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## AGENDA

**Pwyllgor** PWYLLGOR ARCHWILIO

**Dyddiad ac amser y cyfarfod** DYDD MAWRTH, 10 MEDI 2019, 2.00 PM

**Lleoliad** YSTAFELL BWYLLGOR 4 - NEUADD Y SIR

**Aelodaeth** Ian Arundale (Cadeirydd)  
D Hugh Thomas, David Price, Gavin McArthur  
Y Cynghorwyr Cunnah, Goddard, Howells, Lister, McKerlich, Singh a/ac  
Williams

Tua  
Amser.

### 1 Ymddiheuriadau am Absenoldeb

Derbyn ymddiheuriadau am absenoldeb.

### 2 Datgan Buddiannau

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

### 3 Cofnodion (*Tudalennau 5 - 16*)

Cymeradwyo cofnodion y cyfarfod a gynhaliwyd ar 25 Mehefin 2019 fel gwir gofnod.

### 4 Materion Gweithredol

4.1 Cyfarwyddwr Addysg a Dysgu Gydol Oes, Nick Batchelar - Adroddiad Blynyddol ar Lywodraethu Ysgol, Balansau a Diffygion (*Tudalennau 17 - 26*) 2.05 pm

5 Cyllid 2.25 pm

5.1 Diweddariad Ariannol Llafar gan gynnwys Materion Gwydnwch

5.2 Datganiad Cyfrifon Terfynol 2018/19 (*Tudalennau 27 - 288*)

6 Llywodraethu a Rheoli Risg 3.00 pm

- 6.1 Rheoli Risg Corfforaethol (Chwarter 1) (*Tudalennau 289 - 320*)
- 7 **Swyddfa Archwilio Cymru** 3.15 pm
- 7.1 Gweithgarwch SAC/Diweddariad ar Gynnydd yr Adroddiad (*Tudalennau 321 - 326*)
- 8 **Tracio WAO ac Astudiaethau Eraill** 3.25 pm
- 9 **Rheoli'r Drysorlys** 3.30 pm
- 9.1 Adroddiad Perfformiad (*Tudalennau 327 - 332*)
- 9.2 Adroddiad Blynyddol (*Tudalennau 333 - 354*)
- 10 **Archwiliad Mewnol** 3.45 pm
- 10.1 Diweddariad ar Gynnydd y Tîm Archwilio (*Tudalennau 355 - 440*)
- 10.2 Diweddariad ar Gynnydd y Tîm Ymchwilio (*Tudalennau 441 - 448*)
- 11 **Gohebiaeth Craffu** 4.00 pm
- 12 **Camau Gweithredu Heb eu Cyflawni** (*Tudalennau 449 - 450*)
- 13 **Diweddariad ar y Rhaglen Waith** (*Tudalennau 451 - 452*)
- 14 **Materion Brys (os o gwbl)**
- 15 **Dyddiad y cyfarfod nesaf.**

Caiff y cyfarfod nesaf ei gynnal ar 12 Tachwedd 2019.

**Davina Fiore**

**Cyfarwyddwr Llywodraethu a Gwasanaethau Cyfreithiol**

Dyddiad: Dydd Mercher, 4 Medi 2019

Cyswllt: Graham Porter, 02920 873401, g.porter@caerdydd.gov.uk

## **GWE-DARLLEDU**

Caiff y cyfarfod hwn ei ffilmio i'w ddarlledu'n fyw a/neu yn olynol trwy wefan y Cyngor. Caiff yr holl gyfarfod ei ffilmio, heblaw am eitemau eithriedig neu gyfrinachol, a bydd y ffilm ar gael ar y wefan am 12 mis. Cedwir copi o'r recordiad yn unol â pholisi cadw data'r Cyngor.

Gall aelodau'r cyhoedd hefyd ffilmio neu recordio'r cyfarfod hwn

Ar ddechrau'r cyfarfod, bydd y Cadeirydd yn cadarnhau a gaiff y cyfarfod cyfan neu ran ohono ei ffilmio. Fel rheol, ni chaiff ardaloedd y cyhoedd eu ffilmio. Fodd bynnag, wrth fynd i'r ystafell gyfarfod a defnyddio'r ardal gyhoeddus, mae aelodau'r cyhoedd yn cydsynio i gael eu ffilmio ac y defnyddir y lluniau a recordiadau sain hynny o bosibl at ddibenion gwe-ddarlledu a/neu hyfforddi.

Os oes gennych gwestiynau ynghylch gwe-ddarlledu cyfarfodydd, cysylltwch â'r Gwasanaethau Pwyllgorau ac Aelodau ar 02920 872020 neu e-bost [Gwasanethau Democrataidd](#)

Mae'r dudalen hon yn wag yn fwriadol



AUDIT COMMITTEE

25 JUNE 2019

Present: Ian Arundale(Chairperson)  
Gavin McArthur and David Price  
Councillors Bale, Cunnah, Goddard, Singh and Williams

1 : APOLOGIES FOR ABSENCE

Apologies were received from D. Hugh Thomas and Councillors Howells and Lister.

2 : DECLARATIONS OF INTEREST

The following declarations of interest were received:

Cllr Bale	Item 7	Personal – Member of LGPS
Cllr Williams	Item 7	Personal – Member of LGPS

3 : APPOINTMENT OF CHAIRPERSON AND DEPUTY

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

4 : MEMBERSHIP AND TERMS OF REFERENCE

The Committee's membership and terms of reference were noted.

5 : MINUTES

The minutes of the meeting held on 2 April 2019 were agreed by the Committee as a correct record and were signed by the Chairperson.

6 : OPERATIONAL MATTERS

7 : NEIL HANRATTY, DIRECTOR ECONOMIC DEVELOPMENT UPDATE ON INTERNAL CONTROL ENVIRONMENT

Members received a report in response to the Committee's request for an update on the internal control environment within the Economic Development Directorate. The Chairperson welcomed Neil Hanratty, Director of Economic Development who delivered a brief presentation outlining the directorate's responsibilities, achievements, and the risks associated with providing a range of duties, functions and services.

In respect of building and property risks, Members were advised of the governance arrangements through the Corporate Landlord Model, including the deployment of statutory obligation compliance software (RAMIS). The Director advised of additional software being rolled out to provide a holistic view of property performance.

The Director advised Members of the structure and process to manage and monitor strategic and operational risks. Reference was made to the Statutory Building Equipment Maintenance corporate risk, managed by the Health and Safety Compliance Board, chaired by the Chief Executive. Members were advised that significant progress has been made to mitigate this risk, including new improved statutory maintenance contracting arrangements; establishment of a Statutory Maintenance Team within Building Services; regular compliance reporting to SMT and managers; a refreshed School Buildings Handbook and Memorandum of Agreement; and a new service desk providing a single point of entry for customers.

Members were advised that the Directorate Senior Management Assurance Statement (SMAS) provides an overall strong application of governance and controls across the directorate, with a mixed position regarding the consideration and documentation of the Future Generations Act in decision-making.

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

- Members asked what changes have been made to the management structure within the department since the Assistant Director Commercial Services left post. The Director advised that senior management has been bolstered at OM1 level in respect of Corporate Landlord and Health and Safety framework delivery.
- A Member asked whether there have been any Health and Safety breaches, and for clarification of the role of the Health and Safety Advisory Forum group and wider governance. The Director stated that he could not guarantee that there have been no building concerns or issues, but there is increased control to provide assurance of ongoing compliance. Members were advised that compliance rates in schools were approximately 80% and continuing to increase. It was reported that Cabinet has provided additional resource, and 300 surveys have been completed to date. The Directorate's Health and Safety Committee has regular meetings with Trade Unions colleagues, which feed into the Health and Safety Advisory Forum.
- A Member considered that during the transition to the Corporate Landlord Model a school in their ward missed deadlines for inspections, and asked if the transition is putting children at risk. The Director stated that schools have discretionary spend, and that there is a Handbook for Schools to support the understanding of Council and School responsibilities. Reference was made to the One Front Door Service Desk as a process for assurance, with Members advised that a checking system has been put in place.
- Members of the Audit Committee raised various School Health and Safety examples. The Chair suggested that the Corporate Director Resources and Director of Economic Development communicate directly with the Members of the Committee who have raised specific Health and Safety queries. Following this, relevant Audit Committee information and engagement can be determined and arranged, as appropriate.

- A Member asked for information on the funding and oversight arrangements for the £10 million funding to develop the AHRC Creative Industry Cluster. The Director of Economic Development stated that Cardiff University leads the project in partnership with the BBC and the Council. The funding is to promote creative industries and to support businesses in the sector. The project is independent of the Council, but based at City Hall and a Cabinet Member sits on the project board.
- Members asked the Director to explain particular risks and exposure in relation to income generation. The Director stated that £37.8 million was generated in venues such as St David's Hall, New Theatre and Cardiff Castle. The Directorate was dependent on income, which is subject to risk in fluctuating markets that are outside the authority's control. These risks are mitigated by regular budget monitoring. The Directorate is looking at new opportunities to generate income across all venues but venues are also subject to competition.

RESOLVED – That:

- (1) The report be noted;
- (2) The Corporate Director Resources and Director of Economic Development to clarify any specific Health and Safety queries with Councillors Bale, Cunnah and Williams. Following this, relevant Audit Committee information and engagement is to be determined and arranged.

## 8 : FINANCIAL UPDATE INCLUDING RESILIENCE ISSUES - VERBAL UPDATE

The Committee received a verbal update on the financial position. Members were reminded that the final 2018/19 Outturn Report for Cabinet was circulated on 10<sup>th</sup> June, in which a balanced position was reported, but with some variances within Directorates. Members were also advised that a Cabinet report would be published in July on the Budget Strategy for 2020-21 and the Medium Term Financial Plan.

A Member asked for an update on the pension deficit position. The Corporate Director stated that regular meetings are held with the pension fund actuary and the authority has not been alerted to any concerns in this regard. An updated strategy and valuation process is required as part triennial arrangements and updates will be reported to the Pension Committee and Board during the Autumn.

A Member asked if the pension scheme is still cash positive, meaning more is being paid in via contributions than paid out. The Corporate Director advised that the scheme remains cash positive, and advised that the scheme can still operate as cash negative, but in this circumstance an appropriate change in the overall investment strategy may be required.

RESOLVED – That the financial update be noted.

## 9 : DRAFT STATEMENT OF ACCOUNTS 2018-19

The Head of Finance, Operational Manager, Capital, Corporate & Treasury and a Group Accountant presented the draft Statement of Accounts 2018-19. Members were advised that the accounts were signed by the responsible officer prior to the statutory deadline and are currently subject to external and public inspection along with the Annual Governance Statement. Members were asked to submit questions and comments until 15 July 2019.

The accounts were prepared in accordance with the CIPFA code of practice.

- Members sought clarification of the nature of additional payment made to a senior officer, as set out in the notes to the financial statements. The Head of Finance stated that the payment was contractual, and agreed to confirm the breakdown of the payment to Members of the Committee.
- A Member asked whether payments made in terms of non-disclosure agreements are reflected in the accounts and how much has been paid to staff as a result of failed H.R. actions. The Head of Finance stated that details of exit payments, which include non-disclosure agreement payments, are set out in the notes to the financial statements, but a breakdown of those payments is not included. The Corporate Director Resources reminded the Committee that he recently wrote to all Members to provide information on this matter.
- A Member questioned the purpose of the Strategic Budget Reserve as a Financial Resilience Mechanism is in place. The Corporate Director Resources stated that the MTFP anticipated a further reduction in budgets and there was a need to maintain a contingency in order to protect against, for example, changes to the settlement grant and/or saving targets not being achieved. The level of reserves is kept under review and will be risk assessed as part of the budget planning process.
- The Committee asked how the £2.452 million payment to HMRC had been calculated. The Head of Finance stated that the figure represented a VAT rebate due from HMRC, which was treated as a payment on account. Whilst there is no present Council liability, were the position to change, the Council would be required to pay interest on account. The purpose of this payment on account is to offset a potential interest cost, and does not represent an admission of liability.
- A Member requested information on the value of potential liability in respect of landfill tax to HMRC. Members were asked to note that the draft Statement of Accounts states 'it is not possible to quantify or provide a reliable estimate of any liability at this stage'. The Head of Finance stated that the former Corporate Director Resources provided the Committee with a confidential briefing on this matter last year. Member were advised that

the position has not changed. The Head of Finance agreed to circulate the confidential briefing paper previously provided to Audit Committee Members who joined following the original circulation.

- Members asked for an update on the level of spend on consultancy fees in relation to the ongoing HMRC landfill tax assessment. The Head of Finance confirmed that consultants were still being used and he would provide an update of the costs up to and including 25 June 2019.

RESOLVED – That:

- (1) The report be noted;
- (2) The Head of Finance to confirm the breakdown of the payment to the Assistant Director Commercial Services in the notes to the financial statements;
- (3) Audit Committee be provided with the current value of spend on landfill tax consultancy in respect of HMRC matters as at 25 June 2019;
- (4) The previously shared confidential briefing on the potential landfill tax liability is to be made available to Audit Committee Members who joined after the briefing was provided.

#### 10 : ANNUAL GOVERNANCE STATEMENT (AGS) AND SENIOR MANAGEMENT ASSURANCE STATEMENT 2018-19

The Head of Finance presented a report on the Annual Governance Statement (AGS) and Senior Management Assurance Statement (SMAS) 2018-19. Members were asked to consider whether the statements properly reflect the risk environment and supporting assurances of the Council's framework of governance, risk and internal control.

A Member advised that he will be requesting a minor change within the next item to the Audit Committee Statement. As the same statement is included within the AGS and the Audit Committee Annual report it was agreed that any adjustments delegated to the Audit Manager to make would be reflected in both documents.

A Member asked whether the Government's announcement to commit to a move towards carbon neutrality would be incorporated within the governance framework. The Head of Finance stated that as this was a recent announcement it would require consideration, but as carbon neutrality forms part of the Future Generations agenda it could be considered within this area of assurance.

Reference was made to the paragraph included on the Health and Safety Advisory Forum for which matters are to be considered through the earlier action.

RESOLVED – That the report be noted.

## 11 : AUDIT COMMITTEE ANNUAL REPORT 2018-19

The Audit Manager presented the Committee with a draft Audit Committee Annual Report 2018/19 for consideration. Members were reminded that the report was prepared following Audit Committee consideration of its indicative position in its meeting of 22 January 2019. The report also contained the Committee's self-assessment results and Action Plan from its workshop in January, as approved in its meeting of 2 April 2019. Members were asked to consider and approve the report as an account of its work, performance and opinion.

Members approved the contents of the report, delegating authority for the Audit Manager to make minor adjustments, firstly within the opinion of the Audit Committee, to amend the wording to reflect that the Audit Committee has focussed on the framework for financial decisions, rather than on actual decisions. Additionally, to amend the reference to Audit Committee 'deep dives' to reflect the fact that the nature of these reviews was of 'more focus', rather than deep dives.

RESOLVED – That:

- (1) The Audit Committee Annual Report 2018/19 be approved and the Audit Manager be delegated authority to make any minor amendments, as required.
- (2) The Audit Manager amend Audit Committee Annual Report and corresponding AGS wording to reflect that:
  - the Audit Committee has focused on the framework for financial decisions, rather than focussing on actual decisions
  - reference to Audit Committee 'deep dives' will be adjusted to reflect the fact that the nature of reviews was of more focus, rather than deep dives.

## 12 : CORPORATE RISK MANAGEMENT (YEAR-END)

The Head of Finance, OM - Budget Strategy & Financial Planning, and Group Accountant presented the Corporate Risk Assessment Report for Q4 2018/19. Members were asked to note that the format of the report has been amended and officers highlighted the main changes. A cleanse of the narrative contained within the report was also underway. Members were advised that if further information was required on a particular risk, a briefing or Committee item could be arranged.

The Chairperson invited comments from the Committee. Those discussions are summarised as follows:

- Referring to the Workforce Planning risk, a Member asked at what point a risk would be removed from the CRR and whether there was a process in place for doing so. The Head of Finance stated that the CRR lead officers can propose risk removals, but the decision is made by SMT. In the case of Workforce planning, the risk is tied to the MTFP and has required ongoing review. A Member suggested that a risk log could be introduced to record when risks are removed from the register and the reason. The Head of Finance advised that a record is

held of such actions, and is in particular use for directorate risks, which are subject to greater risk creation and removal. The Member suggested that the approach is formalised within a future iteration of the Risk Management Strategy.

- Members requested an update on the preparations the authority was making in terms of mitigations for the potential of a 'No Deal Brexit'. The Head of Finance stated that arrangements were been made at a national level on behalf of all public bodies in Cardiff and the region. For example the Director of Social Services is in constant communication with NHS colleagues and it may be possible that further information on that could be included. The Head of Finance reminded the Audit Committee that they were reviewing the quarter 4 2018/19 risk register, and that further information is to be provided in the quarter 1 2019/20 update. Comments were received on a need to improve the completeness of the Brexit Risk, which the Head of Finance agreed to discuss with SMT, and for consideration to be given to further Brexit updates.
- A Member requested further information on the role and assurance of the Local Resilience Forum, for which it was agreed that a briefing paper would be provided to Committee.
- A Member suggested that Risk Champions should also be challenged on incomplete actions or those that are not embedded, examples of which were set out in the document. The Member considered that the CRR includes some statements, which are not controls. The OM - Budget Strategy & Financial Planning advised they were aware of this, and that as part of the cleanse such instances will be looked at.

RESOLVED – That:

- (1) The report be noted;
- (2) The Head of Finance to report Audit Committee comments to SMT on enhancing the information within the Brexit Corporate Risk, and to arrange Committee updates on 'Brexit' risk management as appropriate.
- (3) Audit Committee to receive a briefing on the role and assurance provided by the South Wales Local Resilience Forum.

### 13 : WAO ACTIVITY/REPORT PROGRESS UPDATE

Phil Pugh, Financial Audit Manager of the Wales Audit Office (WAO), provided a progress update to the Committee. Attention was drawn to a report issued on the Counter Fraud Landscape, which may be of interest to the committee, and is of relevance to the later item on the Council's Counter-Fraud and Corruption Strategy. The report highlighted that the Auditor General subject to further consultation with the Public Accounts Committee, is minded to undertake a further, more detailed review of counter fraud arrangements across the Welsh public sector over the next 18 months. The Audit Manager stated that the report has been circulated and the information and

modelling contained in the report has been useful in developing the Investigation Team Annual Report 2018-19.

A Member asked whether there would be any scope for elected Members to feed into the report. The Member was advised that the teams delivering reports consider the benefits of consultation within each particular audit study.

The Financial Audit Manager was advised that the Audit Manager will be in touch to arrange a pre-meeting with WAO before a future Committee meeting, as previously offered by Ann-Marie Harkin, Engagement / Financial Audit Director.

RESOLVED – That the report be noted.

#### 14 : TREASURY MANAGEMENT PERFORMANCE REPORT

The Committee received a report from the Operational Manager – Capital, Corporate and Treasury on the performance information and position statement on Treasury Management as at 31 May 2019.

Members asked whether the Committee should be provided with a statement of potential future borrowing. The Operational Manager stated that borrowing requirements are assessed as part of the budget strategy and are dependent on markets and interest rates, etc. The officer considered that it would be disadvantageous to assess the level of borrowing as the position needs to remain fluid.

The Operational Manager was asked to explain why the report does not articulate features in the market so as to assess risk/opportunity during the course of the year. The Operational Manager was happy to consider how best to explain the rationale and context for making decisions.

A Member queried the funds held at Coventry Building Society following a reduction in credit rating. The Operational Manager explained that we benefit from having criteria and keeping them under review showing the process we adopt. The ratings of the building society had fallen beneath the council's minimum threshold. The funds held will be allowed to mature and then no further funds would be placed in accordance with criteria. Members asked how appropriate it was for the authority to be investing in another local authority. Members were advised that it is not uncommon for local authorities to invest in other local authorities across the UK. This is in accordance with our agreed counterparty list and strategy.

A Member noted that there was a 'geographical' spread of investments and asked whether any ethical standard was applied. The Operational Manager stated that the authority was investing in sterling products and the geographical reference was in reference to where those accounts are held. Investment decisions are made based on advice received from independent advisors and underpinned by the Treasury Management Investment Strategy. The Operational Manager reminded the Committee that they considered the Treasury Management Strategy in January 2019, which contained no ethical investment element.

RESOLVED – That:



- (1) The report be noted;
- (2) The Operational Manager, Capital, Corporate & Treasury to:
  - prepare a note for a future Audit Committee meeting on the nature of treasury management investments and risks, including the approach to ethical investments, and to;
  - consider ways of providing wider information and context in relation to borrowing activities in future treasury performance management reports to the Audit Committee.

## 15 : INTERNAL AUDIT STRATEGY AND PROGRESS REPORT

The Audit Manager presented the Internal Audit Strategy and Progress Report. Members were advised that the Strategy links with the Charter and Audit Plan and provides a focal point of strategic intentions in delivering and developing audit engagements. Members were asked to note that 20 reports have been issued and 11 reports are concluded, and attention was drawn to the critical findings, value for money assurances, executive summary for the unsatisfactory report issued, and the recommendation progress.

A Member asked whether there was scope within the strategy to discuss opportunities to communicate the outcomes of Internal Audit and its work more widely. The Audit Manager agreed to discuss wider communication with colleagues in the Communications Team.

Members asked whether Internal Audit would share information with external agencies such as Estyn in respect of school inspections. The Audit Manager stated that Estyn publish inspection reports that provide useful context for Internal Audit. The Audit Manager would be open to sharing relevant information with Estyn if a request was received.

The Committee asked whether the Cardiff and Vale Music Service was engaging positively with colleagues in Internal Audit, and if management are aware of the progress. The Audit Manager advised that the follow up audit considered there had been insufficient progress, which management are aware of, and for which progress will continue to be monitored through the recommendation tracker process.

RESOLVED – That:

- (1) The report be noted;
- (2) Audit Manager to meet with Corporate Communications Officers, to consider opportunities to communicate the outcomes of Internal Audit, and its work more widely.

## 16 : INVESTIGATION TEAM PROGRESS UPDATE & DRAFT COUNTER-FRAUD AND CORRUPTION STRATEGY

The Audit Manager presented a progress report for the Investigation Team. Members were advised that a recruitment process is being initiated for an additional investigator given the ongoing sustained work requirements for the team, and the aspirations of the Counter-Fraud and Corruption Strategy.

Members were asked to note that the development of the Counter-Fraud and Corruption Strategy, for which the focus is on organisational awareness and communication, through which mandatory training will be delivered and the Council will participate in the International Fraud Awareness Week in November. A Member commended the Strategy and considered it to be focussed. It was suggested that, as a presentational point, fraud and corruption were of equal concern, and the strategy should therefore be communicated as such.

RESOLVED – That the report be noted.

## 17 : INTERNAL AUDIT ANNUAL REPORT 2018/19

The Audit Manager presented the Internal Audit Annual Report drawing attention to the annual opinion on the adequacy and effectiveness of the systems of governance, risk management and control, and the summary of work supporting the opinion. The Audit Manager also reported conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN), and the results of the Quality Assurance and Improvement Programme (QAIP) that support the statement.

RESOLVED – That the report be noted.

## 18 : INVESTIGATION TEAM ANNUAL REPORT 2018/19

The Committee received the Investigation Team Annual Report 2018/19. The report set out the activity and performance of the team for the year. Activity was primarily split between investigations, delivery of training and reviewing key fraud, bribery and corruptions related policies and guidance.

Members were advised that the Team was significantly involved in supporting the police investigation into alleged fraud within Waste Management. The Investigation Team has also led on the development of the Council's Counter Fraud and Corruption Strategy.

The Committee discussed the Annual Report. A Member considered that it may be useful to record cases of corruption separately, to which the Audit Manager advised that this would be challenging, but that consideration will continue to be given to reporting components going forward.

RESOLVED – That the report be noted.

19 : SCRUTINY CORRESPONDENCE

No scrutiny correspondence was received.

20 : OUTSTANDING ACTIONS

The outstanding actions were noted.

21 : WORK PROGRAMME UPDATE

The Committee Work Programme was noted.

22 : URGENT ITEMS (IF ANY)

No urgent items were received.

23 : DATE OF NEXT MEETING

The next meeting of the Committee will take place on 10 September 2019.

The meeting terminated at 4.30 pm

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## **AUDIT COMMITTEE: 10<sup>TH</sup> SEPTEMBER 2019**

### **TITLE OF REPORT – SCHOOL GOVERNANCE, BALANCES AND DEFICITS**

### **REPORT OF DIRECTOR OF EDUCATION**

### **AGENDA ITEM: 4.1**

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

1. Following an Audit Committee Meeting in June 2014, it has been arranged for the Committee to receive annual reports on governance in schools, and updated figures and information on the management of the corporate risk relating to school balances. In its meeting on 28 November 2018, Audit Committee requested the reports in respect of school governance be received biannually.
2. The Audit Committee has requested this update in respect of its role to:
  - Monitor progress in addressing risk-related issues reported to the Committee;
  - Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions;
  - Consider the Council’s arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements;
  - Review the assessment of fraud risks and potential harm to the Council from fraud and corruption.

#### **Background**

3. The annual net budget delegated to the 127 schools in Cardiff in the 2019/2020 financial year was £241.344m. School Governing Bodies are delegated the responsibility for the effective governance of these funds and are accountable for the proper use of that funding.
4. The Welsh Government’s School Funding (Wales) Regulations 2010 (“The Regulations”) set the parameters for how Local Authorities in Wales should fund individual schools and also oblige each Local Authority (LA) to publish a Scheme for Financing Schools (“The Scheme”). The Regulations list the matters that are required to be included in The Scheme, including financial reporting requirements, audit, banking and procurement obligations.
5. In addition to The Scheme, schools receive regular advice and guidance on financial issues through the Council’s Local Financial Management Team and the Council’s Internal Audit Section.
6. Each LA in Wales is obliged to have a School Budget Forum, which is key to developing informed and confident dialogue between the LA and its schools on

budgetary issues including school funding levels, financial pressures on schools, changes to local funding formulae and the review of contracts/service level agreements between an LA and schools.

7. In Cardiff, the terms of reference, membership listing, all agendas and the minutes of each meeting of the School Budget Forum are published on the Council's website.

**Issues**

**a) Control Risk Self-Assessment (CRSA) and Thematic Audit**

8. Internal Audit has continued to apply a CRSA approach for cyclical assurance across all schools. This tool continues to be used in all schools to promote improved self-governance and accountability. The Council's Internal Audit Section receives each completed CRSA to quality assure the return used to assess risk.
9. Following a full CRSA exercise which was completed by all schools and reviewed by audit colleagues in 2017/18, the approach has involved the use of focussed CRSA reviews, to audit targeted areas in greater depth, as follows:

Area	Coverage	Status
<b>ICT Governance CRSA</b>	All Secondary Schools	Audit testing complete and an overall opinion of 'Effective with opportunity for improvement' provided.
<b>Counter-Fraud CRSA</b>	All Schools	All schools will be required to complete the assessment in the Autumn Term 2019, for audit testing.

10. Internal Audit has planned to complete the next full CRSA exercise for all schools next year, as part of their review cycle.
11. A thematic audit on income collection in schools is planned for later this year, which will be informed by the counter-fraud CRSA in which income security is an area of focus. For further support in internal control matters, in recent months audit colleagues have attended a strategic briefing for Chairs of Governors and the School Budget Forum, to provide guidance on good practice in procurement, and to introduce the corporate Counter-Fraud Strategy and the CRSA approach.

