beta scheme to the end of Q2 2019. In Cardiff, 4,000 applications have been made to the scheme by June 2019. There are an estimated 20,000 – 25,000 EU nationals living in Cardiff, suggesting an application rate of approximately 16-20%. However, it should be emphasised that these figures are only estimates as there is no robust data on the number of EU nationals living in Cardiff.

The Council has developed a Community Engagement Action Plan to support co-ordination of the EU Settlement Scheme locally, which reflects the recommended actions contained within UK Government guidance. In line with the Action Plan, the Council has organised three engagement events to promote the EU Settlement Scheme and available support to EU nationals living in Cardiff, with targeted engagement for vulnerable groups. The first of these events was held in August 2019 and the remaining two will be held in September and October 2019 in Hubs across the city. The Council is also in the initial stages of developing engagement events for the scheme with Cardiff schools.

No significant Brexit-related tensions have been identified to date and there are no observable changes to levels of hate crime in the city, which remain consistent. Daily monitoring continues, alongside participation in the weekly tension monitoring protocol via the South Wales Police.

**Councillor Huw Thomas**  
**Leader of the Council**  
**6 September 2019**

**COUNCIL: 12 SEPTEMBER 2019**

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## **SOCIAL CARE, HEALTH & WELL-BEING STATEMENT**

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### **50+ Active Body, Healthy Mind Festival**

The 50+ Active Body, Healthy Mind Festival will be held over three days at a number of venues in the north of the city (including Beulah Centre, Rhiwbina Library, Maes Y Coed Community Centre, Llanishen Rugby Club) between Wednesday 25<sup>th</sup> and Friday 27<sup>th</sup> September 2019. It builds on the success of the Active Body, Healthy Mind Open Day that was held at St Mellons Hub earlier this year.

A range of organisations and charities will in attendance on each day of the festival to provide information about services, including the Council's Meals on Wheels and Telecare services, Care and Repair, Alzheimer's Society, Age Connects, Age Cymru, Dewis Cymru and many more. Organisations will be offering taster sessions of activities that are available locally, including tai chi, walking netball, football and badminton, Goldies singing groups, cooking workshops, yoga and much more. Children from local schools will also attend each venue to promote inter-generational activities in the community.

The festival is being organised by the Council's Independent Living Services to promote council and partner services in the area and is all about encouraging community participation, countering isolation and making people aware of services, many of which they may not know anything about, but which could benefit them greatly. The festival isn't just about older people in the community either. It's open to everyone and I would encourage residents to go along and find out about services and activities that can support their health and well-being.

### **Fairwater Day Centre Formal Opening**

Fairwater Day Centre was formally opened by the Welsh Government Minister for Health & Social Care, Vaughan Gething AM, on 2<sup>nd</sup> September 2019. It was a positive and supportive event that was attended by a range of Council and University Health Board staff, and elected members. All have been either directly involved in the refurbishment work or worked together to deliver the project. The day centre was re-opened to service users in July 2019 and, since then, several new service users have started using the centre and more people are being referred to the service. The new layout and the improved facilities are having a positive impact on the delivery of services and generating a calm and relaxed atmosphere in which to engage in social activities and to deliver quality care and support.

**Councillor Susan Elsmore  
Cabinet Member for Social Care, Health & Well-being  
6 September 2019**

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## **STRATEGIC PLANNING & TRANSPORT STATEMENT**

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### **Clean Air Plan**

At the end of July, the Welsh Government confirmed its acceptance of our Clean Air Plan, subject to some further clarification and refinement. Officers are continuing to work with Welsh Government officials on this in order to fully finalise the plan so that funding can be fully approved in the coming weeks. The Council has put together a comprehensive, intelligent, long term plan and business case to reduce NO2 levels in Cardiff.

The Clean Air Plan, identifies a package of measures, which we know will not only greatly improve our air quality, but will fundamentally shift the way we move around the city centre. The measures will not only achieve legal compliance in the shortest possible time, but will support wider air quality and public health improvements to ensure that the health and well-being of our citizens and environment is protected and improved. We look forward to continuing to work constructively with the Welsh Government to finalise these plans, so we can implement these changes as quickly as possible.

### **Nextbike Update**

New rental locations will be installed in September and October and remaining equipment will be deployed following a review of the overall network. During September, it is anticipated that an additional 200-300 bikes will be deployed around the city which will allow the existing fleet to be upgraded more rapidly. Work is also continuing to extend the network at lower risk sites, together with continuing mitigation measures to reduce vandalism on the existing fleet. Nextbike continues to work closely with South Wales Police.

Work has begun on assessing sites for suitability for the small eBike fleet which will enhance the current network and improve range and accessibility for customers who may not feel that membership is an option at present. An assessment of power availability forms part of this work as this section of the fleet must be charging when not in use.

Ride levels continue to be strong on the fleet with around 6000-7000 rides per week even where bike numbers are reduced.

I am pleased to report that Pedal Power Cycling Centre and Bike Hire Charity have also recently featured in the Parliamentary Review Magazine and this included details of Cardiff's Nextbikes.

## **LDP Strategic Sites**

I am pleased to announce that Strategic Site monitoring documents have now gone live on the Council's website at:

<https://www.cardiff.gov.uk/ENG/resident/Planning/Local-Development-Plan/major-development-monitoring/Pages/default.aspx>

The documents provide a summary of information relating to Strategic Sites allocated in the Local Development Plan (LDP) including:

- Planning Histories – where new applications have been received and which applications have been determined,
- Development Activity – which sites are currently under construction and an indication of how many homes / premises have been completed,
- Infrastructure Provision – the supporting infrastructure that has been agreed through S106 agreements and details of those works and other associated projects that are in the pipeline, or are currently being undertaken.