**b) Individual School Audits**

12. During the 2018/2019 financial year and in 2019/20 to date, the following assurance audit work has been undertaken in schools:

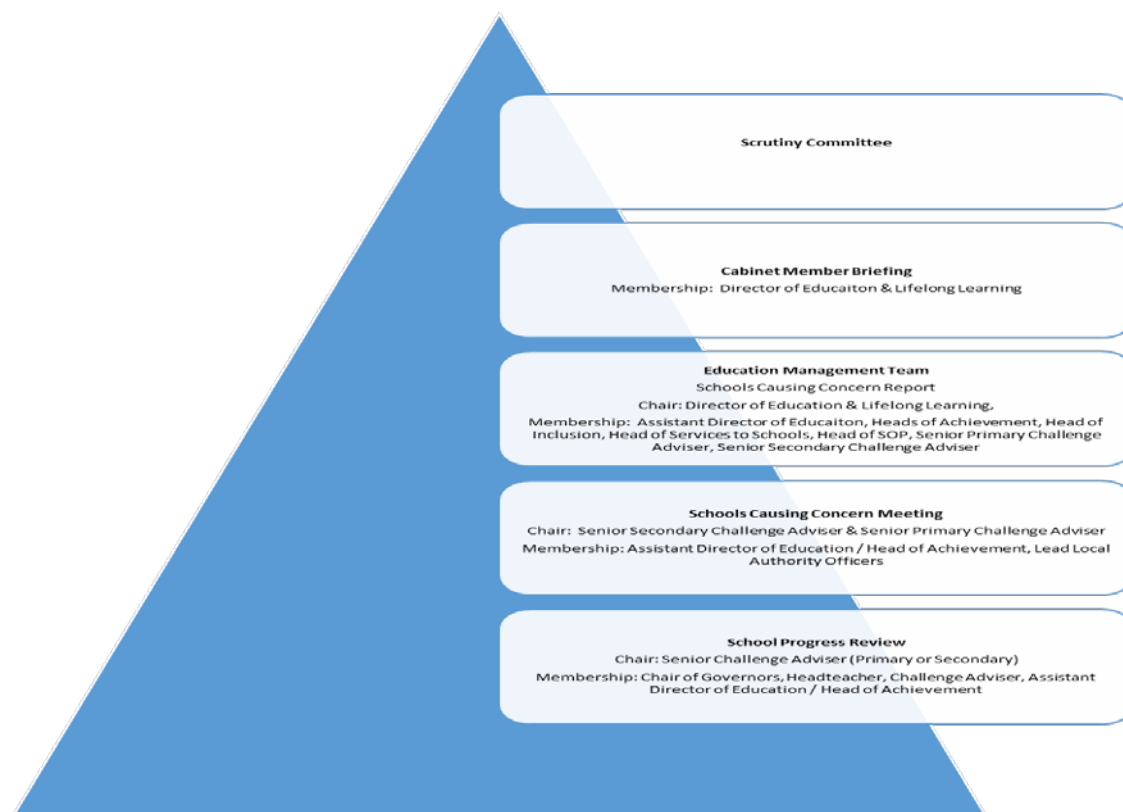
Audit	Status	Assurance Rating	Number of Recommendations
Baden Powell	Final	Insufficient with major improvement needed	16
Llandaff Church in Wales	Final	Effective with Opportunity for Improvement	15
Pontprennau	Final	Unsatisfactory	16
St. David's	Final	Insufficient with major improvement needed	10
St Peter's	Final	Unsatisfactory	20

Whitchurch Primary School	Final	Effective with opportunity for improvement	11
Willows	Final	Effective with opportunity for improvement	7
Ysgol Glantaf	Final	Insufficient with major improvement needed	12
Whitchurch High School	Final	Insufficient with major improvement needed	12

**c) Managing School Governance**

13. Within the Education Directorate, the Education Management Team (EMT), which meets on a weekly basis, provides the forum for co-ordinating the approach to assurance work. In addition to receiving and discussing every school audit report, EMT also receives an analysis of the work that is undertaken through the Schools Causing Concern process – see fig1 below. Each half term, officers from across the Council (HR, LFMS, Health and Safety, Education and Internal Audit) come together with colleagues from the Central South Consortium to identify and discuss individual school related issues to form a holistic view as to whether individual schools require additional support or intervention.

Fig 1 – Governance arrangements in Cardiff for Schools Causing Concern



14. An example of this increased support and intervention may be evidenced through the decision taken, following the receipt of an adverse Estyn Inspection and Audit Report, to intervene in the governance of St. Peter’s Primary RC School in January 2019. The intervention that has been put in place includes the withdrawal of financial delegation and the appointment of additional governors, including the Chair of the Governing Body.

#### d) School Balances

15. Attached as Appendix A is an analysis of individual school balances as at 31<sup>st</sup> March 2019, together with the previous five financial years balances for each school. Attached as Appendix B is an analysis of school balances as at 31<sup>st</sup> March 2019 which also shows the balance as a % proportion of the school's annual delegated budget.
16. Overall, the level of surplus balances held by schools has reduced from £7.319m at 31<sup>st</sup> March 2018, to £5.658m at 31<sup>st</sup> March 2019.
17. **Deficit Balances** - there are 12 schools - six Primary and six Secondary Schools - which carried forward a deficit balance. This is a worse position than in the previous year when there were nine schools (five Primary and four Secondary Schools) 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.
18. **Surplus Balances – Appendix B** indicates that, as at 31<sup>st</sup> March 2019, there were 44 schools with a balance which was in excess of both 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).

#### e) Managing School Balances

19. The number and level of schools with a deficit balance remains too high. Colleagues from Financial Services, Education and the Central South Consortium continue to work with schools together to formulate and monitor individual school budget recovery plan. However, I have continued to identify this risk on the Corporate Risk Register.
20. Whilst the overall level of school balances has decreased, I continue to work with colleagues in Financial Services to monitor and challenge schools where I believe a surplus balance is too excessive.
21. The Chair of Governors of the 44 schools that have exceeded the WG value threshold and the locally agreed percentage threshold will be asked to provide a justification of holding that balance and a description of their planned use of the balance within the 2019/2020 financial year.
22. Appendix B also indicates (with an asterisk mark in the right hand column) the schools that received a letter directing them to spend their surplus balance held at the end of the 2017/2018 financial year. The 18 schools identified had exceeded the thresholds for three consecutive years. From the balances held at 31<sup>st</sup> March 2019, only a small proportion of those schools actually complied with that direction.
23. The Council has retained the ability to either direct spending of the surplus balance to a Governing Body or reclaim either part or the whole of a surplus balance if a governing body does not have a robust plan to spend or has retained a balance for a number of financial years. Those schools who did not comply with the letter of direction issued to them in the 2018/19 financial year will be asked to meet with Officers from Education and Financial Services to justify their continued holding of



such balances before a decision is made whether to reclaim either part of all of the surplus balance from the school.

**f) Director's Opinion**

- 24. I continue to be encouraged by the work undertaken through the Control Risk Assessment Tool and the audits that have been undertaken during 2018/2019 and those audits ongoing and planned for 2019/20.
- 25. However, during the year there are still too many schools being assessed less than satisfactory. I will continue to exercise the LA powers of intervention on those schools where poor financial management and poor governance are identified, and warrant such action.

**Legal Implications**

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

**Financial Implications**

- 27. The financial implications (if any) arising from this report have been contained within the body of the report.

**Recommendations**

- 28. That the Audit Committee considers and notes the content of the report.

**NAME: NICK BATCHELAR**  
**DESIGNATION: DIRECTOR OF EDUCATION AND LIFELONG LEARNING**  
**Date: 10 SEPTEMBER 2019**

*The following Appendix is attached:*

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

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

Mae'r dudalen hon yn wag yn fwriadol

## APPENDIX A

### DELEGATED SCHOOLS BALANCES : LAST 6 YEARS

Profit Centre	School	Bal as at 31st March 2014	Bal as at 31st March 2015	Bal as at 31st March 2016	Bal as at 31st March 2017	Bal as at 31st March 2018	Bal as at 31st March 2019
EA001	Adamsdown Primary School	-72,348.81	-34,871.59	1,585.28	-46,829.07	-60,126.77	-102,657.41
EA002	Albany Primary School	-94,223.97	-74,778.61	-64,974.37	-55,800.88	-117,861.73	-50,207.29
EA003	Allensbank Primary School	-21,941.57	-20,266.75	-81,374.27	-81,582.38	-62,719.84	-5,577.71
EA004	All Saints C.W. Primary School	-23,765.59	-39,684.21	-32,468.86	-3,583.98	-34,371.43	-54,965.63
EA005	Baden Powell Primary School	-31,979.63	-148,384.59	-36,006.61	-57,627.58	-94,360.07	-73,223.73
EA006	Birchgrove Primary School	-58,196.43	-88,568.47	-92,720.50	-126,717.83	-146,237.80	-152,053.66
EA007	Bishop Childs C.W. Primary School	-51,672.83	-57,053.58	-28,896.50	-46,174.62	-43,753.28	-34,593.22
EA008	Bryn Celyn Primary School	21,037.08	-8,366.88	-37,900.57	-86,309.73	-72,510.89	-55,170.38
EA009	Bryn Deri Primary School	-26,862.33	-18,820.51	-21,430.40	-51,690.15	-21,796.63	-13,109.19
EA010	Bryn Hafod Primary School	-37,940.18	3,526.88	-27,030.80	-44,667.73	-89,197.79	-136,992.59
EA014	Christ The King R.C. Primary School	-3,617.70	-23,099.14	-48,674.43	-41,477.29	-43,612.13	-45,146.34
EA015	Coed Glas Primary School	-37,877.41	-35,913.27	-122,056.34	-56,812.90	-175,603.54	-74,057.91
EA016	Coryton Primary School	15,710.69	26,799.82	-23,767.81	-48,753.57	-26,909.27	-11,339.05
EA017	Creigiau Primary School	-56,645.24	-59,634.31	-46,360.29	-56,147.34	-74,963.44	-52,741.89
EA020	Danescourt Primary School	48,063.36	40,195.78	49,085.28	44,499.38	-15,990.13	-34,207.19
EA023	Fairwater Primary School	-3,134.63	-14,651.38	4,180.40	-26,605.33	-31,013.62	-52,393.94
EA024	Gabalfa Primary School	-51,402.04	-21,266.29	-60,933.27	-51,136.43	-20,159.40	-22,844.54
EA025	Gladstone Primary School	-35,185.96	-64,444.77	-80,019.92	-13,397.24	-38,252.90	-28,499.90
EA026	Glan Yr Afon Primary School	11,393.45	-13,494.04	-10,698.66	-7,598.75	-24,020.84	64,892.88
EA029	Grangetown Primary School	-29,103.36	-125,608.53	-94,042.72	-129,346.81	-73,298.73	-28,250.34
EA030	Grangetown Nursery School	-18,913.26	-47,528.70	-82,266.92	-74,353.45	-94,402.88	-123,970.59
EA031	Greenway Primary School	-18,200.19	-32,110.31	-70,311.78	-108,711.07	-130,234.41	-131,932.97
EA032	Gwaelod-y-Garth Primary School	-22,532.51	-11,598.45	-42,287.48	-26,898.64	-31,648.20	-21,780.46
EA034	Hawthorn Primary School	-885.27	-8,093.39	-30,007.33	-32,640.31	-106,428.94	-42,967.29
EA035	Herbert Thompson Primary School	-19,620.22	-49,394.77	-52,628.26	-37,600.27	5,773.46	-43,037.90
EA036	Holy Family R.C. Primary School	-14,668.32	-9,535.83	-27,662.18	-22,491.26	-50,691.71	-79,857.47
EA038	Hywel Dda Primary School	-62,321.04	-76,792.90	-91,272.04	-75,354.26	-112,329.30	-112,705.20
EA039	Kitchener Primary School	-41,849.38	-3,023.37	-20,457.28	-28,297.73	-39,367.61	-128,224.36
EA040	Lakeside Primary School	-15,411.62	-26,206.65	-79,704.30	-148,746.67	-182,675.07	-90,225.71
EA041	Lansdowne Primary School	8,413.03	-1,660.33	-13.24	-8,159.51	-80,947.22	-112,503.95
EA042	Llandaff C.W. Primary School	-21,667.98	-4,763.77	-26,530.19	-55,149.89	-35,563.13	-46,941.60
EA043	Llanedeyrn Primary School	-30,517.51	-105,532.06	-41,515.41	-1,755.46	-56,090.65	-33,638.82
EA044	Llanishen Fach Primary School	-7,457.57	-56,652.99	-50,462.15	-41,664.67	-61,394.66	-23,152.18
EA045	Llysfaen Primary School	-113,887.23	-62,523.81	-93,609.95	-88,565.63	-101,125.98	-54,954.60
EA048	Meadowlane Primary School	25,589.43	-61,907.97	-62,623.36	-29,499.32	-44,467.78	-1,152.72
EA049	Millbank Primary School	-33,340.23	-64,060.48	-57,712.32	-67,593.01	-51,318.64	-23,991.98
EA050	Moorland Primary School	-16,004.29	-18,892.98	-44,056.18	-49,412.59	-90,686.87	-52,520.61
EA052	Mount Stuart Primary School	-37,638.60	-51,048.08	-104,498.26	-121,884.64	-86,092.14	-94,850.10
EA053	Ninian Park Primary School	-1,587.15	-45,669.56	-61,796.27	-78,384.70	-132,887.62	-138,480.98
EA054	Pontprenau Primary School	0.00	0.00	190.13	-20,864.64	67,183.47	28,704.81
EA055	Oakfield Primary School	24,477.36	47,569.46	-67,527.27	-76,273.07	-123,472.77	-102,546.17
EA056	Pentrebane Primary School	-57,060.89	-68,289.97	-42,793.30	21,264.42	-59,473.04	-8,579.40
EA057	Pentyrch Primary School	-25,857.91	-21,959.09	-21,943.28	-33,950.87	-23,539.47	2,386.09
EA058	Pen-y-Bryn Primary School	-30,470.23	-8,177.10	-41,422.26	-53,608.95	-106,781.00	-53,173.99
EA059	Peter Lea Primary School	-22,682.57	29,523.87	18,017.21	-37,583.12	-88,972.41	-28,976.32
EA060	Radnor Primary School	-34,454.30	-19,506.03	-25,777.56	-57,294.79	-35,410.05	-44,263.40
EA061	Radyr Primary School	-43,205.91	-29,617.55	-29,331.61	-47,376.40	-86,213.82	-43,496.75
EA062	Rhiwbeina Primary School	-75,855.05	-50,043.83	-135,099.85	-102,202.37	-162,259.11	-127,273.45
EA063	Rhydypenau Primary School	-51,319.67	-58,062.33	-102,835.77	-90,879.57	-115,673.12	-116,501.85
EA064	Roath Park Primary School	-56,896.11	-56,765.57	-34,939.87	-65,796.28	-49,331.35	-112,249.45
EA065	Rumney Primary School	-17,073.26	-9,996.49	-47,425.45	-32,266.30	-48,091.54	-43,499.24
EA068	Severn Primary School	-56,000.87	-39,743.04	-96,126.14	-73,586.64	-87,948.13	-54,194.06
EA069	Springwood Primary School	-69,416.13	-66,686.67	-61,285.11	-78,804.00	-44,695.53	-15,619.71
EA070	Stacey Primary School	-28,788.21	-9,451.72	-27,804.44	-50,877.33	-56,638.36	-30,543.84
EA071	St Alban's R.C. Primary School	176,329.41	192,820.92	42,294.52	23,969.04	-21,517.29	157.12
EA073	St Bernadette's R.C. Primary School	-10,093.53	-12,944.21	-18,446.92	-38,358.11	-75,331.19	-82,987.25
EA074	St Cadoc's R.C. Primary School	-48,018.21	-30,703.19	-46,727.18	-63,637.94	-76,152.28	-35,211.40
EA075	St Cuthbert's R.C. Primary School	-46,039.84	-73,962.04	-44,596.99	-64,969.90	-47,654.93	-102,324.37
EA076	St David's C.W. Primary School	-2,236.86	3,750.02	6,095.57	-16,703.36	-27,183.09	-25,091.04
EA077	St Fagan's C.W. Primary School	26,268.28	-9,275.50	-20,151.72	-20,305.96	-23,689.03	-29,524.11
EA078	St Francis R.C. Primary School	-55,682.76	-19,852.38	-34,876.16	-61,139.44	-44,985.60	-36,198.67
EA079	St John Lloyd R.C. Primary School	-45,415.61	-67,956.86	-65,295.20	-87,952.46	-101,000.53	-92,241.83
EA080	St Joseph's R.C. Primary School	75,433.30	112,780.04	111,169.51	66,334.70	-8,835.63	-11,206.13
EA081	St Mary's R.C. Primary School	46,020.79	43,665.98	6,659.36	-60,448.83	-48,735.53	-23,991.01
EA082	St Mary The Virgin C.W. Primary School	-40,291.70	-15,203.61	-23,194.15	-40,316.52	-40,032.89	-17,702.96
EA083	St Mellons C.W. Primary School	-39,242.45	-30,752.88	-25,977.75	-31,579.61	-44,385.68	-46,054.06
EA084	St Monica's C.W. Primary School	47,570.02	93,055.69	20,819.71	1,695.22	-19,970.14	5,190.78
EA085	St Patrick's R.C. Primary School	-29,389.90	-14,302.80	-17,777.01	-3,114.64	7,755.33	-16,082.02
EA086	St Paul's C.W. Primary School	-53,489.57	-58,038.73	-43,950.13	-43,654.64	-62,578.37	-2,329.74
EA087	St Peter's R.C. Primary School	-47,083.16	-90,969.79	-121,292.56	-180,390.47	-187,254.23	-23,265.34
EA088	St Philip Evans R.C. Primary School	15,079.50	-93,589.01	-79,790.67	-65,688.02	-53,439.67	-454.76
EA089	Thornhill Primary School	6,933.89	-19,600.42	-34,052.85	-9,345.48	-33,022.26	-26,789.07
EA090	Tongwynlais Primary School	-36,612.81	-17,422.95	-17,453.16	-36,430.12	-34,171.56	-25,686.99
EA091	Ton-yr-Ywen Primary School	-37,335.92	-71,700.02	-65,838.93	-46,917.08	-51,758.76	25,294.14
EA092	Tredegaville C.W. Primary School	-49,115.75	2,465.08	-25,467.85	-20,537.10	-57,663.33	-36,166.33
EA093	Trelai Primary School	-65,120.00	-38,322.06	-25,894.60	-118,912.73	-172,160.49	-123,508.15
EA094	Tremorfa Nursery School	-42,397.62	-37,801.05	-53,463.36	-41,309.15	-30,272.18	-17,796.72
EA098	Willowbrook Primary School	-13,783.91	-42,355.99	-39,862.13	-73,287.39	-94,314.78	-52,575.56
EA100	Windsor Clive Primary School	-68,824.02	-122,969.09	-101,803.24	-89,821.85	-161,619.68	-102,409.30
EA101	Ysgol Bro Eirwg	-28,661.48	-63,328.60	-58,227.45	-52,198.04	-65,490.21	-87,742.23
EA102	Ysgol Gymraeg Coed-y-Gof	-29,603.90	-86,462.12	-59,296.83	-10,452.75	-7,369.65	-28,555.68
EA103	Ysgol Melin Gruffydd	-44,985.10	-49,084.05	-52,191.31	-39,128.95	-98,337.66	-93,251.56
EA104	Ysgol Pencae	-9,438.66	-19,753.89	-28,553.46	-21,353.76	-67,381.82	-98,066.17
EA105	Ysgol Pwll Coch	-24,435.93	-15,978.69	12,116.51	-42,818.18	-76,021.72	-104,883.18
EA106	Ysgol-y-Berllan Deg	-23,638.85	-6,887.00	19,840.48	-12,039.96	-83,670.54	-54,899.92
EA107	Ysgol Mynydd Bychan	-43,629.09	-10,716.25	-5,202.63	-42,821.30	-47,469.08	-38,806.13
EA108	Ysgol Gymraeg Treganna	-17,387.06	-20,021.89	-54,350.21	-99,775.85	-141,320.84	-121,759.91
EA109	Ysgol-y-Wern	-39,401.70	-53,208.73	-49,519.71	-54,432.67	-98,549.46	-90,448.57
EA110	Ysgol Glan Morfa	44,364.61	-8,626.33	-22,874.78	-18,177.09	-80,548.77	-47,916.83

Profit Centre	School	Bal as at 31st March 2014	Bal as at 31st March 2015	Bal as at 31st March 2016	Bal as at 31st March 2017	Bal as at 31st March 2018	Bal as at 31st March 2019
EA111	Ysgol Gymraeg Nant Caerau	14,677.06	14,224.25	-2,631.52	-17,602.94	-47,307.16	-53,679.54
EA113	Ysgol Gynradd Gymraeg Pen Y Groes	-62,879.65	-31,421.10	-70,864.65	-42,983.56	-92,612.46	-34,086.05
EA114	Ysgol Pen Y Pil	-49,849.17	-37,536.48	-14,946.13	-14,741.02	-25,810.47	-24,076.63
EA115	Ysgol Glan Ceubal	4,803.52	16,334.16	-6,117.54	18,147.68	-12,937.37	-24,330.09
EA116	Pencaerau Primary	-17,070.41	-21,751.57	-46,114.60	-49,961.65	-49,258.62	-19,883.10
EA117	Trowbridge Primary	-32,955.00	-20,240.58	-6,368.70	-12,549.86	20,574.57	-85,711.76
EA246	ICC Ely	-34,242.84	42,688.12	-65,395.77	-134,837.07	-128,917.01	-80,353.88
EA247	Glyncoed Primary School	-48,153.33	-74,467.07	-22,472.78	-117,551.55	-95,577.06	-47,667.09
EA248	Marlborough Primary School	-89,621.33	-126,366.66	-81,112.39	-64,851.09	-73,186.59	-17,188.96
EA249	Whitchurch Primary School	-58,078.98	-136,624.12	-184,736.27	-189,300.39	-122,947.03	-228,951.97
EA250	Howardian Primary School	0.00	0.00	-98,975.52	-139,009.56	-150,485.06	-92,488.85
EA251	Ysgol Hamadryad	0.00	0.00	0.00	-69,658.30	-88,720.71	-78,307.55
<b>Total Primary &amp; Nusery</b>		<b>-2,453,522.53</b>	<b>-3,005,000.40</b>	<b>-4,226,894.02</b>	<b>-5,235,942.92</b>	<b>-6,913,974.32</b>	<b>-5,521,865.65</b>

#### ANALYSIS OF SECONDARY SCHOOLS BALANCES AS AT 31ST MARCH 2019

Profit Centre	School	Bal as at 31st March 2014	Bal as at 31st March 2015	Bal as at 31st March 2016	Bal as at 31st March 2017	Bal as at 31st March 2018	Bal as at 31st March 2019
EA120	Corpus Christi R.C. High School	41,507.15	-62,062.23	-98,907.40	-137,533.07	-182,416.07	-208,968.49
EA121	Mary Immaculate High School	75,121.11	-66,085.35	-106,069.75	-100,833.12	-94,312.33	-156,863.98
EA122	St Illtyd's R.C. High School	-13,653.60	-13,154.99	122,555.01	26,618.83	-31,876.33	-59,942.21
EA123	Bishop Of Llandaff C.W. High School	66,445.95	263,648.15	212,229.39	-15,617.69	-34,495.85	-12,276.76
EA124	Federation - Michaelston / Glyn Derw	711,124.90	1,177,722.19	1,271,835.59	1,421,087.03	0.00	0.00
EA125	Cantonian High School	1,287,786.25	1,226,723.76	1,108,993.26	891,012.52	868,863.66	778,442.78
EA126	Cardiff High School	79,487.29	-42,668.72	23,402.54	-30,497.15	-160,108.08	-186,861.08
EA127	Cathays High School	-31,712.17	-28,483.25	-145,658.99	-15,086.74	-922.56	-28,152.00
EA128	Fitzalan High School	-698.51	-22,197.77	-16,865.80	1,100.95	-200.95	-34,901.71
EA132	Llanishen High School	-73,228.54	-5,090.97	144,595.81	40,323.62	-64,584.34	-146,189.74
EA134	Radyr Comprehensive	-99,431.74	-99,691.21	-85,485.08	-103,723.28	-64,434.66	-10,410.24
EA136	St Teilo's C.W. High School	250,601.57	-86,618.27	-143,141.71	-102,803.89	-147,379.52	-53,327.66
EA137	Whitchurch High School	79,859.32	205,153.36	297,225.34	192,727.95	180,926.60	499,139.07
EA138	Willows High School	-3,381.01	43,576.99	-57,794.32	-134,820.04	77,070.44	65,278.90
EA139	Ysgol Gyfun Gymraeg Glantaf	-97,668.87	-202,723.62	-131,340.90	-55,535.59	351,483.69	308,819.20
EA140	Ysgol Gyfun Gymraeg Plasmawr	64,608.27	174,666.11	20,995.25	-70,274.83	-55,053.27	34,076.14
EA141	Ysgol Gyfun Bro Edern	-46,917.63	-60,327.48	-80,878.69	-84,742.25	26,750.69	-46,936.46
EA142	Eastern High School	0.00	-139,607.94	-121,644.55	-119,983.54	-110,674.44	-237,964.65
EA143	Cardiff West Comm HS					-62,961.57	53,888.33
<b>Total Secondary</b>		<b>2,670,774.85</b>	<b>2,262,778.76</b>	<b>2,214,045.00</b>	<b>1,601,419.71</b>	<b>495,675.11</b>	<b>556,849.44</b>

#### ANALYSIS OF SPECIAL SCHOOLS BALANCES AS AT 31ST MARCH 2019

Profit Centre	School	Bal as at 31st March 2014	Bal as at 31st March 2015	Bal as at 31st March 2016	Bal as at 31st March 2017	Bal as at 31st March 2018	Bal as at 31st March 2019
EA150	The Court School	-72,809.42	-78,519.65	-71,036.70	-93,826.33	-148,535.41	-74,169.77
EA151	Riverbank School	-58,653.60	-74,255.82	-66,736.19	-6,659.59	-15,229.57	-29,546.66
EA152	Ty Gwyn School	-61,135.67	-160,224.53	-183,511.64	-188,194.66	-257,725.47	-182,212.67
EA153	Woodlands High School	-69,536.52	-10,512.73	26,341.38	151.87	-63,839.22	-85,896.06
EA154	Greenhill School	-124,628.86	-95,899.20	-97,321.92	-96,616.63	-154,940.94	-79,590.86
EA155	Meadowbank School	-86,363.41	-73,742.81	-65,774.10	-93,283.32	-98,346.34	-142,353.15
EA156	The Hollies School	-78,577.74	-51,693.06	-50,717.90	-129,608.06	-162,146.62	-99,467.05
<b>Total Special</b>		<b>-551,705.22</b>	<b>-544,847.80</b>	<b>-508,757.07</b>	<b>-608,036.72</b>	<b>-900,763.57</b>	<b>-693,236.22</b>
<b>GRAND TOTAL ALL SCHOOLS</b>		<b>-334,452.90</b>	<b>-1,287,069.44</b>	<b>-2,521,606.09</b>	<b>-4,242,559.93</b>	<b>-7,319,062.78</b>	<b>-5,658,252.43</b>



APPENDIX B

DELEGATED SCHOOLS BALANCES 2018 19 : EXPRESSED AS A % OF FORMULA

Cost Centre	FULL NAME	Formula 2018 19	Balances	Expressed as a %	4% of Formula	Balance over £50,000 and 4% of Formula	Excess Surplus
EA001	Adamsdown Primary School	1,456,240	-102,657.41	-7.05%	58,249.60	Y	-44,407.81
EA002	Albany Primary School	1,543,560	-50,207.29	-3.25%	61,742.40	N	0.00
EA003	Allensbank Primary School	1,091,690	-5,577.71	-0.51%	43,667.60	N	0.00
EA004	All Saints C.W. Primary School	672,000	-54,965.63	-8.18%	26,880.00	Y	-4,965.63
EA005	Baden Powell Primary School	1,532,100	-73,223.73	-4.78%	61,284.00	Y	-11,939.73
EA006	Birchgrove Primary School	1,336,060	-152,053.66	-11.38%	53,442.40	Y	-98,611.26
EA007	Bishop Childs C.W. Primary School	739,930	-34,593.22	-4.68%	29,597.20	N	0.00
EA008	Bryn Celyn Primary School	847,360	-55,170.38	-6.51%	33,894.40	Y	-5,170.38
EA009	Bryn Deri Primary School	906,770	-13,109.19	-1.45%	36,270.80	N	0.00
EA010	Bryn Hafod Primary School	1,642,830	-136,992.59	-8.34%	65,713.20	Y	-71,279.39
EA014	Christ The King R.C. Primary School	731,660	-45,146.34	-6.17%	29,266.40	N	0.00
EA015	Coed Glas Primary School	2,235,490	-74,057.91	-3.31%	89,419.60	N	0.00
EA016	Coryton Primary School	882,200	-11,339.05	-1.29%	35,288.00	N	0.00
EA017	Creigiau Primary School	1,359,200	-52,741.89	-3.88%	54,368.00	N	0.00
EA020	Danescourt Primary School	1,459,050	-34,207.19	-2.34%	58,362.00	N	0.00
EA023	Fairwater Primary School	1,042,430	-52,393.94	-5.03%	41,697.20	Y	-2,393.94
EA024	Gabalfa Primary School	1,104,500	-22,844.54	-2.07%	44,180.00	N	0.00
EA025	Gladstone Primary School	825,150	-28,499.90	-3.45%	33,006.00	N	0.00
EA026	Glan Yr Afon Primary School	910,100	64,892.88	7.13%	36,404.00	N	0.00
EA029	Grangetown Primary School	1,439,200	-28,250.34	-1.96%	57,568.00	N	0.00
EA030	Grangetown Nursery School	427,070	-123,970.59	-29.03%	17,082.80	Y	-73,970.59
EA031	Greenway Primary School	962,140	-131,932.97	-13.71%	38,485.60	Y	-81,932.97
EA032	Gwaelod-y-Garth Primary School	1,000,870	-21,780.46	-2.18%	40,034.80	N	0.00
EA034	Hawthorn Primary School	912,230	-42,967.29	-4.71%	36,489.20	N	0.00
EA035	Herbert Thompson Primary School	1,839,080	-43,037.90	-2.34%	73,563.20	N	0.00
EA036	Holy Family R.C. Primary School	671,540	-79,857.47	-11.89%	26,861.60	Y	-29,857.47
EA038	Hywel Dda Primary School	1,742,860	-112,705.20	-6.47%	69,714.40	Y	-42,990.79
EA039	Kitchener Primary School	1,614,900	-128,224.36	-7.94%	64,596.00	Y	-63,628.36
EA040	Lakeside Primary School	1,763,940	-90,225.71	-5.12%	70,557.60	Y	-19,668.11
EA041	Lansdowne Primary School	1,523,990	-112,503.95	-7.38%	60,959.60	Y	-51,544.35
EA042	Llandaff C.W. Primary School	1,321,850	-46,941.60	-3.55%	52,874.00	N	0.00
EA043	Llanedeyrn Primary School	1,736,200	-33,638.82	-1.94%	69,448.00	N	0.00
EA044	Llanishen Fach Primary School	1,862,340	-23,152.18	-1.24%	74,493.60	N	0.00
EA045	Llysfaen Primary School	1,417,220	-54,954.60	-3.88%	56,688.80	N	0.00
EA048	Meadowlane Primary School	1,339,430	-1,152.72	-0.09%	53,577.20	N	0.00
EA049	Millbank Primary School	876,890	-23,991.98	-2.74%	35,075.60	N	0.00
EA050	Moorland Primary School	1,647,510	-52,520.61	-3.19%	65,900.40	N	0.00
EA052	Mount Stuart Primary School	1,653,900	-94,850.10	-5.73%	66,156.00	Y	-28,694.10
EA053	Ninian Park Primary School	1,979,770	-138,480.98	-6.99%	79,190.80	Y	-59,290.18
EA054	Pontprennau Primary School	1,116,000	28,704.81	2.57%	44,640.00	N	0.00
EA055	Oakfield Primary School	1,629,880	-102,546.17	-6.29%	65,195.20	Y	-37,350.97
EA056	Pentrebane Primary School	1,210,160	-8,579.40	-0.71%	48,406.40	N	0.00
EA057	Pentyrch Primary School	598,040	2,386.09	0.40%	23,921.60	N	0.00
EA058	Pen-y-Bryn Primary School	895,770	-53,173.99	-5.94%	35,830.80	Y	-3,173.99
EA059	Peter Lea Primary School	1,293,090	-28,976.32	-2.24%	51,723.60	N	0.00
EA060	Radnor Primary School	1,124,510	-44,263.40	-3.94%	44,980.40	N	0.00
EA061	Radyr Primary School	1,417,290	-43,496.75	-3.07%	56,691.60	N	0.00
EA062	Rhiwbeina Primary School	2,125,730	-127,273.45	-5.99%	85,029.20	Y	-42,244.25
EA063	Rhydypenau Primary School	1,600,630	-116,501.85	-7.28%	64,025.20	Y	-52,476.65
EA064	Roath Park Primary School	1,515,990	-112,249.45	-7.40%	60,639.60	Y	-51,609.85
EA065	Rumney Primary School	1,621,280	-43,499.24	-2.68%	64,851.20	N	0.00
EA068	Severn Primary School	1,798,160	-54,194.06	-3.01%	71,926.40	N	0.00
EA069	Springwood Primary School	1,403,730	-15,619.71	-1.11%	56,149.20	N	0.00
EA070	Stacey Primary School	897,620	-30,543.84	-3.40%	35,904.80	N	0.00
EA071	St Alban's R.C. Primary School	743,850	157.12	0.02%	29,754.00	N	0.00
EA073	St Bernadette's R.C. Primary School	942,030	-82,987.25	-8.81%	37,681.20	Y	-32,987.25
EA074	St Cadoc's R.C. Primary School	1,068,830	-35,211.40	-3.29%	42,753.20	N	0.00
EA075	St Cuthbert's R.C. Primary School	600,180	-102,324.37	-17.05%	24,007.20	Y	-52,324.37
EA076	St David's C.W. Primary School	988,870	-25,091.04	-2.54%	39,554.80	N	0.00
EA077	St Fagan's C.W. Primary School	812,200	-29,524.11	-3.64%	32,488.00	N	0.00
EA078	St Francis R.C. Primary School	1,263,120	-36,198.67	-2.87%	50,524.80	N	0.00
EA079	St John Lloyd R.C. Primary School	1,122,490	-92,241.83	-8.22%	44,899.60	Y	-42,241.83
EA080	St Joseph's R.C. Primary School	666,960	-11,206.13	-1.68%	26,678.40	N	0.00
EA081	St Mary's R.C. Primary School	833,670	-23,991.01	-2.88%	33,346.80	N	0.00
EA082	St Mary The Virgin C.W. Primary School	937,180	-17,702.96	-1.89%	37,487.20	N	0.00
EA083	St Mellons C.W. Primary School	543,470	-46,054.06	-8.47%	21,738.80	N	0.00
EA084	St Monica's C.W. Primary School	557,820	5,190.78	0.93%	22,312.80	N	0.00
EA085	St Patrick's R.C. Primary School	1,060,720	-16,082.02	-1.52%	42,428.80	N	0.00
EA086	St Paul's C.W. Primary School	800,550	-2,329.74	-0.29%	32,022.00	N	0.00
EA087	St Peter's R.C. Primary School	1,687,410	-23,265.34	-1.38%	67,496.40	N	0.00
EA088	St Philip Evans R.C. Primary School	1,264,180	-454.76	-0.04%	50,567.20	N	0.00
EA089	Thornhill Primary School	1,453,280	-26,789.07	-1.84%	58,131.20	N	0.00
EA090	Tongwynlais Primary School	826,920	-25,686.99	-3.11%	33,076.80	N	0.00
EA091	Ton-yr-Ywen Primary School	1,622,290	25,294.14	1.56%	64,891.60	N	0.00
EA092	Tredegaville C.W. Primary School	924,770	-36,166.33	-3.91%	36,990.80	N	0.00
EA093	Trelai Primary School	1,483,400	-123,508.15	-8.33%	59,336.00	Y	-64,172.15
EA094	Tremorfa Nursery School	361,440	-17,796.72	-4.92%	14,457.60	N	0.00
EA098	Willowbrook Primary School	1,442,830	-52,575.56	-3.64%	57,713.20	N	0.00
EA100	Windsor Clive Primary School	1,658,430	-102,409.30	-6.18%	66,337.20	Y	-36,072.10
EA101	Ysgol Bro Eirwg	1,433,150	-87,742.23	-6.12%	57,326.00	Y	-30,416.23
EA102	Ysgol Gymraeg Coed-y-Gof	1,282,750	-28,555.68	-2.23%	51,310.00	N	0.00
EA103	Ysgol Melin Gruffydd	1,506,270	-93,251.56	-6.19%	60,250.80	Y	-33,000.76
EA104	Ysgol Pencae	914,860	-98,066.17	-10.72%	36,594.40	Y	-48,066.17

Cost Centre	FULL NAME	Formula 2018 19	Balances	Expressed as a %	4% of Formula	Balance over £50,000 and 4% of Formula	Excess Surplus
EA105	Ysgol Pwll Coch	1,477,040	-104,883.18	-7.10%	59,081.60	Y	-45,801.57
EA106	Ysgol-y-Berllan Deg	1,371,920	-54,899.92	-4.00%	54,876.80	Y	-23.12
EA107	Ysgol Mynydd Bychan	841,240	-38,806.13	-4.61%	33,649.60	N	0.00
EA108	Ysgol Gymraeg Treganna	2,086,270	-121,759.91	-5.84%	83,450.80	Y	-38,309.11
EA109	Ysgol-y-Wern	1,896,170	-90,448.57	-4.77%	75,846.80	Y	-14,601.77
EA110	Ysgol Glan Morfa	961,980	-47,916.83	-4.98%	38,479.20	N	0.00
EA111	Ysgol Gymraeg Nant Caerau	855,650	-53,679.54	-6.27%	34,226.00	Y	-3,679.54
EA113	Ysgol Gynradd Gymraeg Pen Y Groes	655,500	-34,086.05	-5.20%	26,220.00	N	0.00
EA114	Ysgol Pen Y Pil	734,570	-24,076.63	-3.28%	29,382.80	N	0.00
EA115	Ysgol Glan Ceubal	731,190	-24,330.09	-3.33%	29,247.60	N	0.00
EA116	Pencaerau Primary	1,033,140	-19,883.10	-1.92%	41,325.60	N	0.00
EA117	Trowbridge Primary	840,140	-85,711.76	-10.20%	33,605.60	Y	-35,711.76
EA246	ICC Ely	643,610	-80,353.88	-12.48%	25,744.40	Y	-30,353.88 *
EA247	Glyncoed Primary School	1,396,940	-47,667.09	-3.41%	55,877.60	N	0.00
EA248	Marlborough Primary School	1,827,220	-17,188.96	-0.94%	73,088.80	N	0.00
EA249	Whitchurch Primary School	2,236,510	-228,951.97	-10.24%	89,460.40	Y	-139,491.57 *
EA250	Howardian Primary School	886,980	-92,488.85	-10.43%	35,479.20	Y	-42,488.85
EA251	Ysgol Hamadryad	490,850	-78,307.55	-15.95%	19,634.00	Y	-28,307.55
<b>Primary Schools Total</b>		<b>122,069,970</b>	<b>-5,521,865.65</b>	<b>-4.52%</b>	<b>4,882,798.80</b>	<b>39</b>	<b>-1,595,250.37</b>

Cost Centre	FULL NAME	Formula 2018 19	Balances	Expressed as a %	4% of Formula	Balance over £100,000 and 4% of Formula	Excess Surplus
EA120	Corpus Christi R.C. High School	4,652,380	-208,968.49	-4.49%	186,095.20	Y	-22,873.29
EA121	Mary Immaculate High School	3,673,770	-156,863.98	-4.27%	146,950.80	Y	-9,913.18
EA122	St Illtyd's R.C. High School	4,177,870	-59,942.21	-1.43%	167,114.80	N	0.00
EA123	Bishop Of Llandaff C.W. High School	6,311,030	-12,276.76	-0.19%	252,441.20	N	0.00
EA125	Cantonian High School	4,194,130	778,442.78	18.56%	167,765.20	N	0.00
EA126	Cardiff High School	7,240,440	-186,861.08	-2.58%	289,617.60	N	0.00
EA127	Cathays High School	4,818,240	-28,152.00	-0.58%	192,729.60	N	0.00
EA128	Fitzalan High School	8,505,310	-34,901.71	-0.41%	340,212.40	N	0.00
EA132	Llanishen High School	7,768,620	-146,189.74	-1.88%	310,744.80	N	0.00
EA134	Radyr Comprehensive	5,668,910	-10,410.24	-0.18%	226,756.40	N	0.00
EA136	St Teilo's C.W. High School	6,524,480	-53,327.66	-0.82%	260,979.20	N	0.00
EA137	Whitchurch High School	10,451,490	499,139.07	4.78%	418,059.60	N	0.00
EA138	Willows High School	3,342,390	65,278.90	1.95%	133,695.60	N	0.00
EA139	Ysgol Gyfun Gymraeg Glantaf	5,997,000	308,819.20	5.15%	239,880.00	N	0.00
EA140	Ysgol Gyfun Gymraeg Plasmawr	5,191,110	34,076.14	0.66%	207,644.40	N	0.00
EA141	Ysgol Gyfun Bro Edern	3,255,710	-46,936.46	-1.44%	130,228.40	N	0.00
EA142	Eastern HS	4,439,980	-237,964.65	-5.36%	177,599.20	Y	-60,365.45
EA143	Cardiff West Comm HS	4,277,680	53,888.33	1.26%	171,107.20	N	0.00
<b>Secondary Schools Total</b>		<b>100,490,540</b>	<b>556,849.44</b>	<b>0.55%</b>	<b>4,019,621.60</b>	<b>3</b>	<b>-93,151.92</b>

Cost Centre	FULL NAME	Formula 2018 19	Balances	Expressed as a %	4% of Formula	Balance over £100,000 and 4% of Formula	Excess Surplus
EA150	The Court	989,060	-74,169.77	-7.50%	39,562.40	N	0.00
EA151	Riverbank	1,238,390	-29,546.66	-2.39%	49,535.60	N	0.00
EA152	Ty Gwyn	4,187,020	-182,212.67	-4.35%	167,480.80	Y	-14,731.87 *
EA153	Woodlands	2,049,910	-85,896.06	-4.19%	81,996.40	N	0.00
EA154	Greenhill	1,205,870	-79,590.86	-6.60%	48,234.80	N	0.00
EA155	Meadowbank	492,870	-142,353.15	-28.88%	19,714.80	Y	-42,353.15
EA156	The Hollies	2,405,880	-99,467.05	-4.13%	96,235.20	N	0.00
<b>Special Schools Total</b>		<b>12,569,000</b>	<b>-693,236.22</b>	<b>-5.52%</b>	<b>502,760.00</b>	<b>2</b>	<b>-57,085.02</b>
<b>TOTAL</b>		<b>235,129,510</b>	<b>-5,658,252.43</b>	<b>-2.41%</b>	<b>9,405,180.40</b>	<b>44</b>	<b>-1,745,487.31</b>

**AUDIT COMMITTEE:****10 SEPTEMBER 2019**

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**STATEMENT OF ACCOUNTS 2018/19****REPORT OF THE CORPORATE DIRECTOR RESOURCES****AGENDA ITEM: 5.2**

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**Reason for this Report**

1. The Audit Committee's Terms of Reference requires that Audit Committee:-
  - Review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account the internal audit opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk and internal control.
  - Review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
  - Consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
2. To provide Audit Committee Members with an update following the audit of the draft accounts by Wales Audit Office (WAO), prior to submission to Council.

**Background**

3. The audited Statement of Accounts for the County Council of the City and County of Cardiff and the Cardiff Harbour Authority are shown in Appendix 1. Cardiff and the Vale of Glamorgan Pension Fund audited Statement of Accounts for the financial year 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.
4. 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.
5. The accounts were available for public inspection as required by the Public Audit (Wales) Act 2004 and the Accounts and Audit (Wales) Regulations, 2014 (as amended). Audit committee members were also given this same period of extended time in order to review the accounts and submit questions on the accounts to officers.

6. The final accounts and Annual Governance Statement for 2018/19 are to be submitted for Council approval at the meeting on the 12 September 2019 and will be published online thereafter.

## **Issues**

7. The Council has continued its proactive approach to improvement of the statements in relation to readability, content and information provided. Work undertaken by Accountancy during the year includes:
  - a proactive approach and relationship with WAO raising key issues likely to impact on the accounts prior to their development
  - increasing the opportunity to undertake 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.
8. Following the period of external audit to the date of this report, there are currently no material misstatements which remain uncorrected. The attached appendices include Audit of Financial Statement reports (ISA 260's) for Cardiff Council, Cardiff Harbour Authority and Cardiff and the Vale of Glamorgan Pension Fund, which contain the main issues and corrections, where relevant, deemed to be required to be brought to your attention.
9. 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.
10. 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.
11. Officers will bring forward for Audit Committee consideration a future report setting out a potential approach to materiality and leaving misstatements as uncorrected. Wales Audit office guidance for Audit Committee members when evaluating the impact of misstatements identified as part of the audit is included as Appendix 4.



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

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

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

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

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

19. Some amendments have been made since the Draft AGS was submitted to the Audit Committee on 25 June 2019 and they can be summarised as below:
- The Governance Framework has now been split into its two constituent parts Core and Supporting Principles (Paragraph 8).
  - Additional paragraph inserted in respect to partnership working which had been referenced in the 2017/18 AGS. (Paragraph 50)
  - Paragraph on Cardiff City Transport Services Ltd (Cardiff Bus) was amended in order to explain the intended outcomes sought by the intervention of reviewing the composition of the Board. (Paragraph 62)
  - The AGS Action Plan was amended to highlight the position of the significant issues identified for 2017/18 and 2018/19. (Paragraphs 113 to 117)
  - Additional paragraph inserted to explicitly provide an opinion on the level of assurance of Cardiff's governance arrangements.

### **Looking Forward**

20. 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.

## **Legal Implications**

21. No direct legal implications arise from this report.

## **Financial Implications**

22. This report provides Audit Committee Members with the accounts to be submitted to Council for approval at its meeting on 12 September 2019. The report follows the external audit of the accounts and includes both qualitative findings and highlights any significant amendments made to the accounts following the audit.

## **RECOMMENDATIONS**

23. That the Statement of Accounts for 2018/19 and Annual Governance Statement be noted.

## **CHRISTOPHER LEE**

Corporate Director Resources

10 September 2019

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 – Guidance for Audit Committee members 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 Harbour Authority.

Appendix 7 – Wales Audit Office - Audit of the Financial Statements Report 2018/19 (ISA 260) and Letter of Representation – Cardiff and Vale of Glamorgan Pension Fund

Mae'r dudalen hon yn wag yn fwriadol

# 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.

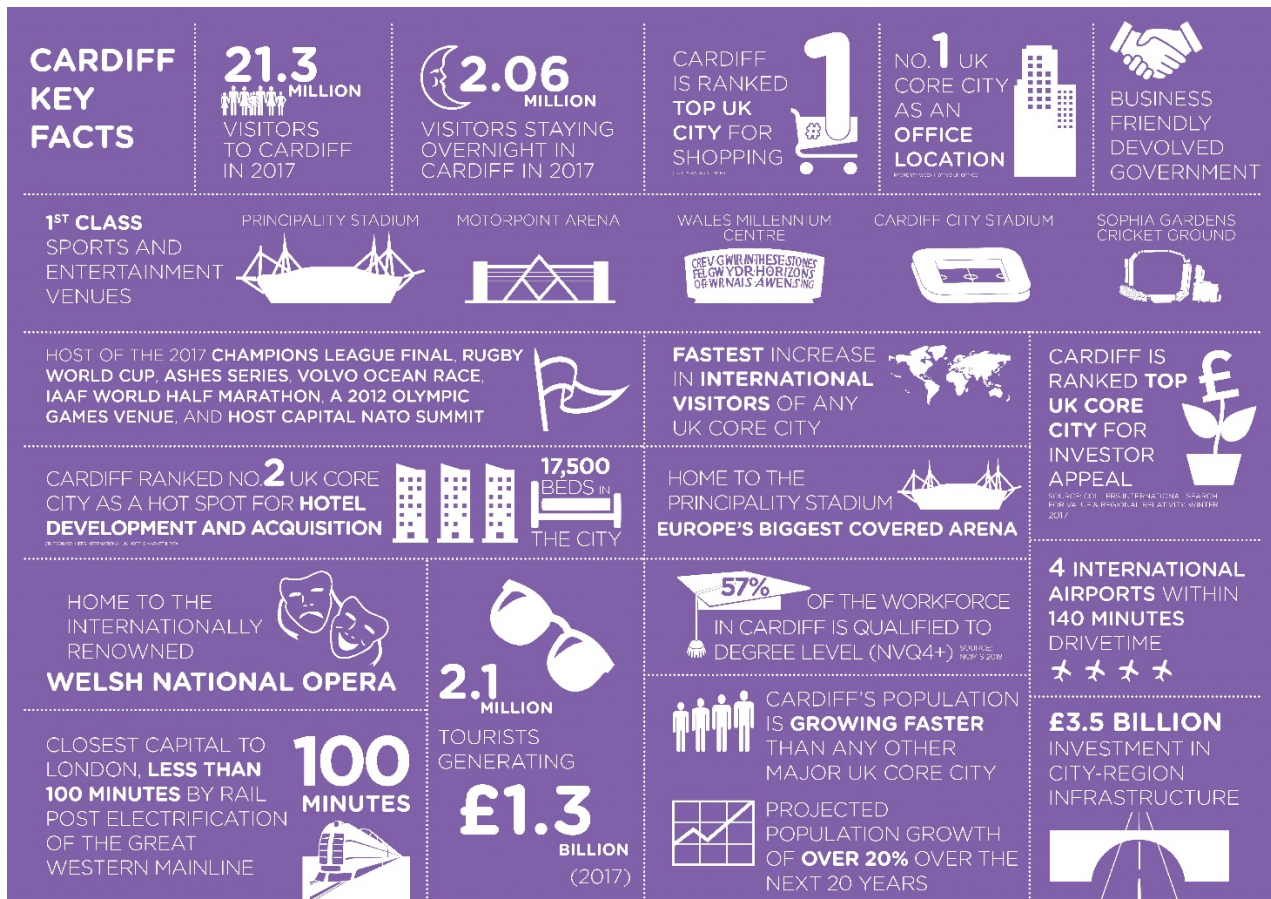
The cumulative savings made by the Council over the past 10 years are over £220 million and the financial outlook for future years remains extremely challenging. The process of identification of savings, modernisation and improvement to ensure resilient services is a continuous one and will need to be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

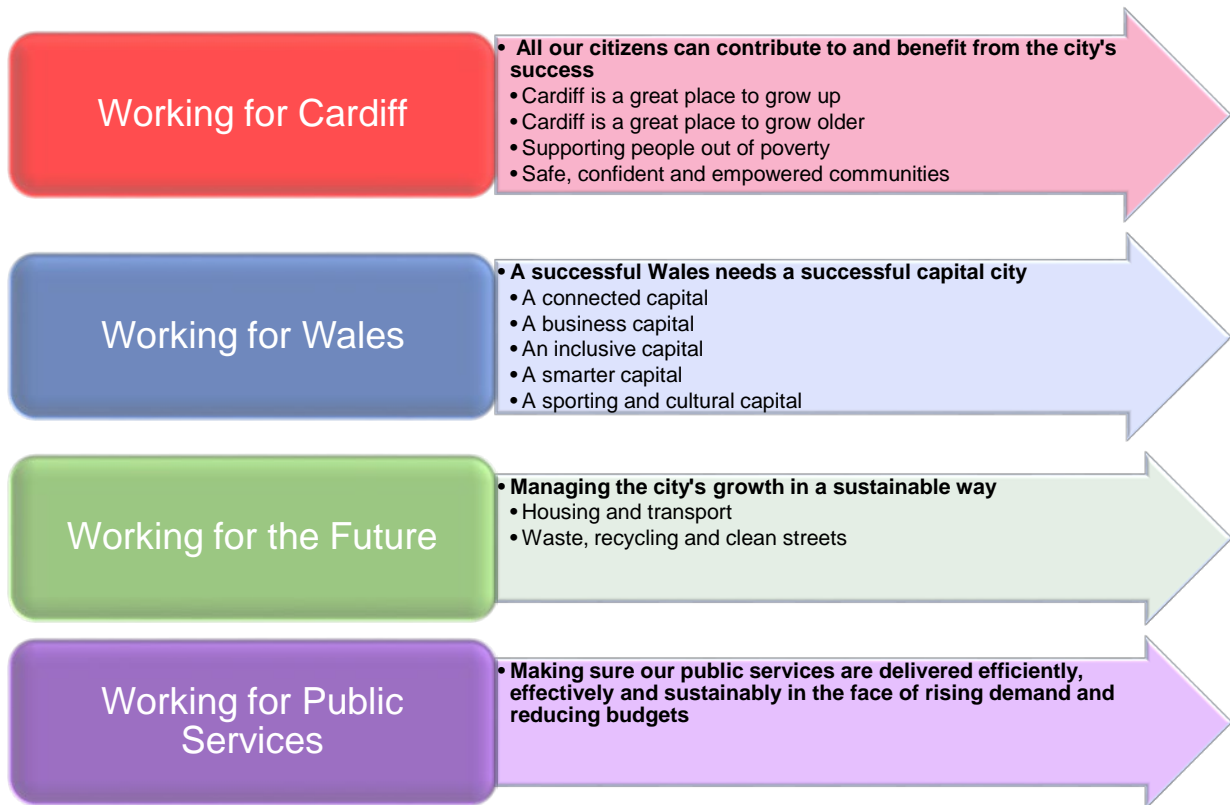
As well as those living in the city, nearly 100,000 people commute to Cardiff every day from across the city region. However, like all cities, Cardiff has its challenges and health, social and economic inequalities exist within the city. Economic success has brought pressures such as congestion, air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

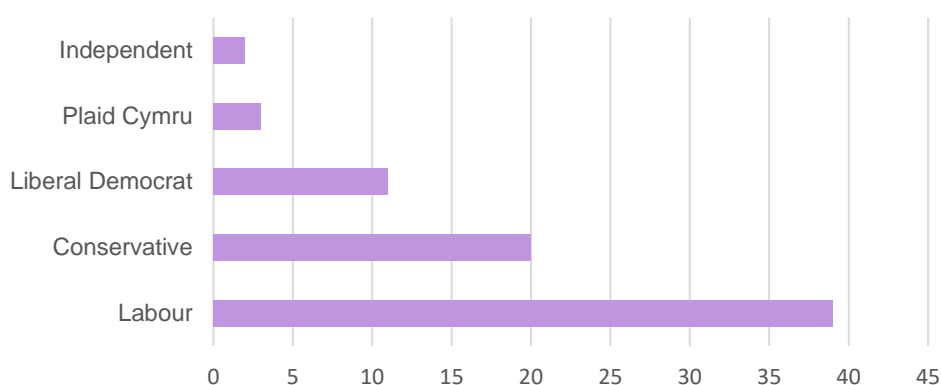
## Our Services and the way we work

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>	<b>Economic Development</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>	<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>	<b>People and Communities - Social 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>	<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>	<b>Resources</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>	<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>	<b>Resources - Governance and Legal Services</b>
<ul style="list-style-type: none"> <li>· Precepts, levies and contributions</li> <li>· Corporate initiatives</li> </ul>	<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).