We will be updating the documents twice a year to include images of new homes and supporting facilities as the sites are developed.

**Councillor Caro Wild**  
**Cabinet Member for Strategic Planning & Transport**  
**6 September 2019**

**COUNCIL: 12 SEPTEMBER 2019**

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## **INVESTMENT & DEVELOPMENT STATEMENT**

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### **Jobs Growth**

The Council will be pleased to learn that the county's economy continues to grow, creating jobs and opportunities for people in Cardiff. The latest official government statistics from the Annual Population Survey shows that there are now almost 260,000 people working in the city. This is an increase of over 15% for the past four years and more than double the rate of growth of the UK's Core Cities. This growth has also led to a fall in unemployment. There are now some 5,000 fewer people classified as unemployed in the city compared to last year.

However, as the experience of the past ten years proves not everyone benefits from this growth. News of jobs losses at Allied Bakeries is undoubtedly distressing, particularly for those directly affected. My officials have been in contact with the company to offer Council support to affected employees and the Council is also hosting an event for those affected to promote employment opportunities across the city.

### **Investment**

Councillors will be pleased to learn that the Economic Development team continues to attract new businesses as well as providing support to existing businesses that are expanding their Cardiff based operations. In the year to date, the team has been directly involved in the creation of over 500 jobs in the city and continues to work to identify new investment opportunities. The team is currently working with a local food manufacturer to support an expansion of their operations that may help to alleviate the impact of the job losses at Allied Bakeries. The team is also working with a range of sectors, from fin-tech to life-sciences.

### **The Creative Sector**

Councillors will also welcome the efforts of the Economic Development team which continues to promote and support the creative industries sector in Cardiff. The Clwstwr Creadigol initiative, which the Council supports, recently awarded grants totalling £1m to 23 businesses. This support will help to develop a competitive cluster in the city as well as raising productivity in the sector. The team also continues to promote the city as an investment location, and recent work includes promotional articles being presented in "Broadcast", the leading publication for professionals in the sector.

## **Major Projects**

Councillors will recall that I notified them last month that a procurement exercise for the development of the proposed Indoor Arena has now been launched. I can report that the market has also demonstrated significant interest in this project. General Elections permitting, I intend to report to Cabinet in October the initial results of the exercise and to progress to the next stage of the procurement process.

My aim is that in early 2020 the Administration will be in a position to give the go-ahead for this important development for the city that is a long-standing ambition of successive Labour Party administrations over the past twenty years or more. At the same time, I will be bidding for Cabinet time to bring forward further reports to Cabinet to progress a number of major projects across the city, including the International Sports Village, Dumballs Road and new proposals for a Canal Quarter masterplan. These projects will maintain momentum in our city's economy, creating jobs and making Cardiff an even better place to live and work.

**Councillor Russell Goodway**  
**Cabinet Member for Investment & Development**  
**6 September 2019**

**COUNCIL: 12 SEPTEMBER 2019**

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## **CULTURE & LEISURE STATEMENT**

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### **Homeless World Cup 2019**

The 17<sup>th</sup> Homeless World Cup arrived in Cardiff on 27 July 2019 and was a hugely successful event. The 8-day football extravaganza welcomed over 500 players from over 50 countries to represent their countries in a festival of football. The event seeks to harness the power of sport in transforming the lives of people experiencing homelessness and social exclusion.

The event was held in Bute Park and provided an excellent opportunity for services to come together to outline the opportunities available to people that face homelessness and social exclusion. The Council's Youth Service also co-ordinated an area that provided workshops, activities, opportunities, as well as information, support and guidance to those people accessing the area. The team welcomed partners each day to provide opportunities for all ages, including Housing Options, Into Work Advice Services, Child Friendly Cities, Public Health and the Sexual Health Outreach Team. All partners that collaborated in the event were impressed with the number of people accessing the event throughout the week.

### **Sanctuary Games**

Sport Cardiff held the first "Sanctuary Games" at Cardiff Metropolitan University Sport Campus over the summer. The event was a partnership involving Sport Cardiff, Cardiff Metropolitan University and The Oasis Refugee Centre. It secured the engagement of a diverse range of 90 participants, using sport as a way of bringing people together to celebrate integration and community. Participants from across continents and 15 different countries were represented, including Angola, El Salvador and Somalia.

### **Parc Cefn Onn**

I am delighted to report that landscape improvements to the upper park at Parc Cefn Onn, known as the 'Dingle', were completed last month and the park has been fully re-opened to the public. The works included footpath improvements, particularly for visitors using motorised wheelchairs, mobility scooters and those with pushchairs, the installation of a new boardwalk to access the upper picnic lawn, restoration of historic features to including water features and the provision of new park furniture. These works form part of the "Into the Garden and Beyond", National Lottery funded project which will see overall investment in the region of £660k. Further works to improve the toilet and interpretation facilities will be implemented later in the year.

### **Green Flag Awards**

I'm pleased to report that following independent assessment in the summer, the Council has retained Green Flag status for 12 of its Parks and Green Spaces, these being Bute Park, Cardiff Bay Barrage, Flat Holm Island, Cardiff Bay Wetlands, Parc Cefn Onn, Roath Park, Heath Park, Rumney Hill Gardens, Victoria Park and Grange Gardens within my portfolio area, and Thornhill Cemetery and Cathays Cemetery within Cllr Michael's portfolio area. This international award recognises well managed parks and green spaces that set the benchmark standard with the Council being required to evidence achievement across a wide range of criteria. Key to Cardiff's success is the contribution made by Friends of Groups and volunteers who engender a sense of ownership and deliver environmental improvements, adding value to service provision.