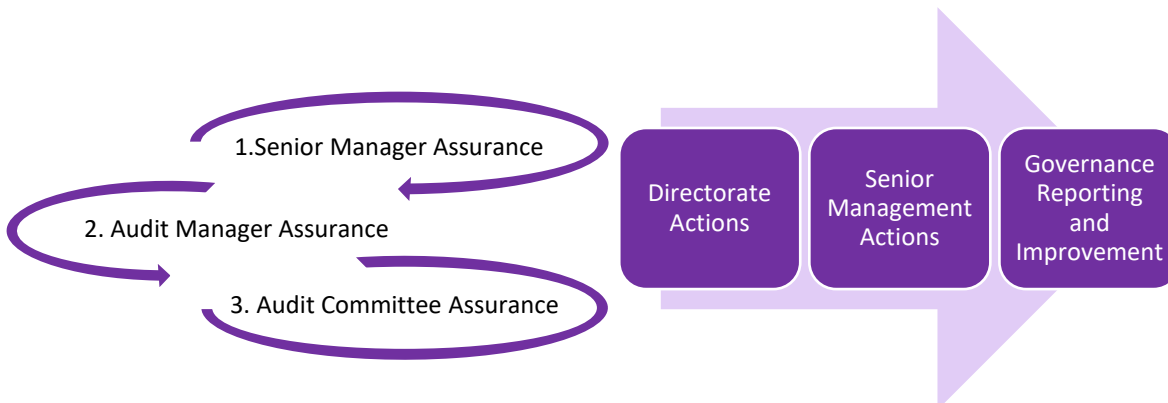
<p><b>966</b> children and adults in need of care and support using the Direct Payments Scheme, this has increased from 908 in 2017-18.</p>	
<p><b>Cardiff Grows in a Resilient Way</b></p> <p><b>48.1%</b> of people travelled to work by sustainable methods compared to 45.8% of people in 2017-18  <b>13.7%</b> 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><b>£46</b> 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.



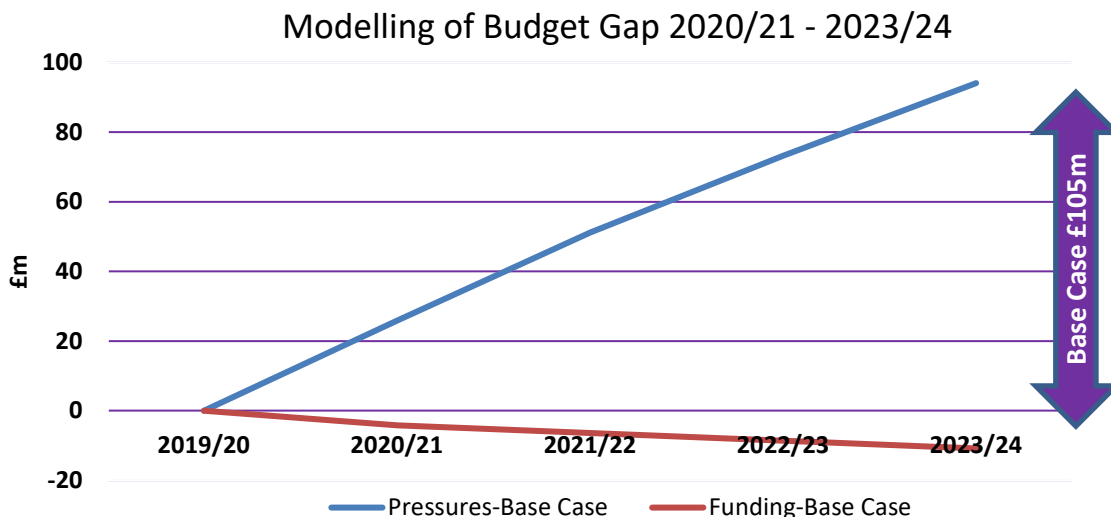


The Council's risk management regime supports the identification, assessment, reporting and management of risks in directorate, corporate, programme and project activities. It involves quarterly risk assessments to support the timely identification and escalation of the Council's most critical risks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

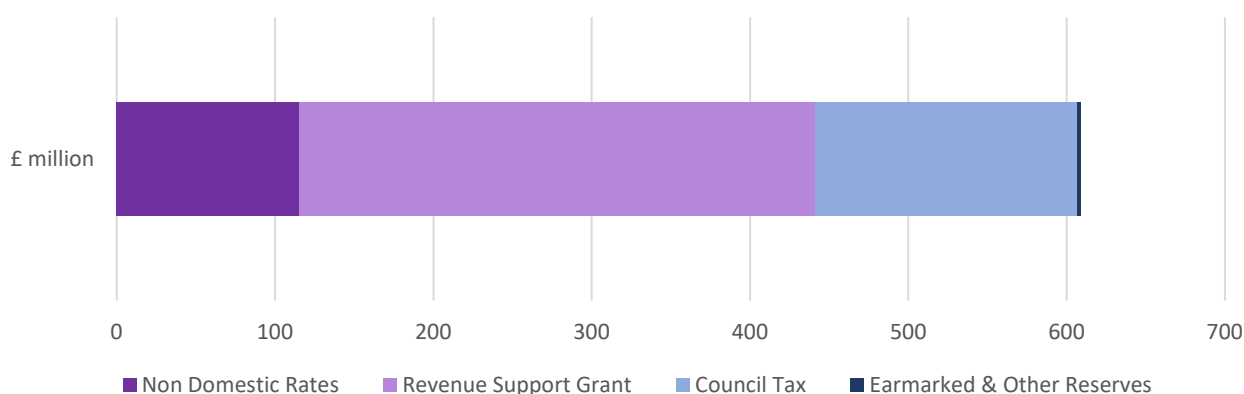


Directorate	Net Expenditure Budget £000	Net Expenditure Outturn £000	Variance (Under)/Over £000
Corporate Management	23,191	23,638	447
Economic Development	6,648	7,141	493
Education & Lifelong Learning	255,376	256,308	932
People & Communities - Housing & Communities	44,394	43,860	(534)
People & Communities - 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.

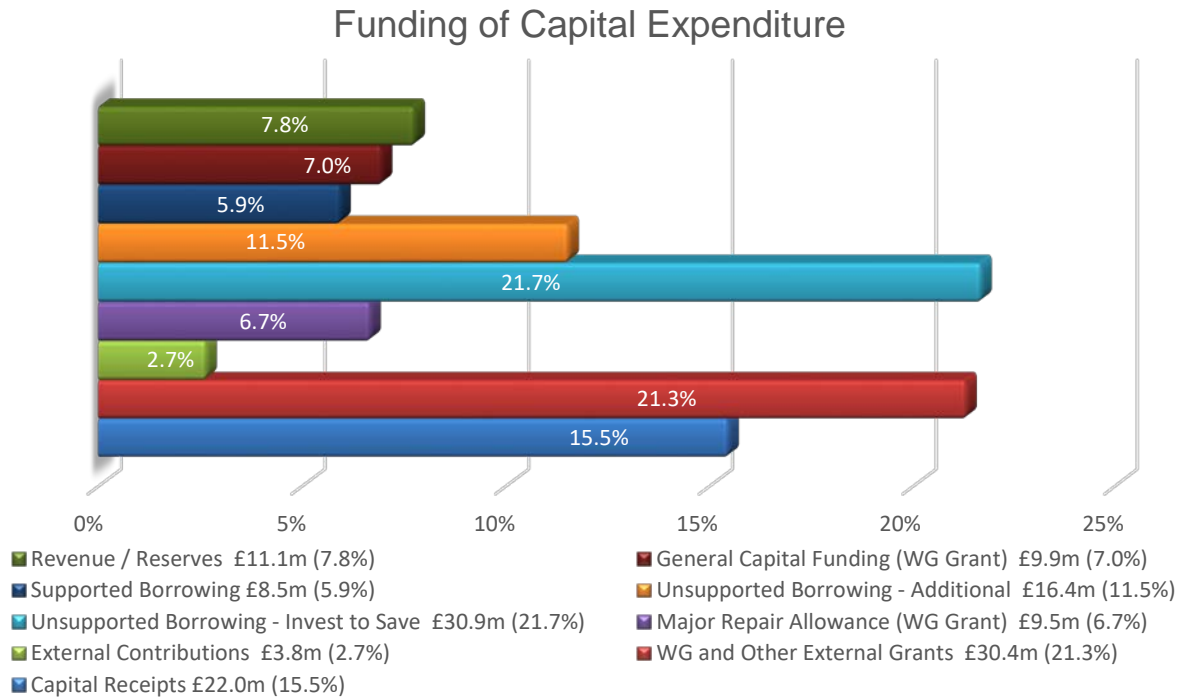
### Capital Expenditure and Funding by the Council

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

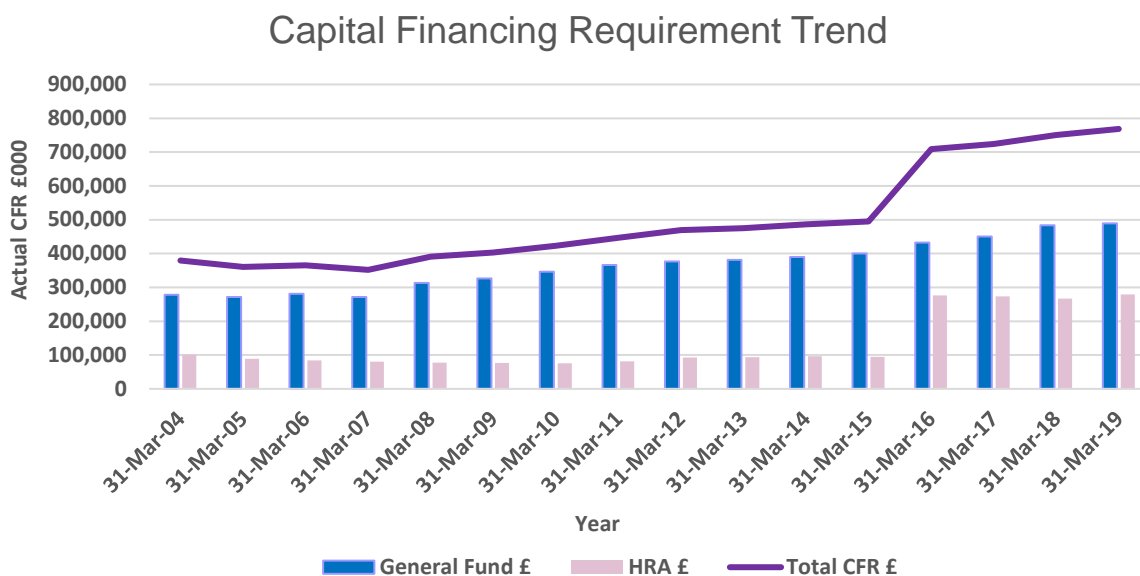
Schemes	Detail	£m
Housing, Neighbourhood Regeneration	Disabled adaptation grants, allowing people to live independently in their homes; environmental and shop front improvements and a comprehensive regeneration scheme for Maelfa Centre in Llanedeyrn including creation of new shop units; completion of 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:

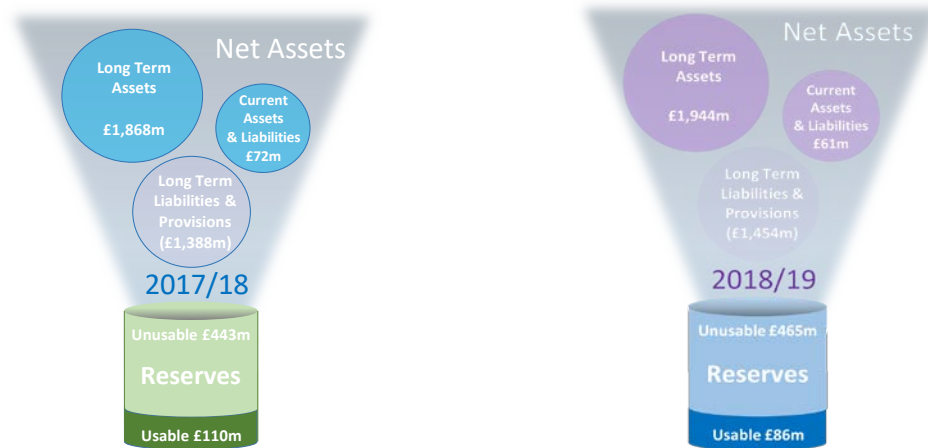


Capital incurred historically by borrowing but yet to be paid for from future revenue or capital income from the General Fund and HRA is termed the Capital Financing Requirement (CFR). Each year, a prudent amount is charged to our revenue budgets to reduce this. In 2015/16 additional borrowing was taken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

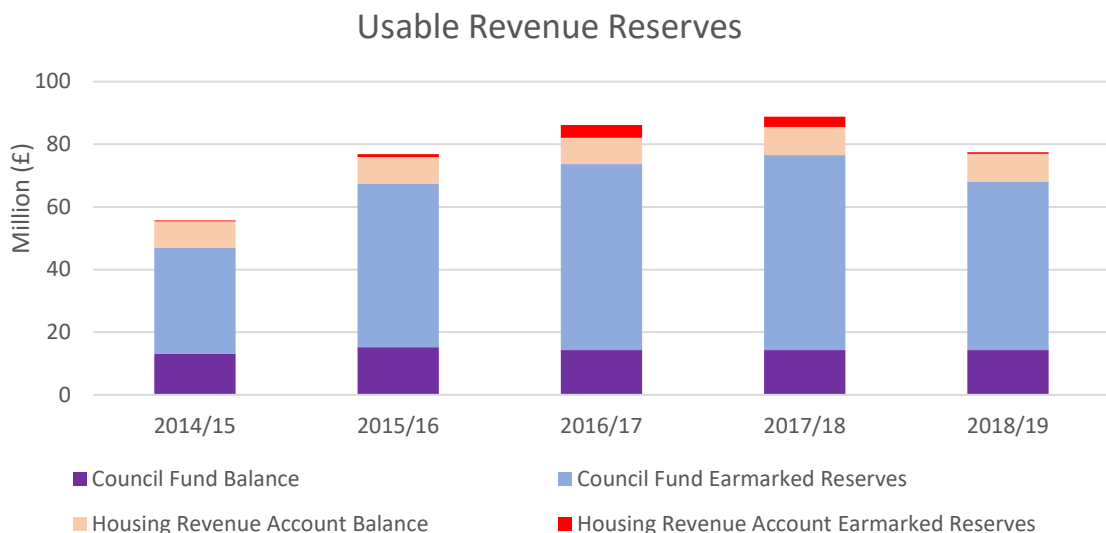
### Pensions Liabilities

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.

# Audit Report

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.

Tudalen 75	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>

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## 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

Tudalen 82	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)
	586,984	14,373	601,357	<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	<b>(Surplus) or Deficit on Provision of Services</b>	<b>50,324</b>	<b>(9,243)</b>	<b>41,081</b>
		<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>Opening Balance as at 1 April</b>		<b>14,255</b>	<b>8,983</b>
		0	545	Surplus/(Deficit)		0	0
		<b>14,255</b>	<b>8,983</b>	<b>Closing Balance as at 31 March</b>		<b>14,255</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
Tudalen 83	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>	75,270	31,030	(81,539)	24,761
	(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>	25,179	47,117	(81,539)	(9,243)

## 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)

Tudalén 89	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
	Total remuneration including pension contributions					Received via payroll (taxable)	Received via payroll (non-taxable)			
	£			£	£	£	£	£	£	
	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
	Total remuneration including pension contributions					Received via payroll (taxable)	Received via payroll (non-taxable)			
	£	Post title		£	£	£	£	£	£	
Tudalen 90	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.

Tudalen 91

(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 1792"> <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)
(227)	<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)
(3,113)	<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).

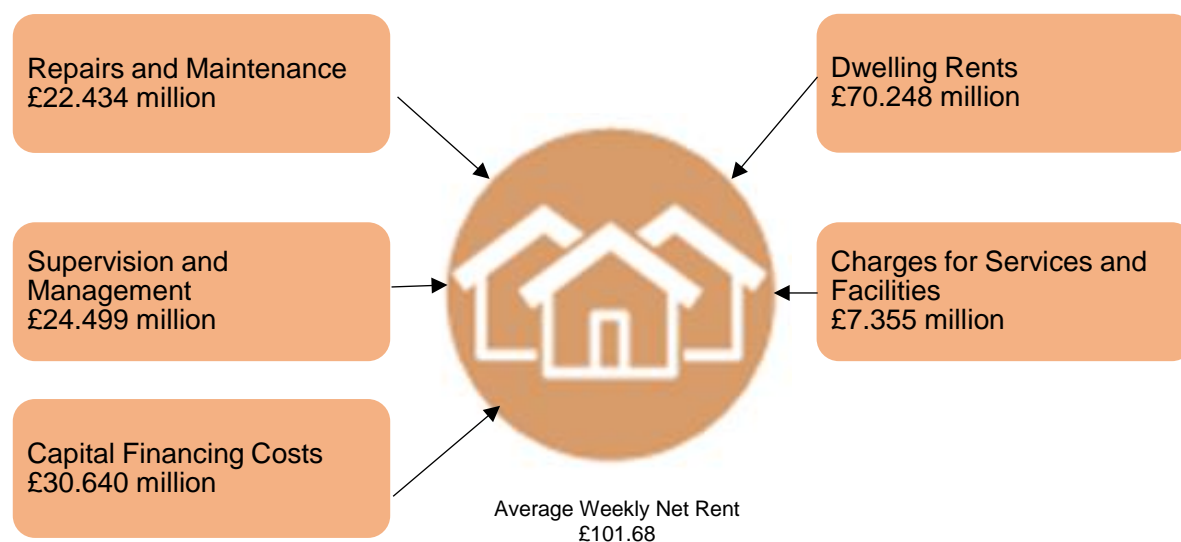
A 30 year business plan and financial model, completed on an annual basis for submission to Welsh Government, provides financial forecasts and performance and service information for the HRA. The plan includes our approach to maintaining the Welsh Housing Quality Standards, energy efficiency, remodelling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

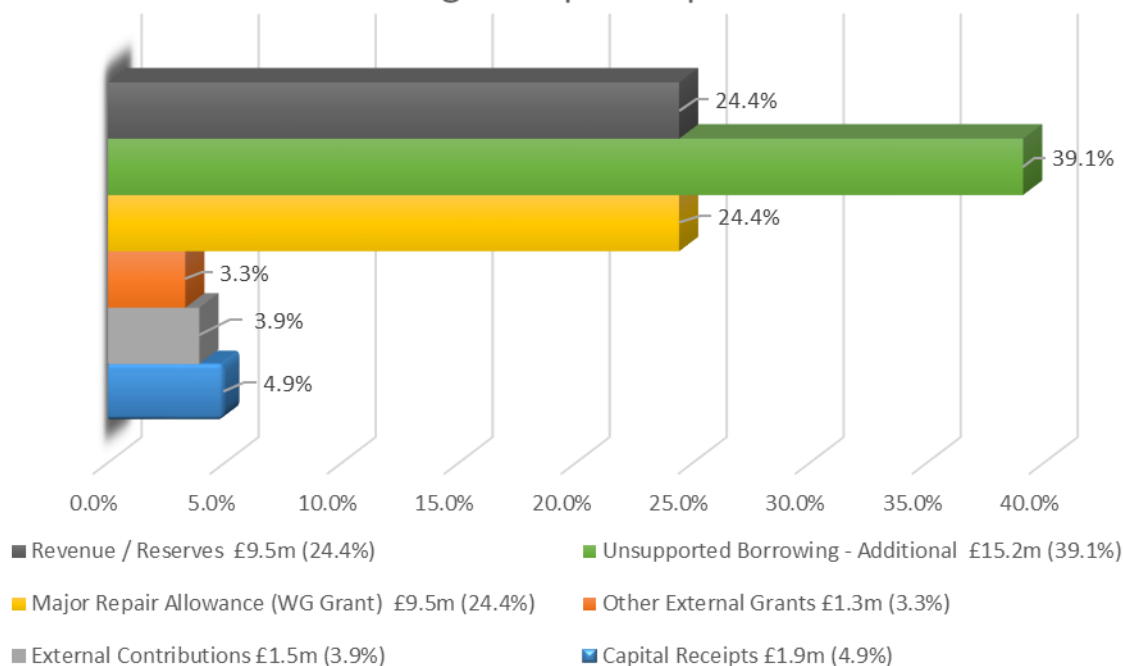


Our housing stock is valued in the accounts at £594.881 million. Dwellings were revalued in 2018/19 with the vacant possession value deemed to be £1.574 billion. In accordance with the valuation requirements, this was adjusted downwards by an adjustment factor of 37% in order to show the economic cost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

### 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

## Notes to Group Accounts

### 5. Pensions

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

	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 £000	Fair Value £000	Fair Value £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 £000	31 March 2018 £000	31 March 2019 £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>	554,803	747,469	76,496	605,525	19,652	40,992	42,555	2,087,492
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

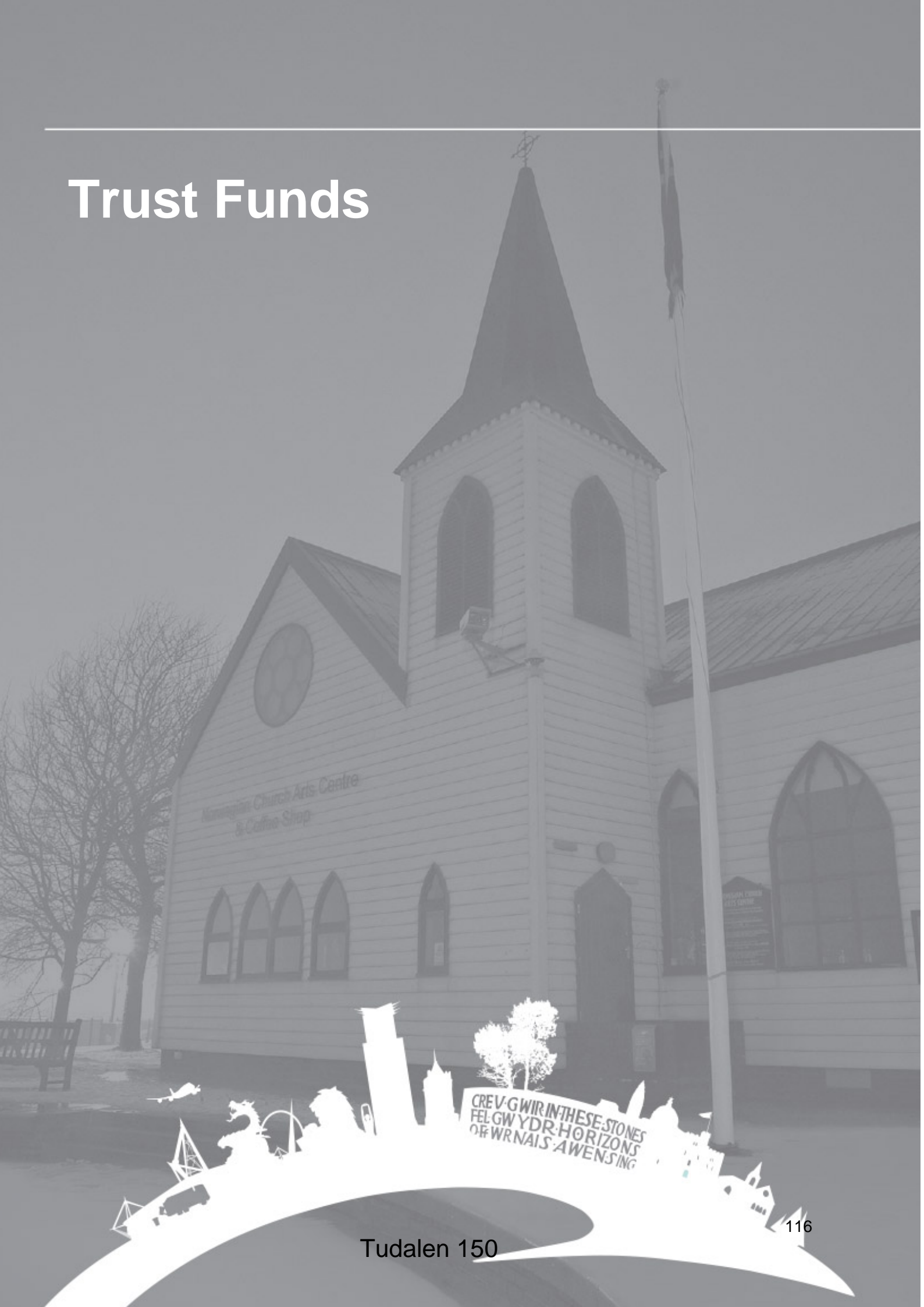
2017/18 £000		2018/19 £000
(99,237)	Depreciation and impairment	(75,505)
(22,618)	Charges made for retirement benefits (IAS19) less employers contributions	(26,886)
(30,862)	Carrying amount of non-current assets sold or derecognised	(3,527)
439	Cardiff Bus Taxation	0
(89)	Increase/(decrease) in stock	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



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## Narrative Report

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

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

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

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

## Accounting Policies

### 1. General

The accounting statements that follow have been prepared in accordance with proper practices as required by the Accounts and Audit (Wales) Regulations 2014.

### 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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## Cardiff Port Health Authority

<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.

**External Auditor's name:**

**External Auditor's signature**

**Date:**

**For and on behalf of the Auditor General for Wales**

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# 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



## Glossary of Accounting Terms

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

### **Heritage Asset**

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

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

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

### **Impairment**

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

### **Infrastructure Assets**

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

### **Intangible Assets**

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

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

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

### **Investment Properties**

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

### **Investments**

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

### **Joint Venture**

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

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

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

### **Levy**

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

### **Liabilities**

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

### **Materiality**

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

### **Market Loans**

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

## **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
40,013	<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 Mesirow, 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.