### **Prince of Wales Boxing Club**

Progress is being made in supporting the Prince of Wales Boxing Club project to provide facilities for the club with the adaption of the former Parks garages located at Sevenoaks Park in Grangetown. HRH The Prince of Wales has pledged his personal support for the project and confirmation of support has also been received from the British-American Project, a transatlantic fellowship that provides support in kind for a wide range of community based projects. A volunteer workforce day designed to refurbish the interior of the building is scheduled to take place later this month. The club plays a critical role in local community providing a range of activities engaging with young people in the locality.

### **Impact of Sport in Tackling Drug Misuse**

A Forensic Health Tutor has been commissioned by Cardiff Metropolitan University to research the impact of sport in relation to tackling drug misuse. The project will be researched in Butetown, specifically in Canal Park, and will engage with young people, dealers and victims. Butetown Boxing Club, which is currently based at the local mosque, will be the intervention at the centre of the scheme. Boxing is an excellent vehicle for this type of project and I will be following its development with interest.

**Councillor Peter Bradbury**  
**Cabinet Member for Culture & Leisure**  
**6 September 2019**

**EDUCATION, EMPLOYMENT & SKILLS STATEMENT**

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**Exam Results**

- **Key Stage 4**

GCSE results showed a positive picture across many Cardiff schools, with numerous examples of success for schools and learners. This year, GCSE performance measures have changed following new Welsh Government guidance. The changes include the removal of the publication of threshold measures (the Level 1 and Level 2+ threshold), and the introduction of an interim set of performance measures. These measures are intended to help bring about the changes needed to support the new curriculum, which will be taught from 2022.

- **Key Stage 5**

The provisional A-level results show that standards remain high in Cardiff. The proportion of A-levels graded A\* to A is 31.5%, which has increased from last year and compares to 27% across Wales. 80.9% of A-Levels are graded A\*-C, which compares to 76.3% across Wales and is an increase of 2.6 percentage points from last year.

**School Holiday Enrichment Programme (SHEP): Food and Fun**

Cardiff's multi-award winning School Holiday Enrichment Programme (SHEP), Food and Fun, continues to expand with the following 16 schools running the programme during this year's summer holidays:

- Adamsdown Primary School
- Bryn Celyn Primary School
- Coed Glas Primary School
- Herbert Thompson Primary School
- Hywel Dda Primary School
- Meadowlane Primary School
- Millbank Primary School
- Ninian Park Primary School
- Pentreban Primary School
- Riverbank Special School
- Severn Primary School

- Springwood Primary School
- St. Alban's Primary School
- St. John Lloyd Primary School
- St. Teilo's High School
- Ysgol Nant Caerau

New schools for this year are Coed Glas Primary School, St. Alban's Primary School and St. Teilo's High School. Like previous years the schools are continuing to offer the programme to KS2 pupils, but have also extended provision this year to include Foundation Phase pupils.

New enrichment activities introduced this year include sessions provided by Network Rail, RNLI, Welsh Rugby Union and Cardiff Story Museum. The First Campus programme with Cardiff Metropolitan University also continues to expand with children spending a day at the Llandaff campus.

The Head of Football at Cardiff and Vale College also provided a football skills session at the Leckwith Sports Dome for children from Ninian Park Primary School. It is anticipated that this provision will be extended next summer.

### **Cardiff & Vale School Uniform Donation Event**

The inaugural Cardiff & Vale School Uniform Donation event was held at Cardiff University on 11<sup>th</sup> August 2019. This aims to provide school uniform free of charge to any parent that requires it for their children. The event was a huge success and was attended by around 200 adults and children. Ambitious plans are in place for the next event to be on a much larger scale.

Officers from the Central Library Hub were also present at the event to promote a range of services, such as the Summer Reading Challenge, the Reading Well scheme, healthy eating and money advice. I am pleased that all Hubs across the city will become designated donation points for unwanted items of school uniform from where they will be transported to the charity for distribution.

**Councillor Sarah Merry**  
**Cabinet Member for Education, Employment & Skills**  
**6 September 2019**



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**FINANCE, MODERNISATION & PERFORMANCE STATEMENT**

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**Disability Awareness Day**

In keeping with the Council's commitment to equal opportunities and diversity in employment and service delivery, we are proud to advocate disability equality in partnership with our Disability Network. On 15<sup>th</sup> July 2019, the Disability Network held their inaugural awareness morning in support of Disability Awareness Day to hear, understand and celebrate people from the Disability Network community.

The Disability Network hosted a series of speakers from disability support organisations covering a range of conditions/impairments and the support services available for disabled people. Members of the Disability Network shared their positive experiences of working within the Council and living in our vibrant and diverse city. Whilst the Council's support for disabled people is demonstrated in many ways, it is important that we collectively demonstrate that support, especially on Disability Awareness Day and at this month's Council meeting.

**Pride Cymru 2019**

Another of our employee networks, the LGBT Network, was prominent again at Pride Cymru this year. Many Councillors and Council staff attended either the march or the Pride Big Weekend event, or both. I was pleased to march with staff from our employee network, alongside Councillors and employees from many of our neighbouring authorities as part of 'Proud Councils' – the network of South Wales Councils keen to show our commitment as the Local Authorities to LGBT+ equality and support for Pride – and to speak from the stage with the First Minister, on behalf of Cardiff Council.