## Glossary

### **Contingent Liabilities or Assets**

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

### **Creditors**

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

### **Custodian**

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

### **DCLG**

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

### **Debtors**

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

### **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 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.</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:**

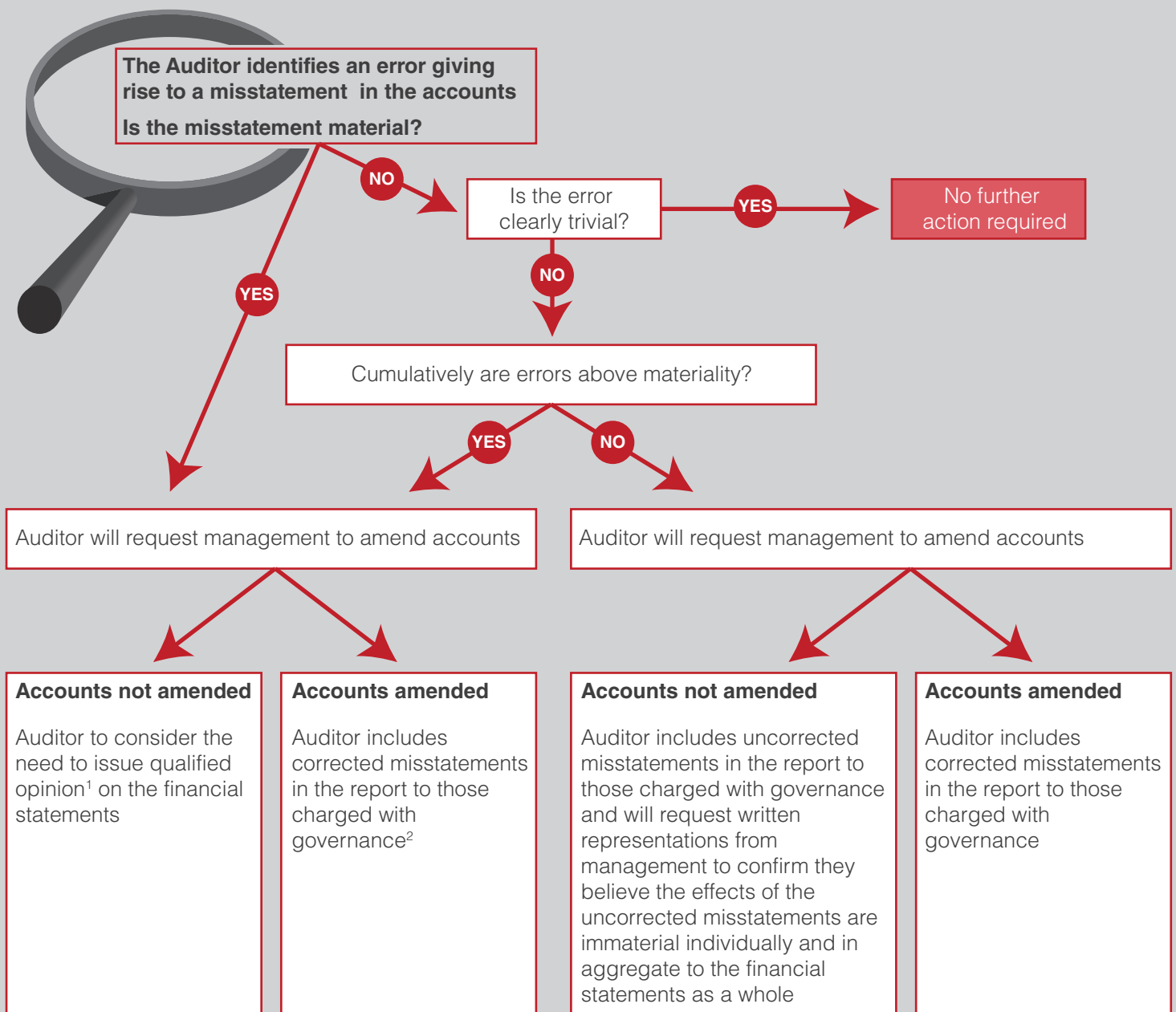
**Paul Orders, Chief Executive**

**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.

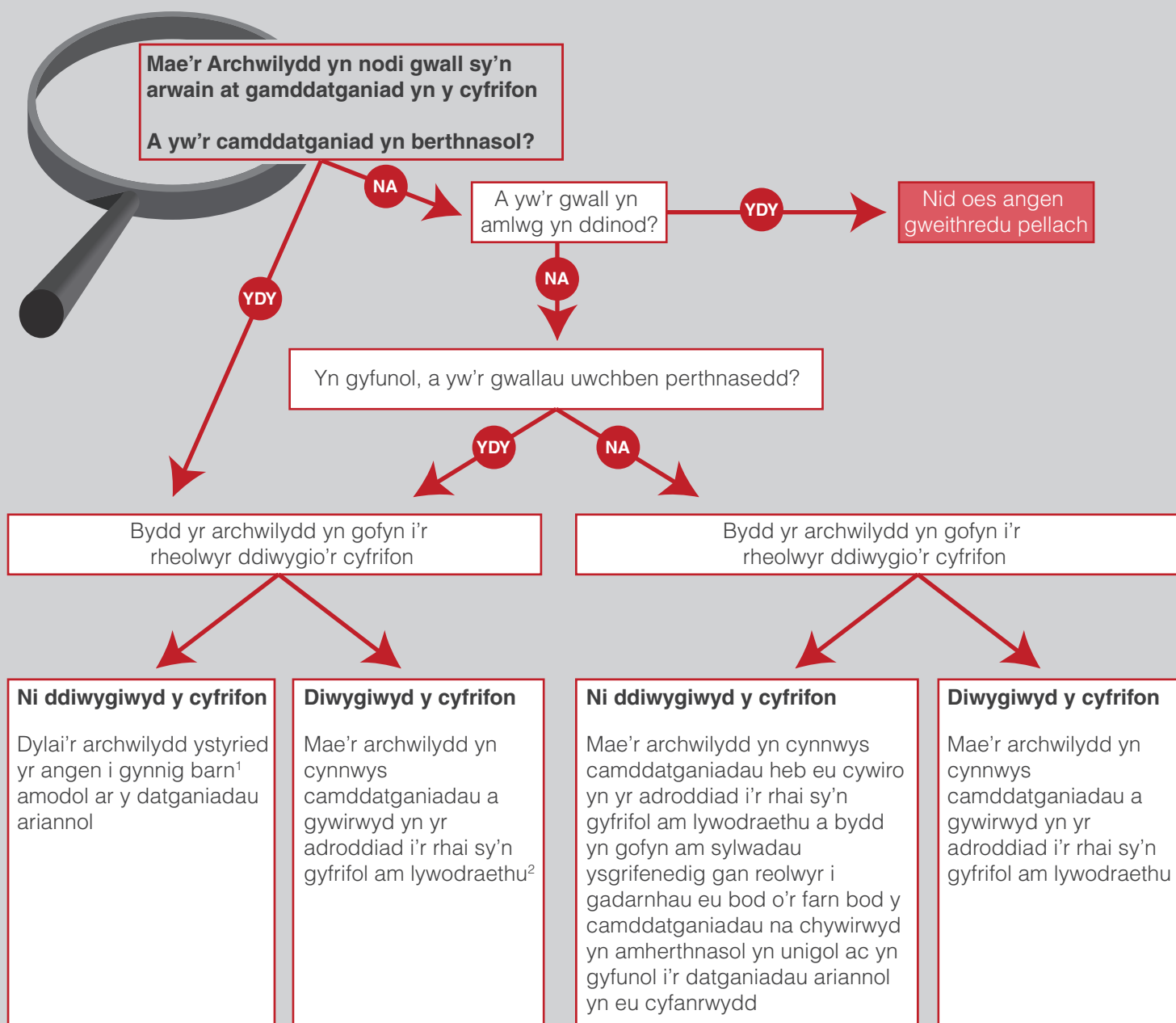
<sup>1</sup> The auditor is required to consider materiality by value and nature.

<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 yr amlwg yn ddinod.

<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.

<b>Value of correction</b>	<b>Nature of correction</b>	<b>Reason for correction</b>
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.

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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.

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 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.

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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.

# Contents

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

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# Summary report

## Introduction

- 1 The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Cardiff & Vale of Glamorgan Pension Fund (the Pension Fund) at 31 March 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

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Cardiff  
CF11 9LJ



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Swyddfa Archwilio Cymru  
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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)

**AUDIT COMMITTEE: 10 SEPTEMBER 2019**

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**CORPORATE RISK MANAGEMENT - QUARTER 1 2019/20**

**REPORT OF CORPORATE DIRECTOR RESOURCES AGENDA ITEM: 6.1**

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**Reason for this Report**

1. To update Audit Committee on the risk management position at quarter 1 2019/20.
2. The Audit Committee's Terms of Reference sets out their responsibility:
  - To monitor and scrutinise the effective development and operation of the risk management arrangements within the Council, and;
  - To oversee progress in addressing risk-related issues reported to the Committee, such as the Corporate Risk Register (CRR).

**Background**

3. Audit Committee receives a risk management update each financial quarter with the opportunity to make comments. The last Audit Committee review was on 25 June 2019, at which time the risk management position at quarter 4 2018/19 was presented.
4. Each Directorate holds a Directorate Risk Register (DRR) and the Senior Management Team (SMT) collectively own a Corporate Risk Register (CRR). The CRR records the main risks to the delivery of corporate objectives and priorities, whilst the DRRs record the key risks to the delivery of Directorate functions and priorities.
5. A risk escalation process is in place, whereby each Director is required to take ownership of all residual (current) risks rated as 'red/amber' and above on their DRR and, at a minimum, to escalate all 'red' residual risks to SMT for collective ownership and review.
6. As a result of this reporting process, SMT determine if any changes are required to the CRR each quarter. The remaining escalated risks continue to be held on DRRs and reviewed by SMT each quarter until it is agreed that mitigation is sufficient for risk ownership to transfer back to the Directorate.
7. Quarter 1 risk assessments continue to apply the 4x5 Risk Matrix introduced in January 2018.

**Issues**

8. Each Director has worked with their Risk Champion(s) to undertake their quarter 1 risk management review. The Risk Management Team has also provided advice and guidance on the measurement and reporting of risks. The quarter 1 risk assessments are presented

on the Corporate Risk Register Summary Snapshot (Appendix A) and the Detailed Corporate Risk Register (Appendix B).

9. The Risk Management Review process has two tiers (Directorate and Corporate) and the actions at each for quarter 1 are detailed as follows.

#### Directorate Risks

10. At the quarter 1 position, 221 risks were reported from DRRs. All escalated risks and requests for de-escalation were discussed and approved in SMT on 13 August 2019.
11. It was agreed that 10 directorate risks would be carried forward as SMT escalated risks at quarter 1.

<b>Directorate</b>	<b>Directorate Risks</b>	<b>Risks at SMT Escalation Point</b>
Economic Development	20	1
Education	12	0
Governance & Legal Services	9	1 (Shared)
Housing & Communities	35	2
Performance & Partnerships	3	1
Planning, Transport & Environment	26	1
Recycling & Waste	5	0
Resources	86	2
Social Services	25	3 (1 Shared)
<b>Total</b>	<b>221</b>	<b>10</b>

#### Corporate Risks

12. SMT collectively reviewed the escalated directorate risks and corporate risk updates at the end of quarter 1. In consideration of the nature of each risk, the potential impact on the organisation and its corporate objectives and the supporting mitigations, the following material changes were made to the CRR.

#### 13. **Brexit**

With the UK Government having committed to leaving the EU on 31 October 2019 with or without a deal, the Brexit Corporate Risk has been reviewed and updated given that the likelihood of the UK leaving the EU without a deal has substantially increased since the Q4 2018/19 update.

Including Brexit within the Corporate Risk Register helps ensure that the Council has appropriate processes in place to reasonably plan, prepare and respond to any 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 approach has also allowed 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.



Managing the Corporate Risks allows the Council to satisfy itself that appropriate processes and governance structures are in place to ensure an informed and coordinated approach to Brexit at the local, regional and national level.

#### 14. Education – Schools’ Delegated Budgets

Risk description revised at quarter 1. Previously the risk focused on those schools with existing deficit budgets not delivering their agreed deficit recovery plans, where the wider risk in respect of schools’ delegated budgets includes the potential for an increase in the number of schools in deficit and/or the overall value of deficit budgets. In reviewing the risk, ratings have also been considered and updated, and as a result, the residual risk rating has reduced from red (B2) to red-amber (C2). This recognises the relatively small number of schools applying to set a deficit budget for 2019/20, (lower than previously expected), the work being undertaken with schools to reduce some of the larger deficits, and the relative protection that continues to be afforded to schools’ delegated budgets.

#### 15. Non-completion of Statutory Building Equipment Maintenance

Target reduction date extended to quarter 4 2019/20 from quarter 2 2019/20. The work ongoing in respect of Landlord/Occupancy Agreements is now expected to be completed by end of quarter 4 2019/20. As previously reported, the Agreement for Schools has been incorporated within the Schools Handbook and ‘one front door’ established to assist implementation.

#### 16. Target Risk Ratings

In addition to the above changes, targeted risk ratings in respect of a number of corporate risks have been reviewed and revised, as follows:

Risk	Target Risk Rating		Target Date for Reduction
	Q4 2018/19	Q1 2019/20	
Financial Resilience	Red-Amber (C2)	Red-Amber (D2)	6-12 months
Budget Monitoring (Control)	Red-Amber (C2)	Red-Amber (D2)	12 months +
Schools Organisation Programme (Band B)	Red-Amber (C2)	Amber-Green (C3)	12 months +
Information Governance	Red-Amber (D1)	Red-Amber (D2)	6-12 months
Increase in Demand (Children’s Services)	Red (C1)	Red-Amber (D1)	12 months +
Education – Schools’ Delegated Budgets	Red-Amber (B3)	Red-Amber (D2)	12 months +
Fraud, Bribery & Corruption	Red-Amber (D2)	Amber-Green (D3)	12 months +

#### Reason for Recommendation

17. To enable the Audit Committee to monitor risk management activity, and consider the Risk Management Review - Quarter 1 2019/20.

#### Legal Implications

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

## **Financial Implications**

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

## **RECOMMENDATIONS**

20. Audit Committee to note and comment upon the risk management activity and the contents of the Corporate Risk Register, and to consider the information given, in the programming of its work.

**CHRISTOPHER LEE**  
**CORPORATE DIRECTOR RESOURCES**  
**10 September 2019**

The following Appendices are attached:

**Appendix A** - Corporate Risk Register Summary Snapshot – Q1 2019/20  
**Appendix B** - Detailed Corporate Risk Register – Q1 2019/20

# Corporate Risk Register Summary Snapshot Quarter 1 2019/20

Appendix A

Number of Risks by Inherent Risk Rating

Likelihood +	A	A1 10	A2 2	A3	A4
	B	B1 8	B2 5	B3	B4
	C	C1	C2	C3	C4
	D	D1	D2	D3	D4
	E	E1	E2	E3	E4
		1	2	3	4
		Impact			
		+			-

Number of Risks by Residual Risk Rating

Likelihood +	A	A1	A2	A3	A4
	B	B1 3	B2 5	B3 1	B4
	C	C1 2	C2 6	C3 1	C4
	D	D1 4	D2 3	D3	D4
	E	E1	E2	E3	E4
		1	2	3	4
		Impact			
		+			-

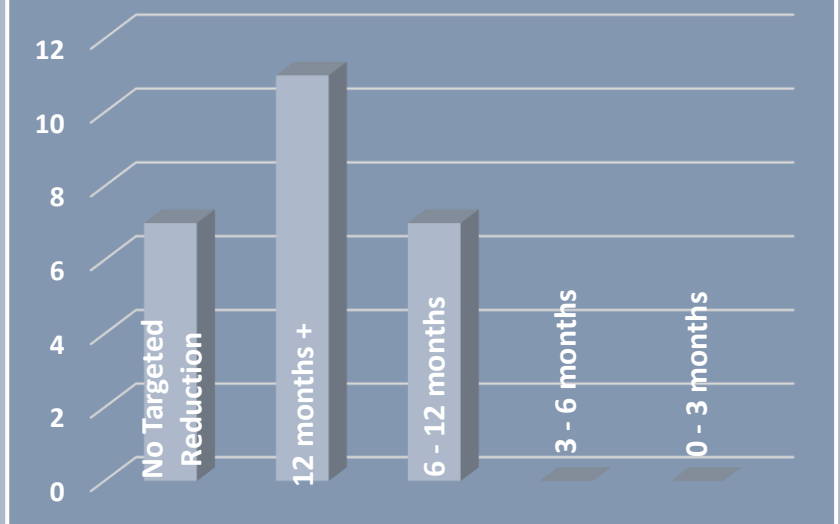
Number of Risks by Target Risk Rating

Likelihood +	A	A1	A2	A3	A4
	B	B1 1	B2 1	B3 1	B4 1
	C	C1 1	C2 2	C3 3	C4
	D	D1 3	D2 7	D3 4	D4
	E	E1 1	E2	E3	E4
		1	2	3	4
		Impact			
		+			-

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Inherent Risk Rating	Corporate Risk Title	Residual Risk		Target Risk	
		Rating	Movement from Q4	Rating	Movement from Q4
A1	City Security		↔	B1	↔
	Air Quality & Clean Air Strategy	B1	↔	C3	↔
	Brexit	B2	↔	B3	↔
	Non-completion of Statutory Building Equipment maintenance	B2	↔	D3	↔
	Cyber Security	C1	↔	E1	↔
	Financial Resilience	C2	↔	D2	↓
	Budget Monitoring (Control)		↔	↓	
	Schools Organisation Programme (Band B)		↔	↓	
	Health and Safety	D1	↔	D3	↔
	Information Governance		↔	D2	↓
A2	Welfare reform	B2	↔	B2	↔
	ICT Platforms Unsuitable/ Outdated	B2	↔	D3	↔
B1	Coastal Erosion	B1	↔	C1	↔
	Waste Management	B2	↔	C2	↔
	Increase in Demand (Children's Services)	C1	↔	D1	↓
	Education – Schools Delegated Budgets	C2	↓	D2	↓
	Business Continuity	D1	↔	D1	↔
	Safeguarding		↔	↔	
	Climate Change & Energy Security		↔	D2	↔
	Delivering Capital Ambition Programme	D2	↔	D2	↔
B2	Education Consortium & Attainment	B3	↔	B4	↔
	Legal Compliance	C2	↔	C2	↔
	Performance Management	D2	↔	D2	↔
	Fraud, Bribery and Corruption	D2	↔	D3	↓
	Workforce Planning	C3	↔	C3	↔

Corporate Risks - Target Reduction Date



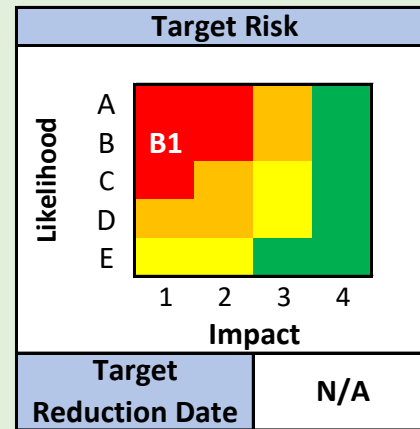
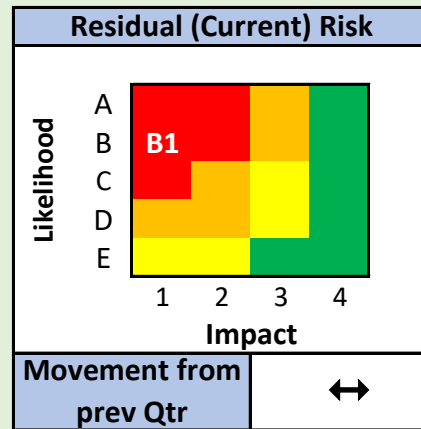
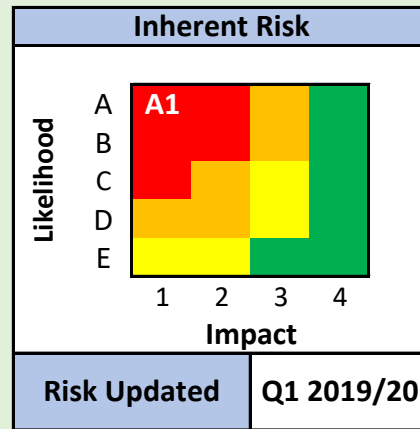
Key

High (Red)	Medium (Red-Amber)
Medium (Amber-Green)	Low (Green)
↓ Decrease from previous quarter	
↔ No change from previous quarter	
↑ Increase from previous quarter	

Mae'r dudalen hon yn wag yn fwiadol

# City Security

**Description**  
Major security-related incident in 'crowded places' as a result of international or domestic terrorism.



**Risk Owner(s)**

Chris Lee  
(Isabelle Bignall)

Andrew Gregory

Councillor Huw Thomas  
Leader

**What we've done/are currently doing to achieve the Residual Risk Rating**

- All existing identified high-risk, crowded places have been formally assessed
- Some crowded places have an extremely limited and in some cases 'third party managed' access control process to operate them; providing little/no challenge
- CONTEST Protect/Prepare Task & Finish Group maintains the City Gateways Public Realm Enhancement Scheme, with agreed options for suitable PAS 68/69 mitigation for appropriate boundary locations; referred to as 'gateways'
- The work done in the city to address security concerns has been predominantly focused on the provision of physical assets to mitigate against the threat of hostile vehicles
- Protected as at Q1 2019/20**  
- Principality Stadium, St Mary Street, Queen Street, St David's Dewi Sant, Cardiff Bay
- The Cardiff City Centre Access Control Protocol is currently operating at the heightened response level, reflecting the UK National Threat Level; permitting vehicles onto the pedestrianised areas within Cardiff City Centre using strict parameters
- Wales Extremism and Counter Terrorism Unit (WECTU) Counter Terrorist Security Advisor's (CTSA's), the Emergency Services & Cardiff Council provide Project Argus and EVAC/Griffin training across the city to raise awareness for likely impacts associated with major incidents and in particular, terrorist attacks. The sessions also cover the support likely to be immediately available from the emergency services and Cardiff Council, the practical and simple preparations people/organisations can make prior to an incident occurring to help themselves manage and recover from its impacts.

**What we plan to do to meet target**

- The CONTEST Protect/Prepare Group will continue to monitor and review the city's Hostile Vehicle Mitigation scheme to ensure it is fit for purpose
- The CONTEST Protect/Prepare Group will give a status report to the Cardiff CONTEST Board
- The CONTEST Board will continue to try to identify external funding sources/opportunities from Welsh Government and UK Central Government to conclude scheme and appropriately mitigate the risk
- A holistic security strategy for the city is being developed through the city's CONTEST partnership mechanisms. This strategy will extend the perspective of the city's security beyond hostile vehicle mitigation to incorporate a range of security measures, including the continuing development and agglomeration of the city's CCTV and the deployment of new technological solutions.
- The security strategy will allow partners to be more responsive to emerging funding opportunities
- Identify any potential routes for further funding to enable us to continue the Hostile Vehicle Mitigation (HVM) programme of delivery. Cost estimate to complete City Centre and Bay is £2.5-£3.0M. This will complete the recommended improvements indicated as high risk identified by CONTEST Protect/Prepare group.

**Potential Impact(s)**

**Immediate / Short-Term**

- Large numbers of fatalities, injuries to public
- Extensive structural damage and/or collapse of buildings
- Closure of roads having impact on transport network and access to businesses and properties.
- Damage/disruption to utilities (gas, electricity, water etc.)
- Immediate impact to core business, retail and sporting district in the centre of Cardiff

**Ongoing / Longer Term**

- Reputational risk due to a public perception Cardiff is an unsafe place
- Area viewed as a risk for potential future business investment.
- Inability to attract major future national and international events (political, sporting etc.)
- Increase in demand for Council services/support for all affected.
- Current economic climate to reduce the effectiveness of any recovery/regeneration of the area.

**Type(s) of Impact**

- Service Delivery
- Reputational
- Legal
- Financial
- Health & Safety
- Partnership
- Community & Environment
- Stakeholder

**Linked Risks**

**Key Indicators / Measures used to monitor the risk**

- National Threat Level and period at level
- No of 'Crowded Places' not protected to PAS 68/69 level

# Air Quality & Clean Air Strategy

Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)	
<p>Air quality in Cardiff does not meet statutory requirements set by legislation and continues to have a detrimental impact on health for residents and visitors to Cardiff.</p>				<b>Andrew Gregory</b> (Gary Brown)	<b>Councillor Caro Wild</b> Strategic Planning & Transport
	<b>Risk Updated</b> Q1 2019/20	<b>Movement from prev Qtr</b> ↔	<b>Target Reduction Date</b> 12 mths +		
	<b>What we've done/are currently doing to achieve the Residual Risk Rating</b>			<b>What we plan to do to meet target</b>	
<p><b>Potential Impact(s)</b></p> <p><b>Health &amp; Safety</b></p> <ul style="list-style-type: none"> <li>- No improvement to health</li> <li>- Increased burden on health care</li> <li>- Further deterioration of related health conditions</li> </ul> <p><b>Legal &amp; Regulatory / Financial</b></p> <ul style="list-style-type: none"> <li>- Breach of legal / statutory requirements</li> <li>- Potential significant financial penalty</li> </ul>	<p><b>Monitoring:</b></p> <p>There are currently 102 specifically allocated, non-automatic monitoring sites in Cardiff which monitor levels of nitrogen dioxide (NO2). Included in this data are 15 schools across the City.</p> <p>There are two live monitoring stations:</p> <ul style="list-style-type: none"> <li>• Cardiff Frederick Street: The site monitors on a 24/7 basis measuring levels of NO2, PM10 &amp; PM2.5, SO2, CO and O3.</li> <li>• Richard's Terrace, Newport Road: The newly commissioned site (April 2018) monitors on a 24/7 basis measuring levels of NO2 &amp; PM10</li> </ul> <p>The primary source of the pollution is road transport emissions, particularly diesel vehicle emissions. Although improvements are being seen, non-compliance of the NO2 limit values is projected beyond 2020. Cardiff has 4 existing declared 4 Air Quality Management Areas (AQMA's) all as a result of elevated NO2 concentrations resulting from road traffic emissions. Local modelling indicates that Castle Street will not be compliant with the NO2 limit value beyond 2020 if no addition interventions are implemented to reduce pollution levels.</p> <p><b>Clean Air Plan:</b></p> <p>Following receipt of legal Direction from Welsh Gov in February 2018, the Council has developed a Clean Air Plan to deliver compliance with the EU limit value for NO2 under the obligations of the EU Ambient Air Quality Directive (2008/50/EC).</p> <p>Plan was approved by Cabinet on 13th June 2019 and submitted to WG on the 28th June. The plan sets out the Councils preferred option for deliver compliance in the shortest possible time. The measures include:</p> <ul style="list-style-type: none"> <li>• Implementation of Electric Buses;</li> <li>• Retrofitting of buses;</li> <li>• Taxi Licensing Policy and mitigation scheme;</li> <li>• City Centre Transport Improvement Schemes and active travel measures.</li> </ul> <p><b>The Council is currently awaiting the Ministerial decision on approval of the plan and any potential funding that will be awarded to support the delivery of the plan.</b></p>			<p><b>Implement Clean Air Plan:</b></p> <p>Implement package of measures detailed in Final Plan, this is dependent on WG approving the plan.</p> <p><b>Clean Air Strategy and Action Plan:</b></p> <p>In developing the Clean Air Plan the Council has further developed a wider Clean Air Strategy and Action Plan to satisfy the requirements of LAQM. This was approved by Cabinet on 13th June 2019. The strategy includes measures that will likely provide further AQ improvements including AQMAs such as:</p> <ul style="list-style-type: none"> <li>• Implementation of Non Idling Zones</li> <li>• Living Walls and other Green Infrastructure</li> <li>• EV Infrastructure and Council Fleet Measures</li> <li>• Car Clubs with Low Emission/ Zero Emission Vehicles</li> <li>• Air Quality Planning Guidance</li> <li>• Schools Active Travel</li> <li>• Behavioural Change Promotion, Car Free Day, Clean Air Day etc</li> <li>• Expansion of Real-time monitoring network and display/ sharing of data</li> </ul> <p><b>Some of these improvements have commenced and will continue to develop as part of the strategy.</b></p> <p><b>Evaluation of air quality improvements:</b></p> <p>Ongoing monitoring and evaluation plan to include updated modelling and assessment following implementation of measures.</p> <p>Work with Public Health Wales to quantify future health benefits and improvements from reduced emissions/ NO2 concentrations</p> <p><b>Cardiff's Transport &amp; Clean Air Green Paper:</b></p> <ul style="list-style-type: none"> <li>• Green Paper 'Changing how we move around a growing city' has been developed and consulted on. This will be developed into a white paper explaining the broad principles of how Cardiff Council will improve air quality.</li> </ul>	
<p><b>Type(s) of Impact</b></p> <ul style="list-style-type: none"> <li>• Health</li> <li>• Regulatory</li> <li>• Financial</li> <li>• Strategic</li> </ul>	<p><b>Linked Risks</b></p>		<p><b>Key Indicators / Measures used to monitor the risk</b></p> <ul style="list-style-type: none"> <li>• Implementation Plan for measures (funding dependent)</li> <li>• Monitoring and Evaluation Plan for Clean Air Plan</li> <li>• Ongoing monitoring and reporting under LAQM</li> </ul>		
	<ul style="list-style-type: none"> <li>• Reputational</li> </ul>				



# Brexit

**Description**

The risk that the UK leaving the European Union will hinder the Council's ability to deliver services effectively, impact upon community cohesion and lead to a negative impact on the economy in both the immediate term and over the years ahead.

The UK Government have committed to leave the EU by the 31 October with or without a deal. This has substantially escalated the possibility of the UK leaving without a deal, and it is widely considered to be the form which requires a greater degree of preparation.

**Potential Impact(s)**

**Immediate Issues Identified:**

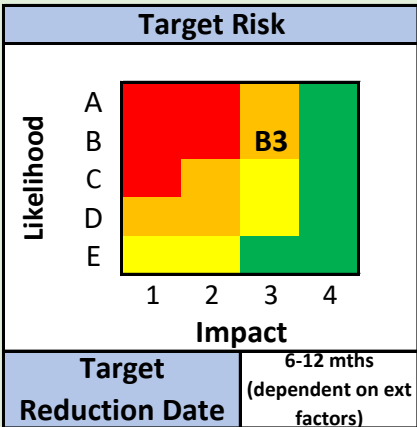
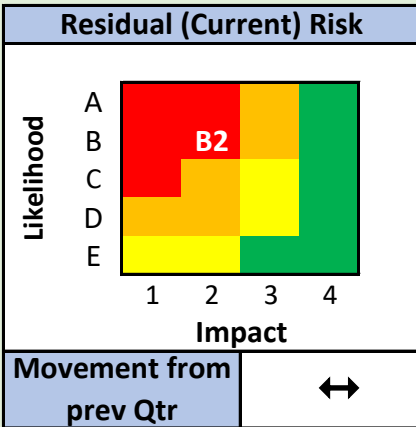
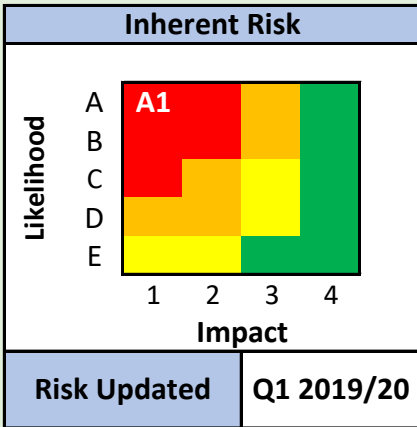
- Impact on Council supply chain
- Citizens and Community Cohesion
- Implementing the EU Settlement Scheme
- Increases of tension/ hate crime
- Emergency Management
- Responding to civil contingencies/ major disruption (potential for protests, food shortages, disruption to water supply infrastructure) and fuel shortages)
- Shortage/ loss of key supplies
- Short-term economic contraction
- Preparedness of local businesses for a no-deal Brexit.