**Youth Transition Event**

Into Work Advice Services held a Youth Transition Event at Central Hub on 2<sup>nd</sup> August 2019. The event was aimed at Year 11 and Year 13 school leavers, but was open to all young people aged 16-24 years old. Various employers, training providers and youth organisations attended to promote their services and show the young people what opportunities are available to them. This included Careers Wales, Cardiff Youth Service, Ministry of Life, ITEC, ACT, ALS, Adventure Wales, Princes Trust, CAVC, Cardiff Blues, Acorn Recruitment, Cardiff Works, Admiral, Apollo Teaching, and various Hub Advice Services.

There were also workshops in music, animations, make-up and beauty, LEGO and Drone building. These were very well received as they gave young people an opportunity to engage with creative vocations that are available to study locally through Adult Community Learning and Ministry of Life.

Official numbers were hard to gauge due to it being a dynamic event spread across 4 floors in Central Hub. However, Central Hub saw an increase of 500 people access the building compared to a usual Friday; showing it was a busy day with many young people accessing the opportunity to help them with their next steps.

Key statistics included:

- Over 100 young people signed up to various Into Work Projects
- 12 young people signed up to ITEC
- 12 young people signed up with Cardiff Works
- 500+ additional visitors were recorded compared to a usual Friday

### **Wales Interpretation and Translation Service (WITS)**

WITS completed 2504 interpreting/translating assignments in July 2019, with a further 648 requests for future dates, bringing the total to 3152. Of these, 2002 related to Health; 891 related to Councils and 259 related to the Police, with 167 being of an emergency nature. WITS were able to provide an interpreter to 98.13% of requests. WITS dealt with over 7800 emails and over 3400 inbound calls in July 2019, of which 367 were presented out of hours and. WITS achieved a 93.84% answer rate in July and remains above its KPI of 93% of calls answered.

WITS also launched its Sign Video service in July 2019 enabling the Deaf community to contact WITS via Video Interpretation through their smart phone/tablets. Initial feedback from BSL customers has been very positive. The service has been advertised throughout Wales with the various Deaf Clubs having produced a short video in BSL: [https://www.youtube.com/watch?v=vs\\_Zpd-52n8](https://www.youtube.com/watch?v=vs_Zpd-52n8)

### **C2C – Social Media**

The team handling social media enquiries had their busiest ever day in July with 1289 messages being received from Midnight on 16<sup>th</sup> July 2019 with residents and visitors looking for information on the Extinction Rebellion protests in the city centre.

The customer experience when engaging with the Council's social media platforms continues to be progressive journey and, over the past 12 months, the number of responses to users has increased by 10% as more and more customers choose to use it as a channel of enquiry. For example, we have received 8,306 messages via Twitter in the last 12 months from people wanting to organise a bulky collection when previously this would have required a phone call or a trip to a Hub.

## **CRM System**

Teams across ICT and C2C have worked collaboratively to deliver a refreshed and modernized Customer Relationship Management (CRM) system for the Council's Contact Centre. The in-house, bespoke built CRM has been in operation since C2C's inception in 2001, but there was a need to incorporate new technologies and functionality to improve the overall user experience that will also benefit our customers. 'C2C Ultra' phase 1 went live last month and is already having a positive impact on the speed of operation. Feedback on what was needed at all levels has resulted in an intuitive and dynamic system that will allow C2C to stay current with call centre technologies. Work continues on this with the final phase already in development.

## **Mobile App**

The mobile app has now hit more than 16,500 total downloads, with over 1000 downloads in July and over 750 in August. The app continues to support the take up of digital services by residents. A further service is due for release in early September, enabling residents to report general street cleansing issues. We will continue to focus on the user experience of the App to make sure this remains both a user friendly and intuitive service and encourages further downloads.

## **Website and Web Development**

Key statistics for July 2019:

- 198,873 people visited the website, with 62% of visitors accessing the site on a mobile device.
- 38,800 waste collection look ups were made online (app and website) with the highest volume of looks ups in the Plasnewydd and Cathays wards.
- 80.8% of requests for more recycling bags and caddies were made online.
- The Council Tax portal had 7,612 visits, which was up by 4,300 when compared to July 2018.
- 182 users translated Cardiff.gov.uk into their preferred language with Polish and Arabic being the most used languages.
- Two websites were launched for:
  - Cardiff Families [www.cardiffamilies.co.uk](http://www.cardiffamilies.co.uk)
  - Child Friendly Cardiff [www.childfriendlycardiff.co.uk](http://www.childfriendlycardiff.co.uk)

**Councillor Chris Weaver**  
**Cabinet Member for Finance, Modernisation & Performance**  
**6 September 2019**

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## **HOUSING & COMMUNITIES STATEMENT**

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### **Reviewing Our Services for Homeless People – a Partnership Approach**

We have done much in recent years to improve our homelessness services, and we can be proud of the help and support that is available in Cardiff for homeless people. However, everyone will be aware that there are still people sleeping rough on our streets, even though accommodation is available. We are still not meeting the needs of the most vulnerable and complex individuals. There is clearly a need to re-think the way that we provide services. This is why we have commenced a full review of homeless services for single people, including a review of best practice from all over the world.

Over the summer, I joined officers from Housing, Social Services, Health and the Third Sector in visiting Glasgow and Helsinki to learn about the good work that those cities are doing to tackle this difficult issue. We saw examples of good practice and some innovative approaches to addressing complex needs. While neither city has solved the problem completely, we learned a great deal and were inspired by the work being done there. I was very impressed by the enthusiasm of the group and the clear will to work in partnership, across service boundaries, to address this issue in Cardiff.

The review will continue into the autumn and will include a further search for best practice and partner consultation. We will also be seeking the views of those with direct experience of homelessness and rough sleeping to help us develop a clear vision for future service provision.

### **Vacant Property Repairs Team**

I can confirm that 12 additional operatives have, this week, joined the Council's Vacant Property Repairs team, bringing the team up to 21 staff. These employees have moved across to the Council following the withdrawal of a second contractor from the Building Maintenance Framework.

Unfortunately, completing the work on vacant properties remains a challenge. In addition to the issues that we have experienced with the contractors, the number of properties becoming vacant has also increased, with a 16% increase in 2018/19 and a further 20% increase in the first quarter of this year. Many of these properties have become vacant following a long period of occupation and are in need of full updating, including new kitchens and bathrooms. I have invited members from the Community and Adult Services Scrutiny Committee to visit some of these properties to see the challenges that officers are facing.

The remaining contractor on the Building Maintenance Framework is working well and we have recently commissioned an additional contractor. Early indications are that

their performance is also good. These two contractors, together with our expanded in-house workforce, will allow us to significantly improve the turnaround of empty properties in the coming months.

### **Butetown Youth Pavilion**

Butetown Youth Pavilion will undergo substantial building improvements to provide additional services for young people. The project will build on current service provision and address problems of youth disengagement by introducing a wider range of Hub services, focussed on the employability agenda. These will include 'into work', skills development, training, volunteering, mentoring, and money advice. Welsh Government regeneration funding has been secured to enable the project to proceed and works will commence later this month.

### **Rent Smart Wales**

The Renting Homes (Fees etc) Wales Act 2019 came into effect from 1<sup>st</sup> September 2019. The 22 local authorities in Wales are the enforcement authorities, but can and are delegating their powers for implementing the requirements of the Act to Rent Smart Wales in specified circumstances. This will have a dramatic impact on the fees which are permitted to be charged to tenants, making renting in the private rented sector much more affordable. The number of private rented properties registered with Rent Smart Wales has now exceeded the Welsh Government dwelling stock estimates. There are currently 203,507 properties held by 100,520 landlords across Wales.

### **Ely & Caerau Hub's 5<sup>th</sup> Birthday**

The Ely & Caerau Hub arranged various activities to celebrate the Hub's 5<sup>th</sup> Birthday, which included a health and well-being week. The main health and well-being open day was held on 26<sup>th</sup> July 2019 and was attended by approximately 350 people. The idea was to bring together many different types of health and well-being organisations into one place so that members of the local community could access lots of information and activities. On the day, there were 23 different service providers each running stalls and chatting to the community, including Goldies Cymru, Dewis Cymru, Independent Living Services, Sherman Theatre and Grow Cardiff. The event included Tai Chi taster sessions and launched Elder Fit exercise classes at the Hub. A circus workshop suitable for all abilities was provided by No Fit State Circus and a Cake, Tea and Local History Event was also held with the support of Cathays Heritage Library.

### **Secret Garden at Rhydypennau Library**

The official opening of the Secret Garden at Rhydypennau Library took place on 17<sup>th</sup> August 2019. Funded by the Inclusion Fund, the Secret Garden offers an outdoor space for story times, reading groups, games and a gardening club, as well as a place to just sit and be. The event was well-attended and included activities led by BugLife and the RSPB, which was made possible by the generosity of partners and volunteers.

## **Cardiff Hubs and Libraries Service Survey**

There's still time for residents to have their say in the Cardiff Hubs and Libraries Service survey and help shape the future of Hub and Library Services in the city. The Council is committed to providing services in our Hubs and Libraries that meet the needs of local communities and we want to hear people's views on what resources and activities they would like to see provided. The survey is open until Friday 13<sup>th</sup> September 2019 and can be found online at: [www.cardiff.gov.uk/haveyoursay](http://www.cardiff.gov.uk/haveyoursay)

**Councillor Lynda Thorne**  
**Cabinet Member for Housing & Communities**  
**6 September 2019**

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**CLEAN STREETS, RECYCLING & ENVIRONMENT STATEMENT**

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**BSI PAS402 Environmental Standard**

The Waste Transfer Station has received the BSI PAS402 Environmental Standard and Cardiff Council is the first local authority in the UK to achieve the standard.

The BSI PAS402 Environmental Standard provides waste management organisations with specifications for performance reporting in order to reduce the amount of waste sent to landfill, to increase reuse and recycling of waste and to encourage business improvements. The reporting specification sets out the framework to demonstrate key areas of delivery, including landfill diversion and material recovery. By attaining this standard and becoming certified, waste contractors and clients can be assured that waste is being managed by an approved company that is dedicated to protecting the environment.

**Beware the Waste Cowboys**

Last month, the Council launched a new campaign to remind residents that they are responsible for disposing of their waste correctly and could face steep fines if waste is fly-tipped by unregistered waste carriers. The launch took place outside City Hall where four tonnes of fly-tipped waste appeared on 8<sup>th</sup> August 2019, sparking a wave of social media enquiries and extensive media coverage about where the waste came from and how it could have been allowed to get dumped in front of one of Cardiff's most famous buildings. It was later revealed that the rubbish was placed there by the Council to highlight the same amount of fly-tipped waste that the Council's teams have to pick up off the city's streets and lanes every day. The campaign also warns residents to beware and to avoid using illegal or cowboy waste disposal companies, which results in their waste being subsequently fly-tipped. This not only damages the local environment, but costs taxpayers thousands of pounds for it to be cleaned up.