**Medium to Long-term Issues Identified:**

- Labour Market and Council Staff
- Impact on Public Finances – Central Government and Welsh Government Analysis suggests that Brexit will have a larger impact than economic downturn of 2008, with close to a 10% drop in GDP.
- The future of regional funding (the future UK Shared Prosperity Fund)
- Investment, Trade and Industrial Strategies (including regulations)

**Type(s) of Impact**

• Service Delivery	• Health & Safety
• Reputational	• Partnership
• Legal	• Community & Environment
• Financial	• Stakeholder



**Risk Owner(s)**

<b>Paul Orders</b> (Senior Management Team)	<b>Councillor Huw Thomas</b> Leader (Brexit)
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**What we've done/are currently doing to achieve the Residual Risk Rating**

**Cardiff Council's Framework for Response**

- Council Core Processes: Brexit Overlay Applied
  - Corporate and Directorate Risk Register Updated in response to Brexit
  - Business Continuity Plans reviewed in response to Brexit. Issues addressed include school meals, meals on wheels, fuel supply, social care, waste issues etc.
- PSB Brexit Strategic Response Group provides multi-agency view, reporting to the PSB

Ongoing engagement with Government, including:

- Liaison with WG through the WLGA Partnership Council
- CEX represents South Wales authorities on WG/WLGA Brexit Liaison Committee
- Regular officer liaison with the Home Office on EUSS and migration issues
- Leader has given evidence on behalf of Core Cities to the Brexit Parliamentary Select Committee (Oct 2018)
- Leader meeting with EU Chief Negotiator, Michel Barnier, with Core Cities (Oct 2018)

**Emergency Management** - In February 2019: Cardiff Council's Emergency Management Team led on a Business Continuity Review including an Assessment of Council Supply Chains. A second review in light of potential No Deal Brexit is currently underway.

**Citizens and Community Cohesion** - Detailed preparations and briefings for front line staff have been undertaken on the implementation of the EU Settlement Scheme. The Council has developed a Cardiff Community Engagement Action Plan (2019-2020) to support co-ordination of the EU Settlement Scheme locally, which reflects the recommended actions contained within UK Government guidance. Actions include, as an example, engagement events to promote the EUSS and available support to EU nationals living in Cardiff, with targeted engagement for vulnerable groups.

In terms of community cohesion, daily monitoring continues via the Council's community safety/ community cohesion/ counter-extremism/ Prevent networks, alongside through the use of open source data and local media.

**Impact on the Economy** - The Council has ongoing engagement with business on the impact of Brexit, including a workshop on the impact of Brexit on the city economy, hosted by the Council leader.

**Impact on Public Services** - The Cardiff Public Service Board published a report that identifies the opportunities and risks of Brexit for Cardiff and its public services. The PSB has considered Brexit regularly, with an Extraordinary meeting of the PSB called in January 2019 to ensure that an appropriate multi-agency response was in place. A multi-agency Brexit Response Group has been established, reporting to the PSB.

**What we plan to do to meet target**

**Emergency Management**  
Cardiff Council's Emergency Management Team are leading on a second review of the Council's Business Continuity Plans and the development of Assurance Statements (by Directorate). This includes assurance from identified suppliers where there may be risk and mitigated act where necessary (for example, through sourcing alternative suppliers/ stockpiling). This is due to be completed by September 2019.

**Citizens and Community Cohesion**  
The Council will be holding a series of engagement sessions on the EU Settlement Scheme in communities with high levels of EU migrants. Information on the scheme is being provided to community groups and venues in relevant community languages. Engagement is ongoing with Welsh and UK Governments to ensure an alignment of messaging and of advice on support pathways available.

**Short-term economic contraction**  
The Council's Economic Development are producing an assessment of the local economic implications of a no-deal Brexit, including a position as to what the Council can and cannot do to address local economic shocks (such as a recession).

**Preparedness of Local Businesses for a No Deal Brexit**  
In order to encourage dialogue with businesses to ensure that they are aware of the issues in terms of Brexit, Cardiff Council is planning to host two employer/ business engagement events in September/ October 2019, with one event being sector-specific (aimed at the hospitality sector given the predicted workforce shortage post-Brexit) and the other being generic, covering all sectors. The Council is also working separately to engage specifically with sectors in Cardiff who have a high EU national workforce.

**Ensuring a city-level Public Service Response**  
The Council will continue to work with public service partners to ensure a joined-up response to the impact of a No Deal Brexit. The Public Services Delivery Board will consider Brexit at its September meeting and the Public Services Board will consider the issue in October. Through the period the PSB Brexit Response Group, chaired by the Chief Executive of the Council, will continue to meet.

**Linked Risks**

**Key Indicators / Measures used to monitor the risk**

- High level economic indicators - GDP, GVA
- Unemployment levels, particularly in key services/sectors
- Hate Crime statistics
- Numbers enrolled in settlement scheme



## Non-completion of Statutory Building Equipment Maintenance

Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)	
<p>Non completion of cyclical statutory inspections or the remedial works arising out of the inspections, required to maintain the premises and related installations in a safe and legally compliant condition.</p>	<p><b>A1</b></p>	<p><b>B2</b></p>	<p><b>D3</b></p>	<p>Neil Hanratty</p>	<p>Councillor Russell Goodway Investment &amp; Development</p>
	<p>Risk Updated Q1 2019/20</p>	<p>Movement from prev Qtr ↔</p>	<p>Target Reduction Date Q4 2019/20</p>		
	<p><b>What we've done/are currently doing to achieve the Residual Risk Rating</b></p>			<p><b>What we plan to do to meet target</b></p>	
<p>Potential consequences of non-compliance with statutory maintenance:</p> <p>Fatalities or serious injuries</p> <p>Closure of part or whole of facilities with major disruption to service delivery</p> <p>HSE interventions and consequential actions including fines and prosecution;</p> <ul style="list-style-type: none"> <li>• Significant additional expenditure requiring realignment of Corporate budgets;</li> <li>• Temporary relocation of staff</li> <li>• Temporary loss of operational service</li> <li>• Invalidation of insurance policy</li> <li>• Serious adverse impact on reputation</li> <li>• Damage to fabric of building or other equipment</li> </ul>	<p><b>Contractor</b></p> <ul style="list-style-type: none"> <li>• Statutory Planned Preventative Maintenance (PPM) undertaken by competent contractor. Consequential remedial work identified on test certificates.</li> <li>• Improved statutory maintenance contracting arrangements in place in Qtr 1 inc. use of SFG 20 as specification for statutory obligations testing and new risk based specification for legionella management supported by RAMIS.</li> <li>• FM competent person(s) review all test certificates, remedial work captured and communicated to client as necessary/applicable</li> <li>• Statutory Obligations Team has been established within Building Services to improve monitoring and supervision of statutory obligations contractor. Contractors have been trained in the use of RAMIS in order for test certs to be uploaded directly to the system by contractors.</li> </ul> <p><b>RAMIS IT Software</b></p> <ul style="list-style-type: none"> <li>• RAMIS implemented across the Council with bi-monthly reporting on statistics to SMT;</li> <li>• 200 Building Managers have received training in their responsibilities and use for the RAMIS system, including schools estates staff and Headteachers.</li> <li>• Full time officer Administrating RAMIS, providing training and issuing reports from the system to all service areas to push compliance ratings up to a minimum of 80% set by SMT.</li> <li>• Condition surveys have been completed which represents an extensive piece of work to improve our understanding and knowledge base of all the Council's land and property holdings.</li> </ul> <p><b>Corporate Landlord Programme</b></p> <ul style="list-style-type: none"> <li>• County Estates senior management structure established supporting - Strategic Asset Management, Capital Delivery and Property Services, to manage and deliver all the Council's non-domestic property functions within one portfolio.</li> </ul> <p><b>Statutory Obligation Compliance</b></p> <ul style="list-style-type: none"> <li>• Continue to commission work to undertake required compliance testing (and works required) where Building Services has responsibility to do so, as defined on RAMIS</li> <li>• The occupancy agreement (Memorandum of Agreement) for Schools was issued with the Schools Handbook and 'one front door' established to assist implementation. An occupancy agreement for non-schools properties has been drafted and is anticipated for roll out in 2019/20. Completion end of Q4.</li> </ul>			<p><b>Statutory Obligation Compliance</b></p> <ul style="list-style-type: none"> <li>• Continue to commission investigations / work to complete required compliance testing (and works required) in respect of 'gaps' in compliance identified by reports from RAMIS.</li> </ul> <p><b>Landlord / Occupancy Agreement</b></p> <ul style="list-style-type: none"> <li>• Complete Landlord/Occupancy Agreement template and roll out in 2019/20. This will set out principle occupant and landlord permissions responsibilities and Permission for Works arrangements required.</li> <li>• Landlord occupancy principles established and included in draft non-schools handbook for review in Q2.</li> </ul>	
<p><b>Type(s) of Impact</b></p> <ul style="list-style-type: none"> <li>• Service Delivery</li> <li>• Reputational</li> <li>• Legal</li> <li>• Financial</li> </ul> <ul style="list-style-type: none"> <li>• Health &amp; Safety</li> <li>• Partnership</li> <li>• Community &amp; Environment</li> <li>• Stakeholder</li> </ul>	<p><b>Linked Risks</b></p>		<p><b>Key Indicators / Measures used to monitor the risk</b></p> <p>Compliance stats from the Corporate Health &amp; Safety Team.</p>		

# Cyber Security

**Description**

There are 11 areas of potential risk within the National Cyber Security Centre cyber risk model. Of these, 9 are assessed as well controlled within the Council

Two of the eleven areas of a Cyber Security assessment underpinning the corporate risk have been identified as high risk as follows:

**Monitoring** - the volumes of systems, applications and audit logs do not lend themselves to easily assess how and when systems are being used, leading to an ineffective response to deliberate attacks or accidental user activity

**Corporate Cloud Security** - 2018 Internal Audit identified contract, SLA and service management weaknesses in externally hosted services

**Potential Impact(s)**

The intent of cyber attackers includes, but is not limited to:

- financial fraud;
- information theft or misuse,
- activist causes to render computer systems intolerable and to disrupt critical infrastructure and vital services.

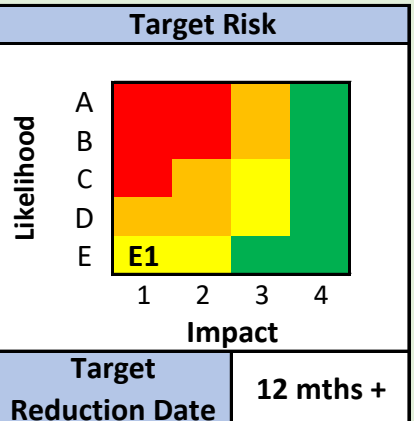
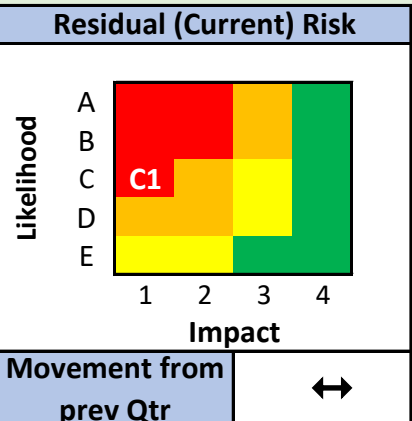
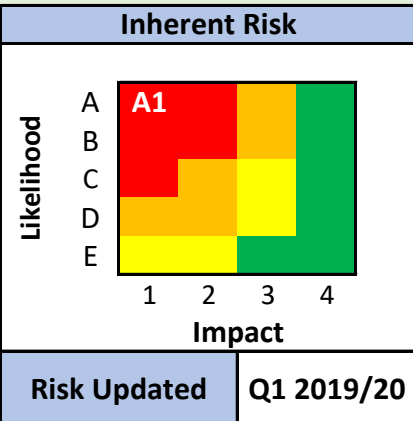
The impact of a cyber-attack / incident has the potential to involve the realisation of the risks associated with:

- An information governance breach (i.e. Stop Now Order, Information Notice, Enforcement Notice, Financial Penalty etc.)
- A business continuity incident – with a potential for major loss of service and legal, health and safety and financial implications.
- A financial / fraud related attack.

A malicious attack could result in loss of confidence from those transacting with the Council (reputation), as well as legal, asset, system, operational and financial implications.

**Type(s) of Impact**

<ul style="list-style-type: none"> <li>• Service Delivery</li> <li>• Reputational</li> <li>• Legal</li> <li>• Financial</li> </ul>	<ul style="list-style-type: none"> <li>• Health &amp; Safety</li> <li>• Stakeholder</li> </ul>
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**Risk Owner(s)**

Chris Lee (Phil Bear)	Councillor Chris Weaver Finance, Modernisation and Performance
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**What we've done/are currently doing to achieve the Residual Risk Rating**

The principal controls for the high risk areas are as follows:

- **Monitoring** - Log analysis is undertaken on a prioritised basis with incident reporting to ISB and discussed with IAO - risk of vulnerabilities could be further mitigated with additional resourcing for log monitoring - this is under continual review
- **Corporate Cloud Security** - Maturing PIA & CIA process used to assess risks to data and technology solutions
- Independent assessment and certification of the council's IT security posture via the National Cyber Security Centre (NCSC) Cyber Essentials Plus scheme
- Independent assessment and certification of the Council's Information Governance (GDPR/Data Protection) posture via the ISAME Governance scheme, awarded at the highest level of Gold
- Staff Cyber Security training programme rolled out to all staff to give guidance on threats and how to spot

**What we plan to do to meet target**

- ICT and Information Governance (IG) Teams continue to liaise with FM for physical security assurances and to promote an incident reporting culture.
- To ensure strong ICT security, monitoring and cloud security controls:
  - ICT lifecycle and notification targets are being monitored and managed through the 'ICT Platforms' risk actions.
  - ICT and IG have mapped our currently cloud hosted system - a process is being drafted to review the Information management and cyber security controls of these systems as well as any implications of Brexit in relation to where data is held
  - IM have created an Information Asset Register.
  - Governance and management requirements to be formalised for periodic and systematic review of all ICT systems once the prioritised cloud based systems are completed.
  - Education of business systems owners in risk and management of cloud based services needs to be created and processes put in place to ensure each cloud service has a defined responsible business owner.

**Linked Risks**

**Key Indicators / Measures used to monitor the risk**

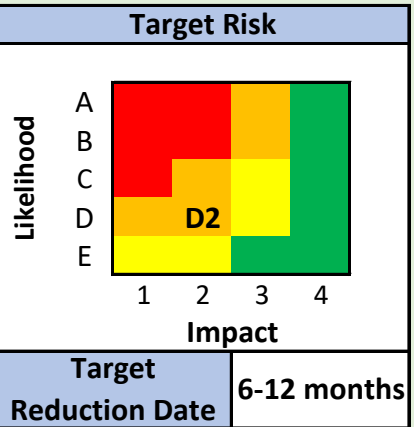
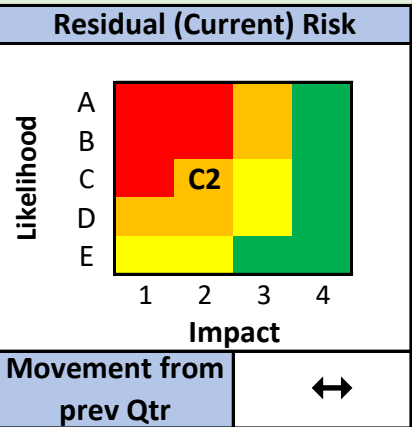
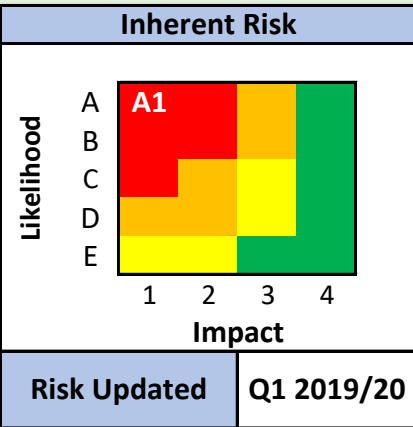
- Threat intelligence from National Cyber Security Centre (NCSC), including national posture and guidance via the National Cyber Security Strategy/Programme
- Threats and risks highlighted by NCSC Cyber Security Information Sharing Partnership (CiSP), Cymru WARP (Warning, Advice and Reporting Point) and Welsh Government/WLGA
- General UK posture and issues raised in national and local media
- Number of compromises - breaches are monitored, investigated and reported back via Information Security Board and where applicable the ICO
- Monthly reporting of number of virus attacks via email blocked

# Financial Resilience

**Description**

Failure to deliver a balanced annual budget and a fully informed Medium Term Financial Plan which would significantly weaken the financial resilience of the Council.

The current outlook is that there is a Budget Gap of £105 million for the period 2020/21 to 2023/24.



**Risk Owner(s)**

Chris Lee  
(Ian Allwood)

Councillor  
Chris Weaver  
Finance, Modernisation and Performance

**What we've done/are currently doing to achieve the Residual Risk Rating**

**2019/20 and Medium Term**

- The Council has agreed for 2019/20 a Financial Resilience Mechanism of £3.8m. This has been used for one off use initiatives in 2019/20. This £3.8m is retained for 2020/21 and will be put into operation in the event of the 20/21 Budget Settlement being 1% worse than expected. This mechanism avoids the need to identify additional directorate savings at short notice and allows time to be allocated for greater level of savings to be delivered.
- The final 2019/20 Budget was underpinned by Directorate Savings of £19.157m, Use of earmarked Reserves £2.75m and Council Tax at 4.9%. Robust Monitoring mechanism will consider Month 3 position in order to inform the first Cabinet report in September 2019.
- The MTFP set out in the 2019/20 Budget Report and now highlights an estimated Budget Reduction Requirement of £105m for the medium term (2020/21/-2023/24)
- Further diligence in respect to the rating of risk of each saving proposal but the responsibility for detail and achievability remains with the directorate.
- The Council regularly reports in relation to its financial performance and monitoring.
- The Wales Audit Office identified that the Council has a transparent and effective savings approach which supports financial resilience being achieved.
- A financial snapshot is used to report the financial resilience of the Council and is reviewed 3 times a year and reported at Budget Report (Feb 19), Budget Strategy (Jul) and to Audit Committee.

**What we plan to do to meet target**

**2019/20 and Medium Term**

- Where needed, further work being undertaken to identify any areas of further action in respect to budget saving proposals put forward for 2019/20. These proposals will be closely monitored during the year.
- Work will shortly commence in respect to 2020/ 21 budget proposals and a robust medium term financial plan taking into account internal and external challenges. This will include alignment with the Digital Board, Service Review board and Senior Management Team.
- Continue to maintain close alignment with objectives of the Corporate Plan and the Capital Ambition Delivery Team in order to ensure resources are allocated appropriately and that longer term financial savings are developed in enough time to be realised in the medium term.
- Continue to refresh assumptions at key stages as relevant information becomes available.

**Potential Impact(s)**

- Risk of failing to meet statutory obligations and that service delivery impacted due to uncertainty in the budget planning process.
- Risk that settlement figures will not be as anticipated giving an element of uncertainty to any proposals from Cabinet during public consultation and beyond.
- Risk that savings identified as part of business as usual and efficiencies have not been robustly reviewed for achievability and will not deliver as planned.
- Risk that financial constraints and budget proposals result in unintended consequences such as increased instances of non-compliance and financial impropriety.
- Risk that annual budget settlement frustrates medium / longer-term planning and that the cycle does not integrate with other business cycles and vice versa.
- Risk that Medium Term Savings are not identified in a coherent, strategic way which impacts on service delivery.
- The risk that the Council will not be able to react to adverse situations through a combination of poor imprudent planning and significant challenges such as increasing demands for services such as social services, education, roads etc.

**Linked Risks**

**Key Indicators / Measures used to monitor the risk**

Financial Snapshot which highlights historical and current performance on performance against budget, performance against savings against budget, level of borrowing, financial ratios Work being undertaken with SMT to consider the savings opportunities over the medium term 2020/21 - 2023/24.

- Outturn vs Budget - Main budget lines under or overspend as a % of budgeted expenditure.
- Delivery of planned savings - Total (£) unachieved planned savings as a % of total (£) planned savings.
- Use of reserves – 1) Ratio of useable reserves to Net Revenue Budget (NRB) 2) Amount of useable reserves used to balance budget as % of NRB.
- Council tax – 1) Council tax and other income as % of NRB 2) Council tax collection rates (in-year actual).
- Borrowing – 1) Total commercial investment income as % of total net general fund budget 2) Total (£) commercial investments and (£ plus%) amount funded from borrowing 3) Borrowing related to commercial investments as % of General Fund total borrowing 4) Capital interest costs and MRP as a proportion of NRB.
- Performance against Budget Timetable.
- Frequency / timeliness of engagement with SMT/Cabinet.
- Proportion of Savings Proposals in realised or at Delivering stage.

**Type(s) of Impact**

- Service Delivery
- Reputational
- Legal
- Financial
- Stakeholder

## Budget Monitoring (Control)

Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)	
<p>Failure to achieve the budget set, inclusive of budgeted spend and savings across Directorates, with increased use of emergency finance measures and the drawdown of reserves.</p>				<p>Chris Lee (Ian Allwood)</p>	<p><b>Councillor Chris Weaver</b> Finance, Modernisation and Performance</p>
	<p>Risk Updated    Q1 2019/20</p>	<p>Movement from prev Qtr    ↔</p>	<p>Target Reduction Date    12 months +</p>		
	<p><b>What we've done/are currently doing to achieve the Residual Risk Rating</b></p>			<p><b>What we plan to do to meet target</b></p>	
	<ul style="list-style-type: none"> <li>Clear financial procedure rules setting out roles and responsibilities for budget management are in place.</li> <li>In recognition of the quantum of savings and the risks posed a £3 million General Contingency was allocated in the Budget.</li> <li>The 2018/19 outturn position highlights a significant directorate overspend but an overall balanced budget.</li> <li>The Corporate Director of Resources, Chief Executive and Cabinet Members continue to hold challenge meetings and these will continue for 2019/20.</li> <li>Full financial monitoring processes is in place for month 3 to 11 of the financial year including achievement of budget savings with months 3 to 10 completed.</li> </ul>			<p>Close scrutiny of Month 4 position and respond accordingly to both individual directorate positions and the overall Council position.</p>	
Potential Impact(s)	Linked Risks			Key Indicators / Measures used to monitor the risk	
<ul style="list-style-type: none"> <li>Inability to balance spend against budget, for the financial year</li> <li>Requirement to implement emergency measures to reduce spending during the financial year thus adversely impacting on ability to meet corporate plan objectives</li> <li>Requirement to drawdown from General Reserves at the year end</li> </ul>				<ul style="list-style-type: none"> <li>Monthly Directorate Monitoring reports detailing likely outturn position and performance against savings accepted</li> <li>Review of use of earmarked reserves and balances - Half Yearly</li> <li>Regular monthly reporting to SMT</li> </ul>	
Type(s) of Impact					
<ul style="list-style-type: none"> <li>Service Delivery</li> <li>Reputational</li> <li>Legal</li> <li>Financial</li> </ul>	<ul style="list-style-type: none"> <li>Stakeholder</li> </ul>				

Budget 301

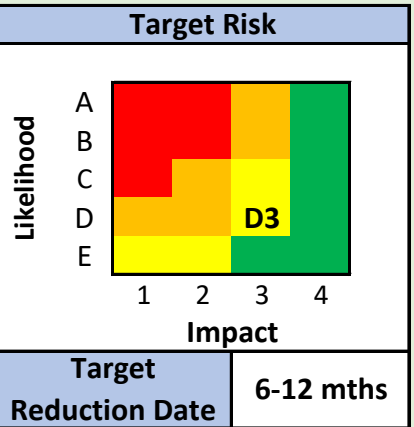
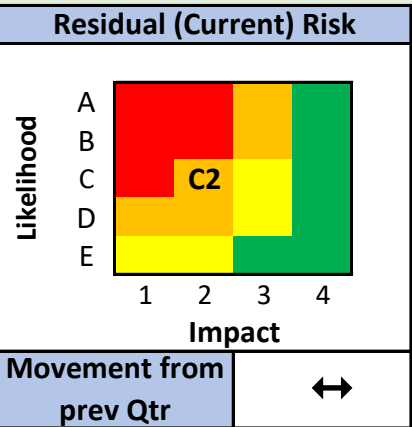
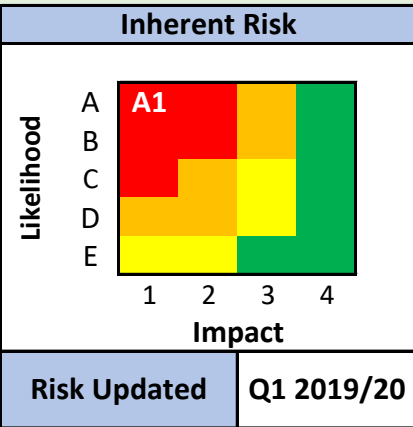
## Schools Organisation Programme (Band B)

Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)	
<p>Failure to deliver on aspects of the School Organisation Programme, which is significant in value and complex. The programme consists of Band B (£284m) 21st Century Schools, asset management improvement work, ICT and sufficiency projects. The programme of work spans across a number of directorates, requires significant capacity and has significant capital spend.</p>				<p><b>Nick Batchelar</b> (Richard Portas)</p>	<p><b>Councillor Sarah Merry</b> Deputy Leader &amp; Education, Employment &amp; Skills</p>
	<p><b>Risk Updated</b>    Q1 2019/20</p>	<p><b>Movement from prev Qtr</b>    ↔</p>	<p><b>Target Reduction Date</b>    12 mths +</p>		
	<b>What we've done/are currently doing to achieve the Residual Risk Rating</b>			<b>What we plan to do to meet target</b>	
	<ul style="list-style-type: none"> <li>21st Century Schools Band B funding bid was submitted to Welsh Government in July 2017 and the Strategic Outline Case for £284m was approved in November 2017. Two Cabinet Reports in October and December 2018 outlined the priorities for this second phase of funding.</li> <li>SOP reports for Fitzalan, Doyle Avenue and Willows have been considered by Cabinet under Band B.</li> <li>Robust governance model, in line with Corporate Landlord approach has been agreed.</li> <li>New Programme Director is in place and is establishing the capacity and capability requirements of the programme.</li> <li>Head Teachers &amp; Chairs of Governors of those schools involved in Band B briefed on process and timescales.</li> <li>SOP Delivery Group, SOP Planning Group and Education Visioning Group are being established</li> <li>Technical feasibility and design work underway</li> <li>Finance have re-profiled the capital and revenue budgets to assess the required budgets for each scheme. There are ongoing discussions with Welsh Government to assess the affordability of the programme in light of the current programme.</li> <li>Developing more robust management and monitoring processes for the asset improvement programme, including the three "D" category High Schools, Fitzalan, Cantonian and Willows.</li> </ul>			<ul style="list-style-type: none"> <li>Develop a high level SOP Strategy that outlines the short/ medium and long term aims of the whole programme.</li> <li>Strengthening of the capacity of the SOP team critical to ensuring effective delivery of the different elements of the programme. This includes ensuring that corporate colleagues in departments including legal, strategic estates, capital projects, ICT, planning and highways and transportation are available.</li> <li>Continued active dialogue with Welsh Government and other professional parties to support progress and development.</li> <li>Prioritise population data development to underpin accurate projections and forecasts for existing resident populations and to support effective s106 negotiations going forward.</li> <li>Ensure consistent monitoring and reporting of all risks to Schools Programme Board.</li> <li>Develop an Education blueprint and ICT Strategy that aligns with Cardiff 2030.</li> <li>Develop a much improved ICT system and framework for long term management of the education estate.</li> </ul>	
<b>Potential Impact(s)</b>					
<ul style="list-style-type: none"> <li>Opportunities to enhance the school estate, and transform education will be missed</li> <li>Insufficient secondary places in some central and north east areas of the City</li> <li>Insufficient places in ALN settings across the City, leading to costly placement in out of county &amp; private settings</li> <li>School buildings that are not suitable for teaching and learning</li> <li>Further degeneration of school buildings &amp; rise in asset management backlog</li> <li>Project cost and time overruns</li> <li>Risk that school ICT infrastructure fails in the short to medium term</li> </ul>					
<b>Type(s) of Impact</b>	<b>Linked Risks</b>			<b>Key Indicators / Measures used to monitor the risk</b>	
<ul style="list-style-type: none"> <li>Reputational</li> <li>Legal</li> <li>Financial</li> <li>Social</li> <li>Health &amp; Safety</li> <li>Stakeholder</li> <li>Health and Wellbeing</li> <li>Sustainability</li> </ul>				<ul style="list-style-type: none"> <li>Proportion of Priority 1a Schools Asset Improvement works completed in financial year, in accordance with the responsibilities of schools and corporate landlord (Corporate Plan).</li> <li>Timelines to deliver projects within the SOP programme.</li> <li>New key performance measures which are being developed as part of the overarching SOP Strategy.</li> </ul>	



# Health & Safety

**Description**  
 Non Compliance with corporate health and safety arrangements to control key risks across the Council in line with statutory requirements.