**Waste Communication and Engagement**

**Recycle Week (23<sup>rd</sup>-29<sup>th</sup> September 2019)** – the Council will engage in daily internal communications and social media activity, working in conjunction with WRAP Cymru. The Waste Enforcement Team has also planned outreach activity, including at schools and universities.

**Love When You Leave** – social media activity is planned for the return of students to Cardiff for the start of the new academic year. This will include recycling advice and tips, including the provision of links to download the Cardiff Gov App for reminders of waste collection dates. We will also be further promoting the App and providing household waste and recycling information during Freshers' Week later this month.

**Leave Only Pawprints** – this campaign is a non-confrontational and friendly initiative to help change attitudes and behaviours around dog fouling. Dog owners and their dogs sign up to become local Champions and can be recognised by small 'Leave Only Pawprint' badges that they and their dogs can wear. They carry extra bags so if another dog owner does not have one, they can ask a Champion.

**'Poo Count'** – in advance of the launch of the Leave Only Pawprints campaign, we also want to work with volunteers to identify how much dog fouling is present in certain areas of the city to measure the impact of the campaign and to identify dog fouling hotspots. Similar work has been undertaken successfully in other local authorities.

### **Registration Services in Hubs**

There is a legal requirement to register a new birth within 42 days and to register a death within 5 days. Registering must be done in person with a Registrar. It cannot be done online by any individual. Birth registrations are currently undertaken at City Hall, with a small number each week also being registered at University Hospital Wales where we mainly register deaths and stillbirths. City Hall can be difficult to get to for many customers, either by public transport or by car, with parking in the area both limited and expensive.

In order to improve accessibility for residents, we will be piloting the provision of registration services from a number of Hubs across the city. The initial pilot involves the following Hubs on specific days of the week, which were determined based on the availability of appropriate facilities:

- Fairwater Hub                      Monday (from 9am)
- Llandaff North Hub                Tuesday (from 9am)
- St Mellons Hub                      Wednesday (from 10am)

The pilot will commence the week commencing 4<sup>th</sup> November 2019 and will be reviewed in due course with the view of rolling out these services to more Hubs in the future.

### **Thornhill Crematorium Chapel Refurbishment**

As members will be aware, a complete refurbishment of the two chapels at Thornhill Crematorium is currently ongoing and the chapels are scheduled to re-open on Monday 23<sup>rd</sup> September 2019. These works include the complete redecoration of both chapels; installation of air conditioning; new flooring; new seating; new lighting features and curtains; new catafalques; new lecterns and book stands; remodelling works to the larger chapel; refurbishment of two waiting rooms and the replacement and extension of covered areas outside of the chapels. This work will result in a superb, modern facility that is befitting of the Capital City of Wales.

Whilst these works are ongoing, services are taking place in a temporary professional structure erected within the grounds at Thornhill Crematorium and I can confirm that there have been no significant issues to date. Once the works are completed, I look forward to welcoming members to a re-dedication ceremony to be held at the chapels in October 2019.

### **Public Health Funeral Provision**

In cases where it appears that no suitable funeral arrangements are being made for anyone who has died in Cardiff, the Council has a legal duty to arrange the funeral under the provisions of the Public Health (Control of Diseases) Act 1984. The cost to the Council for undertaking Public Health funerals is significant and, in order to reduce this cost, Bereavement Services has reviewed its process for how Public Health funerals are delivered. Since July 2019, Bereavement Services are no longer contracting a funeral director for this service and the funeral is arranged and conducted directly by Bereavement Services staff, thereby resulting in a real cost saving for the Council.

### **Bereavement Services – Award Finalists**

I am pleased to announce that Bereavement Services have been named as finalists in the APSE Service Team of the Year Awards for Cemeteries and Crematoria. Thornhill Cemetery and Crematorium has also been named as a finalist in the prestigious Cemetery of the Year Awards in the Large Cemetery category. This is an excellent achievement for a service that is committed to improving standards for the citizens of Cardiff and I want to wish the service and staff the very best of luck in the awards, for which the winners are due to be announced later this month.

### **RSPCA PawPrints Awards**

RSPCA Cymru have recently confirmed that Cardiff Dogs Home has been successful in this year's PawPrints Awards – formerly the Community Animal Welfare Footprint (CAWF) Awards. I am pleased to announce that the Dogs Home won Gold again in the Stray Dogs Footprint category and Silver in the Kennelled Dogs Footprint category. The Dogs Home has won Gold for the last few years in the Stray Dogs Footprint category, but the Kennelled Dog Footprint is a new category that has only been introduced this year. The awards will be presented by the Welsh Government Minister for Environment, Energy & Rural Affairs, Lesley Griffiths AM, at the Senedd on Monday 23<sup>rd</sup> September 2019.

**Councillor Michael Michael**  
**Cabinet Member for Clean Streets, Recycling & Environment**  
**6 September 2019**

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**COUNCIL: 12 SEPTEMBER 2019**

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## **CHILDREN & FAMILIES STATEMENT**

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### **Childcare Offer Update**

The Childcare Offer for Wales provides funded Foundation Phase Nursery early years education and childcare for eligible working parents of 3 to 4 year olds. Totalling up to 30 hours per week of combined early education and childcare during term time and up to 30 hours of childcare during 9 weeks of the school holidays, the Childcare Offer aims to assist parents, particularly mothers, to return to work; to increase the disposable income of low income working families and to support child development and school readiness.

Since opening for applications in October 2018, the Childcare Offer Team has received applications relating to 2,400 children and 2,213 children have been approved to date. The team are currently working with families to gather further evidence required to approve their applications. There are currently 309 childcare settings (locations) to provide the Childcare Offer. This demonstrates excellent progress by the team since the full roll out began in January this year.