**Risk Owner(s)**

Chris Lee  
(Donna Jones)

**Councillor Chris Weaver**  
Finance, Modernisation and Performance

**What we've done/are currently doing to achieve the Residual Risk Rating**

- Corporate Health and Safety Structure in place - resources appointed based on risk/priority.
- Key Health and Safety Policy and Guidance reviewed and updated.
- RAMIS fully implemented covering statutory risk on all Council Premises - H&S Lead on administration to ensure consistent approach to management of building risks.
- Health and Safety Support Service for schools in place, completed first term of support - all urgent work requirements completed.
- Corporate Management arrangements in place for Asbestos, Fire & Legionella, A Strategic Review of Fire and legionella completed.
- RAMIS Status reported to SMT bi-monthly providing compliance statistics on Phase 2 of implementation – Remedial tasks arising from statutory inspections for high risk disciplines.
- Corporate Asbestos Team implemented - The team manage all asbestos surveying for Council Premises including management surveys, local sampling and updating of RAMIS. The team will also provide all asbestos training for the Council.
- Implementation of the following digital services completed:-  
 ALERT – PACD Replacement rolled out across the Council Services.  
 RAMIS – Asbestos module.  
 RAMIS – Risk Assessment Library  
 RAMIS – Accident reporting module
- Asbestos Management – Revised Policy and procedures implemented across the Council.
- UKATA accreditation gained for Asbestos Awareness Training to Council employees and contractors.
- Programme of Asbestos Surveying commenced

**What we plan to do to meet target**

- Management of the risk from Legionella bacteria in water systems requires further improvement across the council, 45 new Legionella Risk Assessments and further training and monitoring to be completed in Qtr 2
- Requirement to establish a UKATA training centre for delivery of CAT B Asbestos training to Council employees and contractors - urgent requirement as currently no training provider in place - to be completed in Qtr 2-3
- Asbestos Surveys to be undertaken in QTR 2-3 of priority school buildings
- Risk Assessment Library to be made live across the Council in Qtr 2.
- Completion of Improvements in Waste Services following HSE Improvement Notice - Qtr 2
- Share Point developd for Corporate H&S Policy, Guidance etc. to be made live on the intranet in Qtr 2

**Potential Impact(s)**

- Fatalities
- Serious injuries
- Prosecution – fines for corporate body and/or fines/ imprisonment for individual
- Civil Claims
- Negative Publicity

**Type(s) of Impact**

- Service Delivery
- Reputational
- Legal
- Financial

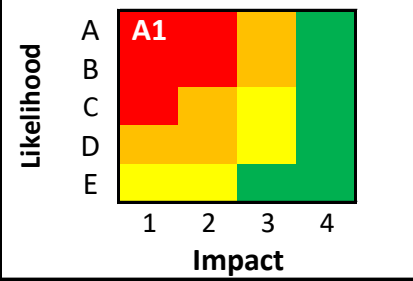
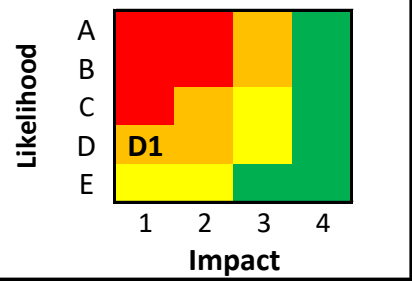
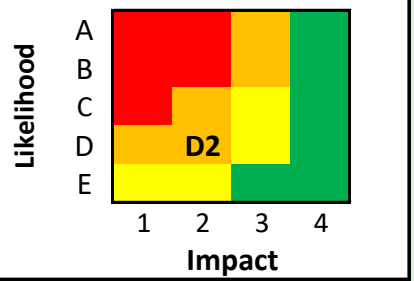
**Linked Risks**

**Key Indicators / Measures used to monitor the risk**

RAMIS is used to monitor statutory risk in relation to premises safety, bi-monthly reporting to SMT, quarterly reporting to Health and Safety Forum.  
 Compliance against annual Corporate H&S Objectives, used to monitor improvement secured in Service Areas, reported to Health and Safety Forum.

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# Information Governance

Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)						
<p>Information handled inappropriately leaves the Council exposed to intervention and financial penalties issued by the Information Commissioner (ICO). This includes information held by Cardiff Schools.</p>				<p><b>Chris Lee</b> (Vivienne Pearson)</p>	<p><b>Councillor Chris Weaver</b> Finance, Modernisation and Performance</p>					
	<p>Risk Updated    Q1 2019/20</p>	<p>Movement from prev Qtr    ↔</p>	<p>Target Reduction Date    6-12 months</p>							
	<b>What we've done/are currently doing to achieve the Residual Risk Rating</b>			<b>What we plan to do to meet target</b>						
	<ul style="list-style-type: none"> <li>Information Security Board is provided with Information Requests and Training compliance monitoring reports quarterly. This is chaired by the SIRO.</li> <li>Suite of Information Governance Processes, Policies and Strategies in place and annually updated.</li> <li>Data Protection Officer in post in line with articles 37-39 of the GDPR.</li> <li>Information Governance/Data Protection Processes audited and gained assurance as part of Internal Audit in March 2019 and Cyber Security Plus ISAME Accreditation process in March 2019.</li> <li>Data Security Incident processes in place and communicated to all staff together with formal reporting processes when required to the Information Commissioner.</li> <li>Processes established through procurement and ICT acquisition processes for ensuring Data Protection Impact Assessments are completed if personal data is being processed, including Data Processing Agreement with third party contractors.</li> <li>All new standard Council contracts include a clause regarding 3rd Parties processing personal data and obligations in respect of Freedom of Information.</li> <li>Standard Data Processing Agreements in place which services are required to complete and sign with any third parties who process personal data on behalf of their service.</li> <li>A corporate Information Asset Register is held which details personal data assets held by each Council directorate.</li> <li>Service Level Agreements in place for contracted Data Protection Officer role to regional bodies where Cardiff Council is the Data Controller for these services.</li> <li>Advice, guidance support and the contracted role of the Data Protection Officer is provided to all Cardiff Schools to aid compliance within schools and governing bodies data controllership responsibilities.</li> <li>Corporate Retention schedule in place and updated annually in line with any legislative changes.</li> <li>Information Governance Maturity Model established to monitor risks against areas of information governance to feed into corporate risk status.</li> <li>The Digitalisation of Paper Records Strategy and associated business process changes is in place.</li> </ul>			<ol style="list-style-type: none"> <li>1) Data Protection e-learning training to be released on a directorate basis by September 2019 with 100% compliance targeted within each directorate.</li> <li>2) Individual Rights request processes to be reviewed to consider any opportunities available to improve compliance and streamline the Council's ability to handle requests.</li> <li>3) As the result of new legal advice requires further work, building on the previous work, to issue a variance of contract for all existing contracts in place to be developed and provided to each directorate to issue to ensure compliance with the Data Protection Act 2018 and any adequacy decisions to be determined by the Information Commissioner post Brexit.</li> <li>4) An assurance of the Information Security Board and role of the Information Asset Owners to be completed and position provided to Senior Information Risk Owner during May 2019.</li> <li>5) A Record of Processing Activity to be developed with responsibilities for the personal data assets to be assigned to the responsible directorate Information Asset Owner.</li> <li>6) Following the pilot contract for Records Storage a formal contract to be put out for tender in quarter 2 of 2019/20 following conclusion of the pilot scheme.</li> </ol>						
	<b>What we've done/are currently doing to achieve the Residual Risk Rating</b>		<b>What we plan to do to meet target</b>							
<p><b>Potential Impact(s)</b></p> <p>Leads to the Information Commissioner issuing notices of non-compliance</p> <p>These could consist of:</p> <ul style="list-style-type: none"> <li>• A "Stop Now" Order which would mean that no personal data could be processed by the Council in its entirety</li> <li>• An Information Notice which would mean that a service would have to provide information in a very limited period thereby impacting on service delivery</li> <li>• Undertaking which requires an Action Plan of Remedial Measures which would be subject to ICO Audit</li> <li>• Enforcement Notice requires immediate improvement action to be put in place</li> <li>• Financial Penalty up to £17,500,000 for Higher Level Tier and £8,000,000 for Lower Level Tier breaches of the Data Protection Act.</li> </ul>	<p><b>Type(s) of Impact</b></p> <table style="width: 100%; border: none;"> <tr> <td style="border: none; vertical-align: top;"> <ul style="list-style-type: none"> <li>Service Delivery</li> <li>Reputational</li> <li>Legal</li> <li>Financial</li> </ul> </td> <td style="border: none; vertical-align: top;"> <ul style="list-style-type: none"> <li>Stakeholder</li> </ul> </td> </tr> </table>			<ul style="list-style-type: none"> <li>Service Delivery</li> <li>Reputational</li> <li>Legal</li> <li>Financial</li> </ul>	<ul style="list-style-type: none"> <li>Stakeholder</li> </ul>	<p><b>Linked Risks</b></p>			<p><b>Key Indicators / Measures used to monitor the risk</b></p> <ul style="list-style-type: none"> <li>Suite of IG Indicators</li> <li>No. of ICO correspondence</li> <li>No. of FOI / SAR Requests</li> <li>No. of individuals trained on GDPR modules</li> </ul>	
<ul style="list-style-type: none"> <li>Service Delivery</li> <li>Reputational</li> <li>Legal</li> <li>Financial</li> </ul>	<ul style="list-style-type: none"> <li>Stakeholder</li> </ul>									



# Welfare Reform

Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)	
<p>That the Council cannot meet its statutory obligations with the increased demands and reduced budgets placed upon it by the Welfare Reform including: Universal Credit, further reduction in Benefit Cap, size restrictions for social tenants and freezing of Local Housing Allowance rates. The potential impact of these changes on rent arrears, homelessness and child poverty make these changes a significant risk. The removal of the DWP funding that paid for digital and budgeting support across the city will potentially increase the problem, although currently council reserves are being used to mitigate this.</p>				<p><b>Sarah McGill</b> (Jane Thomas)</p>	<p><b>Councillor Lynda Thorne</b> Housing &amp; Communities</p>
	<p><b>Risk Updated</b>    Q1 2019/20</p>	<p><b>Movement from prev Qtr</b>    ↔</p>	<p><b>Target Reduction Date</b>    N/A</p>		
	<p><b>What we've done/are currently doing to achieve the Residual Risk Rating</b></p>			<p><b>What we plan to do to meet target</b></p>	
	<ul style="list-style-type: none"> <li>Communities staff continue to work closely with private landlords and advice agencies to mitigate wherever possible the reduction in benefit and prevent eviction.</li> <li>Discretionary Housing payments are being used to top up the benefit claims of those most affected by the changes and to pay rent in advance and bonds to help tenants to move accommodation where necessary.</li> <li>Housing Options service have developed additional support to help move families and vulnerable adults into private sector housing with a guarantor agreement to help mitigate the risk of financial loss that landlords fear.</li> <li>Housing Options service have created additional help for those on low incomes but not on benefits to access an interest free loan to pay for bond, rent in advance and moving costs. This also helps with financial inclusion as the clients will open up a savings account with the credit union and have a lump sum saved by the time the loan is repaid.</li> <li>Housing Options service are working with third sector partners to help clients move into settled accommodation in the private rented sector, primarily for single people who have lived in supported accommodation.</li> <li>Digital and budgeting Support is being given to claimants to help them respond to the changes, although funding has been stopped for this, so the Council is using its reserves.</li> <li>A streamlined process is in place for re-housing tenants who need to downsize as a result of the social housing size restrictions. DHP is being used to pay removal costs and to cover shortfall while tenants are waiting to move.</li> <li>The Welfare Liaison team within the housing service is in place to assist tenants affected by the changes. Work has been carried out to identify those affected by the Benefit Cap and to advise them accordingly and to identify the most vulnerable families and award DHP.</li> <li>DHP process has been reviewed to ensure that all those who request a DHP are given budgeting, income maximisation and debt advice</li> <li>Universal Credit full service has commenced in Cardiff. Despite additional resources put in place rent arrears for council tenants have risen significantly since the change was implemented. The Welfare Liaison team work closely with tenants to mitigate the impact of the change.</li> <li>The Money Advice Team is providing comprehensive advice services for those affected by Welfare Reform and this has been rolled out across the city in Community Hubs and foodbanks.</li> <li>The Inclusive Growth Board and subgroups are coordinating multi-agency activity and developing appropriate interventions during a difficult transition period for many people affected.</li> <li>Briefings continue to be provided to Members on Welfare Reform and further information is sent as appropriate.</li> <li>Digital inclusion training and Universal Credit Support has been rolled out across all the new Community Wellbeing Hubs.</li> <li>Into Work Services are providing one to one mentoring support as well as light touch help across the city to help people get back to work or to upskill in their current roles.</li> </ul>			<ul style="list-style-type: none"> <li>Further additional resource has been agreed for supporting council tenants following the implementation of Universal Credit Full Service as rent arrears have increased significantly, staff have been recruited to assist with this and the new team is working well. Rent arrears procedure has been reviewed to include a more preventative and flexible approach and more assistance for more vulnerable tenants. After an initial sharp increase in rent arrears, the rate of increase has stabilised. This will be monitored over the coming months.</li> <li>Work has been undertaken to cost the potential risks of Universal Credit and this will continue to be updated as the more information is known.</li> <li>Regular meetings are held with social housing providers to monitor and improve processes.</li> <li>DHP spend is being monitored carefully. Expenditure for 19/20 will continue focusing on the most vulnerable individuals, helping people with the transition into work and mitigating the risk of homelessness.</li> <li>Services for private landlords are being further developed to help prevent them withdrawing from the market.</li> <li>Increase in Prevention staff to work with clients at risk of homelessness. Service can be provided from a partner building or in a client's home to increase engagement.</li> <li>In depth assessments to be completed at point of presentation to include a financial statement which will allow discussion to be had around possible expenditure concerns</li> <li>Attendance at monthly meetings to discuss clients affected by Welfare Reform in order that early support can be offered.</li> <li>Increase in Private Rented Sector Housing Solutions Team to obtain affordable private rented sector accommodation in order to assist clients to move quickly to avoid accruing higher rent arrears.</li> <li>Expansion of the Private Rented Sector Housing Solutions Team to include a dedicated person of contact for landlords. This will mean that any issues can be raised at the earliest stage and support provided to try to prevent any issues which may lead to homelessness.</li> <li>Dedicated phone line for landlords will mean easier contact with above team.</li> <li>Introduction of the Advice Team who will be working to publicise the Housing Options Service to clients and landlords. This will include an online messaging service making the Service accessible to a wider range of clients.</li> </ul>	
<p><b>Potential Impact(s)</b></p>	<ul style="list-style-type: none"> <li>Benefit claimants are priced out of the private rented sector market</li> <li>Private landlords stop renting to benefit claimants</li> <li>Private landlords leaving the rental housing market</li> <li>Social housing rents become unaffordable to some claimants, in particular those with large families</li> <li>Increased homelessness and demand for temporary accommodation</li> <li>Increased rough sleeping</li> <li>Increased rent arrears, increased evictions</li> <li>Redeployment / Severance for housing benefits staff</li> <li>Changing demands on Council stock resulting in increased voids and/or undersupply of smaller properties</li> <li>Increased council rent arrears could impact on HRA and lead to barriers to building additional affordable housing</li> <li>LA less likely to pre-empt those who are going to be affected by changes and therefore unable to put mitigation steps in</li> <li>Increase in poverty and child poverty, potentially an increase on demand of social services</li> </ul>				
<p><b>Type(s) of Impact</b></p>	<p><b>Linked Risks</b></p>		<p><b>Key Indicators / Measures used to monitor the risk</b></p>		
			<p>Number of customers supported and assisted with their claims for Universal Credit Additional weekly benefit identified for clients of the city centre advise team</p>		

## ICT Platforms Unsuitable / Outdated

Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)	
<p>The ICT platforms (desktop, software, network, servers, and telephones) will not be able to support the technologies required by the corporate change programme and deliver effective service to the council, or will not provide a reliable service due to age and condition of equipment and systems.</p>				<p><b>Chris Lee</b> (Phil Bear)</p>	<p><b>Councillor Chris Weaver</b> Finance, Modernisation and Performance</p>
	<p><b>Risk Updated</b>    Q1 2019/20</p>	<p><b>Movement from prev Qtr</b>    ↔</p>	<p><b>Target Reduction Date</b>    12 mths +</p>		
	<p><b>What we've done/are currently doing to achieve the Residual Risk Rating</b></p> <ul style="list-style-type: none"> <li>Spending for renewal/upgrade of highest risk items, in particular firewalls, core servers/switches and external bandwidth is continually reviewed and reprioritised.</li> <li>New system down analysis process in place to ensure that key pressure points are rapidly identified and fixed at minimum cost until full programme can be initiated. Recent issues with telephony have resulted in retargeting of some resources to focus on weak points now identified.</li> <li>New deliveries are all being designed for a 99.99% minimum uptime, with critical systems targeted at 99.999% (equating to less than 6 minutes per year)</li> <li>Our file storage solution has been replaced within the last year and cloud based storage for additional resilience and flexibility is being assessed. Other projects underway include the replacement of our core network switches and departmental switches within County Hall.</li> <li>Corporate file storage systems replaced and new disk to disk backup option installed to improve performance and resilience.</li> <li>Due to mitigation actions so far to reduce the risk, the risk of critical service downtime has been reduced.</li> <li>Additional load balancers purchased for application resilience in key systems.</li> <li>Continued assessment of priorities for replacement – applications infrastructure and servers are the next priority</li> <li>Completed refresh of existing SAP, thin client and virtual server farms.</li> <li>Assessment of equipment required replacing to maintain PSN compliance</li> <li>Further revenue and capital investment in 2019-20.</li> <li>Completed migration of VM infrastructure over to Pure Storage.</li> <li>Completed migration of users from old remote access service to new solution.</li> </ul>			<p><b>What we plan to do to meet target</b></p> <ul style="list-style-type: none"> <li>Development of lifecycle monitoring and clearer customer engagement.</li> <li>Pilot leasing scheme within schools to be considered for corporate desktop estate</li> <li>Led by the Chief Digital Officer, work will be undertaken on the needs for the capital replacement programme in order to inform the Cabinet proposals for the 2020/21 Budget in February 2020. This will include discussions with Directors in respect of service needs and priorities.</li> </ul>	
<p><b>Potential Impact(s)</b></p> <ul style="list-style-type: none"> <li>Loss of PSN services.</li> <li>Service delivery impacts from unreliable/unavailable ICT systems</li> <li>Cardiff seen as unable to deliver on aspirations</li> <li>Poor morale from frustrations with inability to deliver services.</li> <li>Potential for income losses from revenue collection impacts.</li> <li>Unable to meet delivery deadlines on both business as usual and transformation projects.</li> </ul>					
<p><b>Type(s) of Impact</b></p> <ul style="list-style-type: none"> <li>Service Delivery</li> <li>Reputational</li> <li>Financial</li> <li>Stakeholder</li> </ul>	<p><b>Linked Risks</b></p>			<p><b>Key Indicators / Measures used to monitor the risk</b></p> <ul style="list-style-type: none"> <li>Annual independent testing of external and internal infrastructure via Information Technology Health Check (ITHC) for PSN compliance.</li> </ul>	

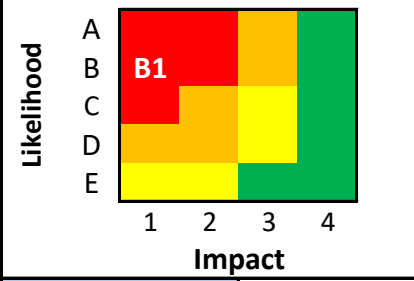
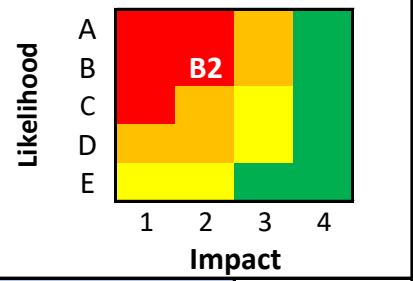
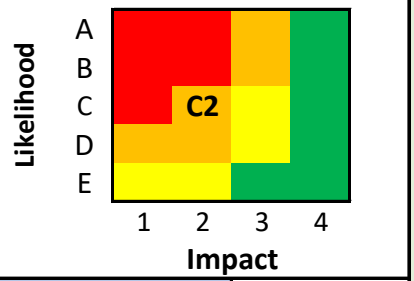
Councillor Chris Weaver 306

# Coastal Erosion

Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)	
<p>Breach of current defences resulting in widespread flooding (current defences are ad hoc and are in a very poor condition)</p>				<p><b>Andrew Gregory</b></p>	<p><b>Councillor Michael Michael</b> Clean Streets, Recycling and Environment</p>
	<p>Risk Updated Q1 2019/20</p>	<p>Movement from prev Qtr ↔</p>	<p>Target Reduction Date 12 mths +</p>		
	<p><b>What we've done/are currently doing to achieve the Residual Risk Rating</b></p> <ul style="list-style-type: none"> <li>Incident management arrangements are in place, which whilst not preventative, represent a level of emergency management for a flood and coastal erosion risk event occurring in a significant storm event.</li> <li>The necessary works are holistic and cannot be phased. Therefore the residual risk rating cannot be lowered until the completed construction of the coastal defence scheme in its entirety.</li> <li>The total costs associated with the Design, Early Contractor Engagement and Construction phases have been estimated at £10.9m (Welsh Government 75% funding = £8.2m and CCC 25% funding = £2.7m)</li> <li>Formal application has been submitted to Welsh Government (WG) under the WG Coastal Risk Management Programme and development of the Detailed Design and Full Business Case (FBC) for the coastal defence scheme is programmed for completion in May 2020.</li> <li>Work ongoing with Emergency Management to formulate interim measures.</li> </ul>			<p><b>What we plan to do to meet target</b></p> <ul style="list-style-type: none"> <li>Completion date for detailed design and Full Business Case (FBC) anticipated May 2020.</li> <li>Full Business Case to be submitted to Welsh Government for approval &amp; funding confirmation</li> <li>Tender scheme promptly following support from Welsh Government. Contract will be developed as part of detailed design process to support tender process.</li> <li>Anticipated construction starting late 2020 - early 2021, subject to the above.</li> </ul>	
<p><b>Potential Impact(s)</b></p> <ul style="list-style-type: none"> <li>Continued coastal erosion along the coast threatening the Rover Way Traveller site and critical infrastructure including Rover Way and the Rover Way/Lamby Way roundabout</li> <li>Erosion to two decommissioned land fill sites, with risk of releasing landfill material into the Severn Estuary and having significant environmental impacts</li> <li>Flood risk to 1,116 residential and 72 non-residential properties over 100 years, including risk to life, property, infrastructure and services</li> <li>N.B. the predicted rates of erosion threaten the Rover Way Travellers Site and the adjacent electrical substation within 5 years, and further release of large volumes of unknown tip material from the Frag Tip into the Seven Estuary.</li> </ul>	<p><b>Linked Risks</b></p> <p>Climate Change &amp; Energy Security (Corporate Risk)</p>			<p><b>Key Indicators / Measures used to monitor the risk</b></p> <ul style="list-style-type: none"> <li>Award of contract for detailed design and Full Business Case - achieved</li> <li>Completion of detailed design and Full Business Case by May 2020 &amp; submitted to WG</li> <li>Delivery programme of coastal protection scheme</li> </ul>	
<p><b>Type(s) of Impact</b></p> <ul style="list-style-type: none"> <li>Health &amp; Safety</li> <li>Health</li> <li>Reputational</li> <li>Financial</li> </ul>	<ul style="list-style-type: none"> <li>Strategic</li> <li>Service Delivery</li> </ul>				

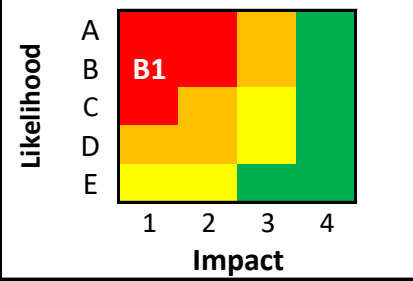
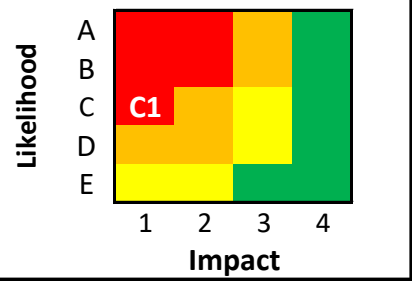
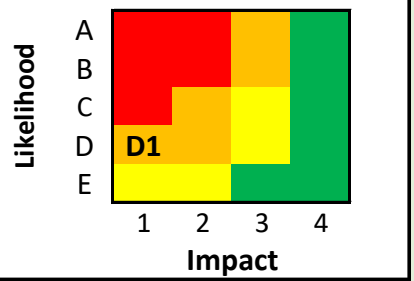
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# Waste Management