Expenditure on funding these childcare places, which includes support for children with additional needs, has now passed the £2.5m mark. This represents a 'real world' saving for families by offsetting their childcare costs, and allowing to spend their money in the Cardiff economy.

### **National Advisory Group**

Officers from Cardiff Children's Services have been invited to attend a National Advisory Group in Westminster, which is developing UK-wide plans to embed working with parents as safeguarding partners when working through safeguarding with adolescents who are being exploited through non familial means. There has been wide acknowledgement that parents are a protective factor in this situation.

The National Advisory Group plans to develop some practice guidance / standards for working with parents as safeguarding partners and are working to share information, guidance and resources which are currently being used across the country that will assist the group in this exercise. The group meets quarterly and shares practice and discussion ideas. Cardiff is the only Welsh Local Authority attending these meetings.

### **Pride Cymru & Fostering**

Six members of staff from our Fostering Service promoted in-house Fostering over two days at the Pride Festival. Our presence at the festival was to raise the profile

of Fostering for Cardiff Council, dispel some myths and to increase the diversity of our foster carers and promote the opportunities the service can offer. We had worked with Pride before the event and they are committed to sharing our Fostering Service on their social media platforms. Fostering will continue to support a range of community events in the city, to ensure that residents are aware of the opportunities to work as part of our in-house Fostering team. Members will be aware of the briefing sent out providing information and signposting for all Councillors as corporate parents to become proactively involved in increasing the number of foster carers in their wards.

### **Cardiff Family Advice and Support**

Cardiff Family Advice and Support Service went live on 1<sup>st</sup> April this year. The service offers a range of information, advice and assistance for children, young people and their families in Cardiff. Since April 2019, 2788 people have been supported by the new service.

The Family Gateway team can provide information and advice on:

- Family Life
- Child behaviour
- Child care
- Parental support
- School attendance
- Employment, money and housing
- Information and signposting to other services

They can be contacted on 03000 133133 or by email: [ContactFAS@cardiff.gov.uk](mailto:ContactFAS@cardiff.gov.uk)  
Further information is available at: [www.cardiffamilies.co.uk](http://www.cardiffamilies.co.uk)

The Family Help Team are a team of trained Family Help Advisors and receive referrals from the Family Gateway. They can work with families in the home and in the community, offering information, advice and support on a range of topics.

The Support4Families Team are social worker led. This team works with families facing more complicated issues and work together with parents, children and young people to find the right solutions for them and their family.

Cardiff Parenting delivers a variety of services for parents and families across Cardiff with crèche facilities available.

These teams work together with children, young people and their families to find solutions that meet their individual needs.

### **Senior Management Restructure**

The senior management restructure within Children's Services is progressing well and employees have commence in the following roles

- OM for Well-being, Protection & Support
- OM for Restorative, Leaving Care & Edge of Care
- OM for Substitute Family Care

- OM for Service Improvement & Strategy

In relation to the three new OM Locality posts; offers have been made to two successful candidates who are currently working notice with their current employer and further recruitment will now take place to appoint to the remaining post.

Work has commenced on the realignment of staff under the new posts, with significant work required to move to the new locality model. The localities chosen align to the Council's neighbourhood management areas, GP clusters and Police Unit areas.

### **Right Home, Right Support**

The Commissioning Strategy for Accommodation and Support for Children Looked After 2019 to 2022, is currently in development. The Strategy has direct links with our new overarching 3-year Cardiff's Children's Services Strategy - "Delivering Excellent Outcomes" (2019-2022).

Cardiff, like all other developing cities across the UK, is facing unprecedented levels of demand for Children Looked After. As a result, the Council need to identify a range of options to ensure that the child is provided with safe, secure and supportive settings. This could include a wide range of support and placements for Children Looked After including kinship and foster care and developing a wide range of other appropriate placements.

It is our intention that the Commissioning Strategy and Market Position Statement will clearly map out the future intentions of Cardiff Council to ensure a mixture of in house and external provision for Children Looked After. A detailed implementation plan is also in development that identifies the next steps. I intend to put this before Cabinet colleagues later this year for approval.

**Councillor Graham Hinchey**  
**Cabinet Member for Children & Families**  
**6 September 2019**

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**CYNGOR CAERDYDD  
CARDIFF COUNCIL**



**COUNCIL:**

**12 SEPTEMBER 2019**

**REPORT OF DIRECTOR GOVERNANCE & LEGAL SERVICES**

**APPOINTMENT OF LOCAL AUTHORITY GOVERNORS TO SCHOOL GOVERNING BODIES**

**Reason for this Report**

1. To appoint Local Authority School Governors.

**Background**

2. Section 19 of the Education Act 2002 creates the general ability for the Local Authority to appoint governors to the governing bodies of maintained schools, with further detail contained in the Government of Maintained Schools (Wales) Regulations 2005. When Local Authority school governor vacancies arise, either by appointees reaching the end of their term of office or resigning, it is the statutory duty of the Council to fill the vacancies as soon as possible.
3. The Local Authority Governor Panel to oversee this process was constituted at the Annual Council in May 2015 and held its first termly meeting in September 2015.

**Issues**

4. The Local Authority Governor Panel will meet on 10 September 2019 to consider new applications to current and future vacancies up 30 November 2019. The recommendations of the panel will be listed on the Amendment Sheet.

**Reasons for Recommendations**

5. To ensure that the Council fulfils its statutory functions in respect of the appointment of local authority governors for maintained schools.

**Legal Implications**

6. As noted in paragraph 2 of the report, the Council is required, pursuant to the Education Act 2002, section 19 and regulations made there under, to appoint local authority governors to the governing bodies of maintained schools, in accordance with those statutory provisions.

7. Appointments to outside bodies are a local choice function, which is reserved under the Council's Constitution to full Council. Accordingly, the appointment of Local Authority governors to governing bodies, as recommended in this report, requires the approval of full Council.

### **Financial Implications**

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

### **Recommendation**

9. That Council consider the recommendations of the Local Authority Governor Panel of 10 September 2019 and approve the appointments of Local Authority governors to the school governing bodies as set out in Appendix 1.

**Davina Fiore**  
**Director Governance & Legal Services**  
6 September 2019

*List of Local Authority school governor vacancies and recommendations for appointment by the Local Authority Governor Panel for the period 01 September 2019 to 30 November 2019 will be listed on the Amendment Sheet.*

**COUNCIL:**

**12 SEPTEMBER 2019**

**REPORT OF THE DIRECTOR OF GOVERNANCE & LEGAL SERVICES**

**COMMITTEE APPOINTMENTS**

**Reason for Report**

1. To receive nominations and make appointments to current committee vacancies as set out in the report and in accordance with the approved allocation of seats and political group wishes.

**Background**

2. The Annual Council 23 May 2019 established the Committees and Panels of the Council and their composition. The seats allocated to political groups on each committee were calculated in accordance with political balance, and nominations were received for each committee from the political groups.
3. In accordance with the Welsh Audit Office Statement of Action P3b (report March 2016), Membership of Committees is a standing item on monthly Group Whips meetings and Full Council, as appropriate.

**Issues**

4. The Annual Council 23 May 2019 received nominations to committee seats. Not all seats were filled and the vacancies that remain are as follows:

<b>Committee</b>	<b>Vacancy</b>	<b>Group</b>
Appointment Committee – Director of Education	5 Members	1 x Labour 1 x Liberal Democrats
Corporate Parenting Advisory Committee	2 vacancies	1 x Conservative 1 x Liberal Democrats
Licensing Committee	1 vacancy	1 x Conservative
Planning Committee	1 vacancy	1 x Liberal Democrats (vacancy given to Plaid Cymru Group Councillor Keith Parry)
Public Protection	2 vacancies	1 x Conservative 1 x Plaid Cymru

<b>Committee</b>	<b>Vacancy</b>	<b>Group</b>
Children & Young People Scrutiny Committee	1 vacancy	1 x Conservative
Policy Review & Performance Scrutiny	2 vacancies	1 x Labour 1 x Plaid Cymru

5. Further nominations to fill existing vacancies received from political groups prior to Full Council on 12 September 2019 will be reported on the amendment sheet.

### **Legal Implications**

6. The Council is under a duty to make appointments to Committees, in accordance with the approved allocation of seats to political groups, so as to give effect to the wishes of the political groups (pursuant to Section 16 of the 1989 Act).

### **Financial Implications**

7. There are no financial implications directly arising from this report.

### **RECOMMENDATION**

The Council is recommended to appoint to the vacancies on Committees in accordance with the approved allocation of seats and Party Group wishes, as set out on the Amendment Sheet.

### **DAVINA FIORE**

#### **Director Governance and Legal Services**

6 September 2019

### **Background Papers**

Annual Council Reports and Minutes 23 May 2019

Report and Minutes of Council 20 June 2019

Report and Minutes of Council 18 July 2019

**CYNGOR CAERDYDD  
CARDIFF COUNCIL**



**COUNCIL:**

**12 SEPTEMBER 2019**

**REPORT OF THE DIRECTOR OF GOVERNANCE & LEGAL SERVICES**

**APPOINTMENT OF MEMBERS TO SERVE ON OUTSIDE BODIES**

**Reasons for the Report**

1. To receive nominations and make appointments of Council representatives to statutory and non-statutory outside bodies.

**Background**

2. The Constitution provides that the Council will, from time to time, receive nominations and make Member appointments as necessary to serve as representatives of the Council on outside bodies.
3. The Council at its Annual meeting on 23 May 2019 received nominations and agreed appointments of Members to serve on bodies which are required on an annual basis and other vacancies.
4. The Council from time to time receives nominations to vacancies that occur during the Municipal Year.

**Issues**

5. The Council is asked to receive a nominations to following bodies: -

<b>Body</b>	<b>Vacancy Information</b>
Cardiff and Vale Community Council	One vacancy to replace Councillor Iona Gordon. The appointment is to be made for a period up to Annual Council in May 2022.
Willie Seager Memorial Homes Trust.	One vacancy to replace Councillor Lister.

6. The Party Group Whips were advised of these vacancies on 2 September 2019 and nominations received will be detailed on the Amendment Sheet to be circulated at the Council meeting.

## **Legal Implications**

7. The appointment of individuals to serve on outside bodies is a Local Choice function under the Local Authorities (Executive Arrangements) (Functions and Responsibilities) (Wales) Regulations 2007. In the approved Scheme of Delegations the Council has determined that responsibility for the proposed appointments shall rest with Full Council.

## **Financial Implications**

8. There are no financial implications arising as a direct consequence of this report.

## **RECOMMENDATION**

The Council is requested to receive nominations and approve appointments as set out on the amendment sheet to the following bodies:

- (a) Cardiff and Vale Community Council;
- (b) Willie Seager Memorial Homes Trust.

## **DAVINA FIORE**

**Director of Governance & Legal Services and Monitoring Officer**

6 September 2019

## **Background Papers**

Register of Appointments to Outside Bodies

Annual Council 23 May 2019 - Appointment of Representatives to Outside Bodies