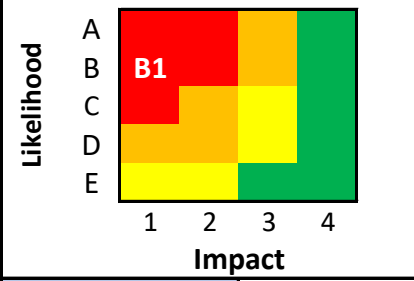
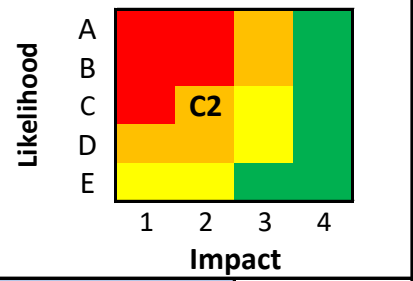
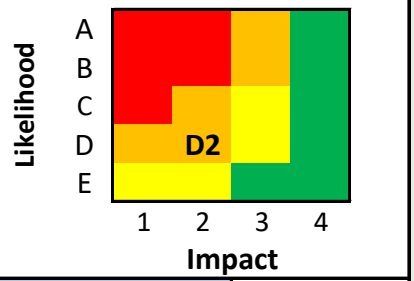
Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)	
<p>Failure to deliver cost effective compliance with waste legislation including statutory recycling targets.</p>	 <p><b>B1</b></p>	 <p><b>B2</b></p>	 <p><b>C2</b></p>	<p><b>Sarah McGill</b> (Matt Wakelam)</p>	<p><b>Councillor Michael Michael</b> Clean Streets, Recycling and Environment</p>
	<p><b>Risk Updated</b>    Q1 2019/20</p>	<p><b>Movement from prev Qtr</b>    ↔</p>	<p><b>Target Reduction Date</b>    12 mths +</p>		
	<b>What we've done/are currently doing to achieve the Residual Risk Rating</b>			<b>What we plan to do to meet target</b>	
	<p><b>Progress discussions with Welsh Government on operational programme of improvements and recycling in Cardiff to demonstrate how Cardiff will be proceeding to meet statutory targets.</b></p> <p><b>Wider Governance &amp; Compliance:</b></p> <ul style="list-style-type: none"> <li>Targeted internal audits are identifying and improving governance and control across the service area.</li> <li>New management and Corporate governance of tonnage projections and waste data flow reporting to support improving control and management of statutory reporting.</li> <li>Introduction of improvements in weighbridge and data systems holding data on waste movements, to improve data management and ease collation of data</li> <li>Prosiect Gwyrdd (Cardiff Council in partnership with other L.A's) - ongoing mgt of contract over 25 years with Viridor, who will produce energy from the remaining 'black bag' waste which historically has gone to landfill, providing the best environmental, cost effective and practical solution for waste after recycling/ composting has been maximised (19.37% recycling from bottom ash)</li> </ul> <p><b>Development of recycling plan for 19/20 optimising resources incl considerations of statutory fines.</b></p> <ul style="list-style-type: none"> <li>Reviewing and benchmarking tonnages / recycling levels / costs of disposal for Cardiff compared to Welsh Authorities and United Kingdom. To identify areas requiring further review to support the opportunity of improving recycling levels.</li> <li>Ongoing mgt of Cardiff Organic Waste Treatment contracts (Kelda/ Dwr Cymru) for an Anaerobic Digestion (AD) facility and Open Windrow Composting (OWC) facility to treat source-separated food and green/garden wastes respectively, over a 15 year period.</li> <li>Media and communications taking place across Cardiff with focus on key areas for recycling improvement.</li> <li>Improving use of In-Cab system to improve service delivery through real time technology, optimisation of routes and identification of waste contamination.</li> </ul> <p><b>Recycling Development:</b></p> <ul style="list-style-type: none"> <li>The Council's Recycling &amp; Waste Management Strategy is reviewed every three years, with the last strategy covering the period 2015-18. Draft Strategy 2018-21 has been consulted on.</li> <li>Robust analysis and review of business cases relating to the following waste collection &amp; disposal operations:                             <ul style="list-style-type: none"> <li>Post sorting of general waste.</li> <li>Bottle and Glass expansion across the City.</li> <li>Hygiene (Absorbent Hygiene Products) from Municipal Solid Waste to Recycling</li> </ul> </li> </ul>			<ul style="list-style-type: none"> <li>Cabinet Report in October to consider the outcomes of the Glass pilot and support the recommendation to expand the separate glass collection service to all domestic households in Cardiff, including management of flats and HMO's.</li> <li>Ongoing In-Cab technology implementation &amp; training to improve reporting of contamination</li> <li>Targeted and tailored intervention to deal with contamination in hot spot areas across the City.</li> <li>Review the Waste &amp; Recycling Strategy 2018-2021, developed to meet the statutory recycling targets. To have a strategy the service needs to develop an operational programme (including costs) in parallel to improve awareness of decision points and associated implications of the strategy.</li> </ul> <p><b>Wider Governance &amp; Compliance</b></p> <ul style="list-style-type: none"> <li>Work is ongoing to review Waste Data Flow to ensure providing information in a timely manner</li> <li>Senior Management to have ongoing regular engagement and discussions with WG on Cardiff's Waste Strategy and compliance with the WG Blueprint. WRAP and CC developing a mandate +AO17:BC49</li> </ul>	
	<b>What we've done/are currently doing to achieve the Residual Risk Rating</b>			<b>What we plan to do to meet target</b>	
<p><b>Potential Impact(s)</b></p> <p><b>Financial</b></p> <ul style="list-style-type: none"> <li>penalties and loss of grant support</li> <li>continuing financial costs to service</li> </ul> <p><b>Legal &amp; Regulatory</b></p> <ul style="list-style-type: none"> <li>Failure to comply with EU recycling waste directive, leading to sanctions, penalties or interventions</li> </ul> <p><b>Strategic/ Reputational</b></p> <ul style="list-style-type: none"> <li>reputational consequence with citizens and key stakeholders</li> </ul>	<p><b>What we've done/are currently doing to achieve the Residual Risk Rating</b></p> <p><b>Progress discussions with Welsh Government on operational programme of improvements and recycling in Cardiff to demonstrate how Cardiff will be proceeding to meet statutory targets.</b></p> <p><b>Wider Governance &amp; Compliance:</b></p> <ul style="list-style-type: none"> <li>Targeted internal audits are identifying and improving governance and control across the service area.</li> <li>New management and Corporate governance of tonnage projections and waste data flow reporting to support improving control and management of statutory reporting.</li> <li>Introduction of improvements in weighbridge and data systems holding data on waste movements, to improve data management and ease collation of data</li> <li>Prosiect Gwyrdd (Cardiff Council in partnership with other L.A's) - ongoing mgt of contract over 25 years with Viridor, who will produce energy from the remaining 'black bag' waste which historically has gone to landfill, providing the best environmental, cost effective and practical solution for waste after recycling/ composting has been maximised (19.37% recycling from bottom ash)</li> </ul> <p><b>Development of recycling plan for 19/20 optimising resources incl considerations of statutory fines.</b></p> <ul style="list-style-type: none"> <li>Reviewing and benchmarking tonnages / recycling levels / costs of disposal for Cardiff compared to Welsh Authorities and United Kingdom. To identify areas requiring further review to support the opportunity of improving recycling levels.</li> <li>Ongoing mgt of Cardiff Organic Waste Treatment contracts (Kelda/ Dwr Cymru) for an Anaerobic Digestion (AD) facility and Open Windrow Composting (OWC) facility to treat source-separated food and green/garden wastes respectively, over a 15 year period.</li> <li>Media and communications taking place across Cardiff with focus on key areas for recycling improvement.</li> <li>Improving use of In-Cab system to improve service delivery through real time technology, optimisation of routes and identification of waste contamination.</li> </ul> <p><b>Recycling Development:</b></p> <ul style="list-style-type: none"> <li>The Council's Recycling &amp; Waste Management Strategy is reviewed every three years, with the last strategy covering the period 2015-18. Draft Strategy 2018-21 has been consulted on.</li> <li>Robust analysis and review of business cases relating to the following waste collection &amp; disposal operations:                             <ul style="list-style-type: none"> <li>Post sorting of general waste.</li> <li>Bottle and Glass expansion across the City.</li> <li>Hygiene (Absorbent Hygiene Products) from Municipal Solid Waste to Recycling</li> </ul> </li> </ul>			<ul style="list-style-type: none"> <li>Cabinet Report in October to consider the outcomes of the Glass pilot and support the recommendation to expand the separate glass collection service to all domestic households in Cardiff, including management of flats and HMO's.</li> <li>Ongoing In-Cab technology implementation &amp; training to improve reporting of contamination</li> <li>Targeted and tailored intervention to deal with contamination in hot spot areas across the City.</li> <li>Review the Waste &amp; Recycling Strategy 2018-2021, developed to meet the statutory recycling targets. To have a strategy the service needs to develop an operational programme (including costs) in parallel to improve awareness of decision points and associated implications of the strategy.</li> </ul> <p><b>Wider Governance &amp; Compliance</b></p> <ul style="list-style-type: none"> <li>Work is ongoing to review Waste Data Flow to ensure providing information in a timely manner</li> <li>Senior Management to have ongoing regular engagement and discussions with WG on Cardiff's Waste Strategy and compliance with the WG Blueprint. WRAP and CC developing a mandate +AO17:BC49</li> </ul>	
	<b>What we've done/are currently doing to achieve the Residual Risk Rating</b>			<b>What we plan to do to meet target</b>	
<p><b>Type(s) of Impact</b></p> <ul style="list-style-type: none"> <li>Reputational</li> <li>Legal &amp; Regulatory</li> <li>Financial</li> </ul>	<p><b>Linked Risks</b></p>			<p><b>Key Indicators / Measures used to monitor the risk</b></p> <ul style="list-style-type: none"> <li>Monthly monitoring recycling % from waste data flow</li> <li>Monthly tonnage monitoring</li> <li>Monthly financial monitoring in each area of waste</li> </ul>	



## Increase in Demand (Children's Services)

Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)	
<p>Failure to effectively manage demand resulting in increase in number of children looked after and the service and financial pressures this presents.</p>				Sarah McGill  Claire Marchant	Councillor Graham Hinchey Children & Families
	Risk Updated    Q1 2019/20	Movement from prev Qtr    ↔	Target Reduction Date    12 mths +		
	<b>What we've done/are currently doing to achieve the Residual Risk Rating</b>			<b>What we plan to do to meet target</b>	
	<ul style="list-style-type: none"> <li>Early Help Strategy</li> <li>Cardiff Family Advice and Support Service</li> <li>Information, Advice and Assistance functions (including Dewis Cymru)</li> <li>Locality working</li> <li>Interface Protocol for Children's Services with Children's Team Around Family (TAF) and Disability Team Around the Family (DTAF) agreed and implemented</li> <li>Flying Start</li> <li>Rapid Response Service</li> <li>Adolescent Resource Centre</li> <li>Legal tracker</li> <li>Decision making panels established across the stages of the child's journey</li> <li>Direct Payments</li> <li>Young Carers Action Plan</li> <li>Families First Services recommissioned</li> <li>Signs of Safety implementation plan</li> </ul>			(Relevant DDP 2019/20 actions noted in brackets.) <ul style="list-style-type: none"> <li>Improving Outcomes for Children Programme Board and project groups beneath it</li> <li>"Delivering Excellent Outcomes" Children's Services Strategy under development</li> <li>Cardiff Family Advice and Support Service progressively implemented from April 2019 (CP 1 - CS)</li> <li>Children's Commissioning Strategy being developed to address placement quality and sufficiency (CP 12 - CS)</li> <li>Fostering project and residential care projects supporting delivery of the emerging needs from the Commissioning Strategy (CP 12 - CS)</li> <li>Partnership arrangements for delivery of Child and Adolescent Mental Health Service (CAMHS) to be reviewed (CP 5 - CS)</li> <li>Refresh the Signs of Safety Implementation Plan to embed strength based practice in partnership with families to support children to remain with families, supported by a safety plan (CP 11 - SS)</li> <li>Transformation and ICF proposals developed to enhance services at the edge of care and support proactive improvement (DP 21 - SS)</li> <li>Deliver a three year plan that combines service and financial planning for Adult and Children's Social Services (CP 24 - SS)</li> </ul>	
	<b>Linked Risks</b>			<b>Key Indicators / Measures used to monitor the risk</b>	
				Children's Services: Early Help 1 - Number of people supported through the Family Gateway Early Help 2 - Number of people supported by the Family Help Team Early Help 3 - Number of people supported by the Family Support Team Contacts 1 - Number of Contacts / Referrals Received SSWB 24 - Percentage of assessments completed for children within statutory timescales CS LAC 3e - Number of children looked after	
	<b>Potential Impact(s)</b>				
<ul style="list-style-type: none"> <li>Family breakdown leading to children becoming looked after</li> <li>Growth in the number of children entering the looked after system and associated costs for the Authority</li> <li>Insufficient placements to meet need</li> <li>Children are less likely to achieve their potential and to be fully participating citizens</li> <li>Life chances for children are reduced</li> <li>Delays in issuing care proceedings because of existing capacity in both Children's and Legal Services</li> <li>Challenges in improving outcomes for children</li> <li>Challenges in effectively managing service and financial pressures</li> <li>Significant increase in demand for residential and foster care placements for children looked after resulting in increase in numbers living outside Cardiff</li> </ul>					
	<b>Type(s) of Impact</b>				
<ul style="list-style-type: none"> <li>Service Delivery</li> <li>Reputational</li> <li>Legal</li> <li>Financial</li> </ul>		<ul style="list-style-type: none"> <li>Community &amp; Environment</li> <li>Stakeholder</li> </ul>			

## Education - Schools' Delegated Budgets

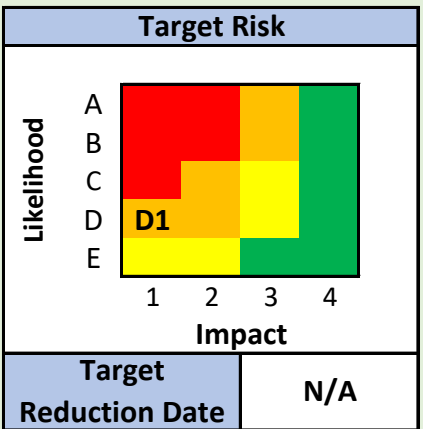
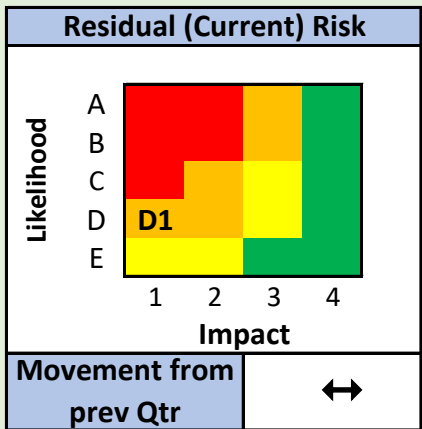
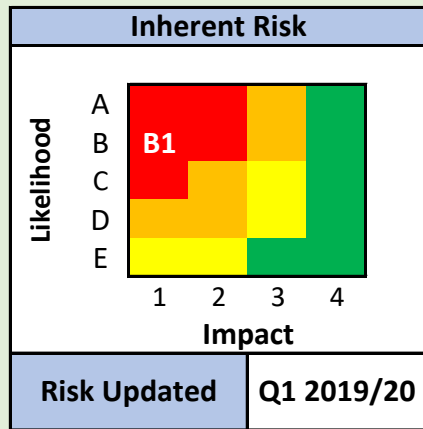
Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)							
<p>The number of schools with deficit budgets and/or the overall value of deficit budgets increases, or that those schools (particularly in the Secondary sector) with existing deficit budgets do not deliver agreed deficit recovery plans.</p>				<p><b>Nick Batchelar</b> (Neil Hardee)</p>	<p><b>Councillor Sarah Merry</b> Deputy Leader &amp; Education, Employment &amp; Skills</p>						
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"><b>Risk Updated</b></td> <td>Q1 2019/20</td> </tr> </table>	<b>Risk Updated</b>	Q1 2019/20	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"><b>Movement from prev Qtr</b></td> <td style="text-align: center;">↓</td> </tr> </table>	<b>Movement from prev Qtr</b>	↓	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"><b>Target Reduction Date</b></td> <td>12 mths +</td> </tr> </table>	<b>Target Reduction Date</b>	12 mths +		
<b>Risk Updated</b>	Q1 2019/20										
<b>Movement from prev Qtr</b>	↓										
<b>Target Reduction Date</b>	12 mths +										
	<b>What we've done/are currently doing to achieve the Residual Risk Rating</b>			<b>What we plan to do to meet target</b>							
	<ul style="list-style-type: none"> <li>The 2019/2020 delegated budget allocations were issued to schools in early March 2019 and monitoring arrangements put in place for those schools showing financial concern.</li> <li>Officers from Education and Financial Services work with individual schools through Headteachers and Governing Bodies to formulate Medium Term Financial Plans (MTFP) to seek to either balance individual school deficits within four financial years or to ensure that the accumulated deficits were frozen or slowed as much as possible.</li> <li>Officers continue to monitor and challenge those schools in deficit before allowing any additional financial commitments, both staffing and other expenditure.</li> <li>For each school in deficit, the Council has identified a monitoring officer to provide an independent challenge to the school. This is in addition to the LFM Officer currently supporting that school.</li> <li>Annual audit of budget impact on individual schools undertaken during the Summer Term, the results of which feed into discussions regarding the medium term financial plan</li> </ul>			<ul style="list-style-type: none"> <li>Officers exercise the statutory powers of intervention on a school or schools in deficit who are unable to provide a medium term financial plan. This may involve removing delegation from a Governing Body.</li> <li>Officers explore through the School Organisation Planning process how different organisational arrangements for schools would affect the supply of pupils to schools thus affecting their delegated budgets. This will include an understanding of the long term impact of any unused school supply places on the funding formula.</li> <li>Working with CSC to ensure that maximising value from constituent parts of Education Improvement Grant is secured and that there is clarity of allocation mechanism for 2019/20 and beyond</li> <li>A working group has been established to examine the medium term financial planning processes used by the LA and schools</li> <li>Improve individual school risk assessment processes in order to provide an early indication of those schools who may be at risk of entering a deficit position</li> </ul>							
<b>Potential Impact(s)</b>											
<ul style="list-style-type: none"> <li>An overall deficit arising from schools budgets would count against the funding available for the Council</li> <li>Schools with deficit budgets may struggle to adequately fund the resources required to achieve the desired levels of educational attainment</li> <li>Schools with deficit budgets may struggle to adequately fund maintenance of school buildings creating an issue for other budgets, eg Capital/SOP Band B</li> <li>Schools that continually fail to address deficit budgets may ultimately require LA intervention, with a corresponding increase required in centralised resources</li> </ul>											
<b>Type(s) of Impact</b>	<b>Linked Risks</b>			<b>Key Indicators / Measures used to monitor the risk</b>							
<ul style="list-style-type: none"> <li>Reputational</li> <li>Legal</li> <li>Financial</li> </ul>				<ul style="list-style-type: none"> <li>School budget monitoring position</li> <li>Number of schools setting deficit budgets</li> <li>Final budget balances</li> </ul>							

# Business Continuity

**Description**

Large scale incident/loss affecting the delivery of services.

The potential risk is that our most time sensitive activities are not sufficiently resilient and fail, following an incident which impacts on their delivery and that our incident management structure, used in response to internal incidents and external emergencies, also fails in response to an incident.



**Risk Owner(s)**

Chris Lee

Councillor Huw Thomas  
Leader

**What we've done/are currently doing to achieve the Residual Risk Rating**

- The Council has a BCM Champion who sponsors BCM at a strategic level
- We have an approved Business Continuity Policy which is aligned to ISO22301
- BCM toolkit is now available on CIS
- The Council has employed a Business Continuity Officer who is a qualified ISO22301 lead auditor
- The Emergency Management Unit has developed an Incident Management Plan (Cardiff Councils Emergency Management Plan) to ensure alignment with ISO22301. This was fully updated in March 2019.
- The Council has a 24 hour Incident Management structure for Gold and Silver Officers.
- 87 % of our most time sensitive activities (Reds) now have Business Continuity plans which have met, or are going through, audit. Work on the remaining plans is ongoing to close gaps and bring them up to date and in line with the corporate audit requirement
- Cardiff Council is a member of the Core Cities Business Continuity Group
- Internal Audit completed an audit of the Business Continuity Risk in September 2018 and the assurance statement was "Effective with opportunity for improvement"
- The Corporate Incident Management structure and many individual team Business Continuity Plans were used successfully in the two extreme snow events of March 2018
- Targeted specific actions were undertaken successfully for winter 2018 in order to enhance resilience around our severe weather response capability. Additional actions are planned for winter 2019 to further enhance resilience.
- The Business Continuity Officer is continuing to support Directorates in preparing for potential impacts around Brexit

**What we plan to do to meet target**

- Work with ICT to ensure our core infrastructure is as resilient as practical
- Work with the teams involved with looking at the potential of using alternative delivery models for council services. Identifying risks associated with alternative delivery models for specific services and recommend potential risk management solutions for implementation, to protect the delivery of our most critical services.
- The Business Continuity Officer is working to develop and enhance individual Directorate response capability to ensure Directorates are in a stronger position to respond to incidents which could impact on the Council and our most time sensitive activities
- The BC officer is leading a further review of 4x4 resources across the council to support our response capability to deal with the potential of winter storms in the coming winter of 2019

**Potential Impact(s)**

- Health and Safety** – potential impact on staff and on the public relying on our most, time sensitive, critical services
- Legal action** -Failure of key services could lead to Legal action against the council
- Financial** - Failure of key services could led to significant financial cost both in terms of Ombudsman action and Enforcement action from regulatory bodies as well as individual legal action against the corporate body where service failure leads to legal action against us from private claimants
- Reputational** - Impact on key services to the public could lead to significant reputational damage to the organisation
- Stakeholder** – Impact on key stakeholders as result of failure
- Service delivery** – Potential significant impact on service delivery to the public, impact of key services could lead to significant impacts to the public and the corporate body un delivering its services

**Type(s) of Impact**

- Service Delivery
- Reputational
- Legal
- Financial
- Health & Safety
- Stakeholder

**Linked Risks**

Brexit Risk

**Key Indicators / Measures used to monitor the risk**

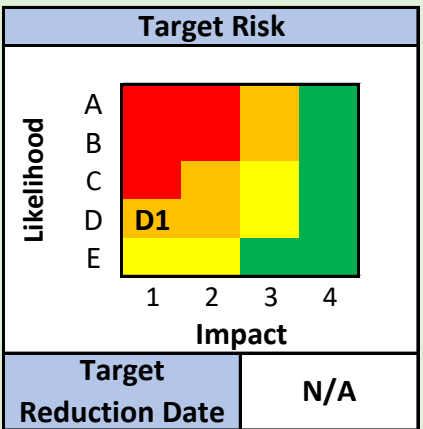
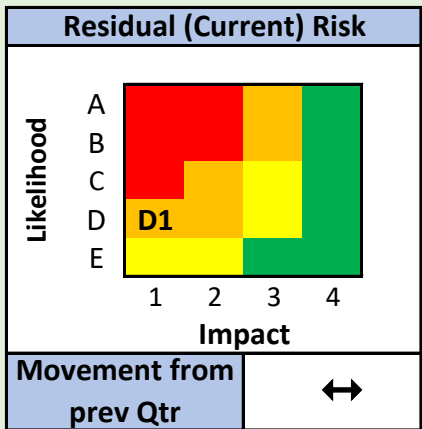
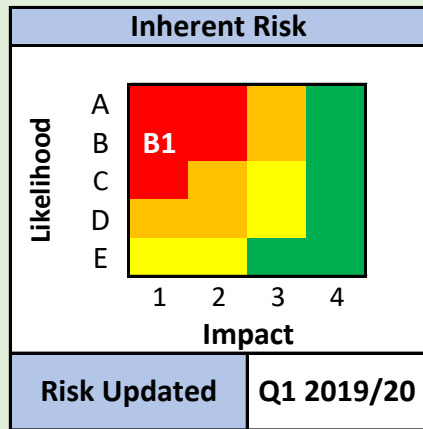
The Red activity BC plan status is reviewed on a quarterly basis via a report to SMT after the CRR submission. Additionally the risk is managed as part of the Corporate Risk Management process via the CRR returns and the BC risk is also audited by Internal Audit . The last Internal Audit of the Business Continuity Risk was in in 2018.



# Safeguarding

**Description**

Systemic failure in the effectiveness of the Council's safeguarding arrangements together with other statutory safeguarding partners.



**Risk Owner(s)**

Sarah McGill  Claire Marchant  Davina Fiore	<b>Councillor Huw Thomas</b> Leader <b>Councillor Susan Elsmore</b> Social Care, Health & Well-being <b>Councillor Graham Hinchey</b> Children & Families <b>Councillor Chris Weaver</b> Finance, Modernisation and Performance
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**What we've done/are currently doing to achieve the Residual Risk Rating**

- Regional Adults / Children's Safeguarding Board
- Cardiff local operational safeguarding group established to support effective multi-agency safeguarding arrangements across the City, reporting to the Regional Safeguarding Board.
- Corporate Safeguarding Board chaired at Director level with each Directorate completing a self assessment in relation to safeguarding.
- Safeguarding issues included in Senior Management Assurance Statement from 2019/20.
- Improving Outcomes for Children Steering Group chaired by Chief Executive established to oversee performance to improve outcomes for Cardiff's most vulnerable children.
- Operational Manager Safeguarding Forum meets quarterly.
- Systems in place to learn lessons from and address recommendations from Child Practice Reviews, Adult Practice Reviews and multi agency practitioner forums.
- Monthly quality and performance review across all areas of Social Services.
- SBAR system implementation to understand and address significant risks, including safeguarding risks, in Social Services.
- Recruitment and retention strategy in place to address children's workforce issues.
- Action plan being delivered to address high caseloads in Children's Services.
- Refreshed Signs of Safety action plan in place.
- Ongoing implementation of the Child Sexual Exploitation Strategy.
- Raising profile of Adult Sexual Exploitation (ASE) in Adult Services in line with the Child Sexual Exploitation (CSE) Strategy.
- Embedding Social Services and Well-being (Wales) Act 2014 in relation to strengthening of adult safeguarding.
- Review of adult safeguarding undertaken and management strengthened.

**What we plan to do to meet target**

(Relevant DDP 2019/20 actions noted in brackets.)

- WAO review of corporate safeguarding - action plan to be implemented when posts appointed to.
- Implementation of revised Corporate Safeguarding Policy and action plan arising from internal audit of corporate safeguarding (CP 19 - SS).
- Additional investment in corporate safeguarding to address recommendations from internal audit report.
- Cardiff and Vale Regional Safeguarding Board supporting the All Wales Adult and Child Protection Procedure due for completion by September 2019 (CP 18 - SS).
- Exploitation Strategy being developed to cover wider exploitation issues, including adults, in a multi agency way (CP 20 - SS).
- Ensure children and adults are protected from risk of harm and abuse by raising awareness among public and professionals for the duration of the plan (DP 18 - SS).
- Embed the Quality Assurance Framework in Adult and Children's Services (DP 19 - SS).
- Process and escalation procedures agreed for children's work, to be agreed with adults (DP 30 - AS).
- Implement new arrangements within the Multi Agency Safeguarding Hub (MASH) to take account of the new Early Help Service (CP 21 - CS).
- Regular performance monitoring meetings with Children's Social Services have been arranged.
- Adult safeguarding improvement plan developed (DP 20 - AS).

**Key Indicators / Measures used to monitor the risk**

Adult Services: SSWB 18 Percentage of adult protection enquiries completed within 7 working days  
 Children's Services: SSWB 24 Percentage of assessments completed for children within statutory timescales  
 SCC.014 Percentage of initial child protection conferences carried out within statutory timescales during the year  
 SCC.034 Percentage of child protection reviews carried out within statutory timescales during the year  
 SSWB 27 Percentage of re-registrations of children on local authority Child Protection Registers  
 SSWB 28 Average length of time for all children who were on the CPR during the year  
 Res 15 - Percentage of Council staff completing Safeguarding Awareness Training  
 TBC - Part IV Referrals  
 TBC - Professional concerns  
 TBC - Escalating concerns

**Potential Impact(s)**

- A child/ren or adult/s suffers avoidable significant harm or death.
- Reputation of Council and partners.
- Severe adverse publicity.
- Potential regulator intervention.
- Loss of confidence by community in safety of children and adults.
- Loss of confidence of staff in the overall "safety" of the service, impacting on morale, recruitment and retention.
- Potential litigation with associated financial penalties
- Significant financial implications of formal intervention

In addition to the above:

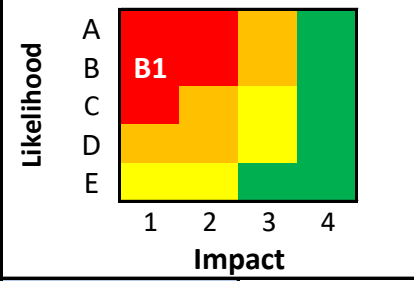
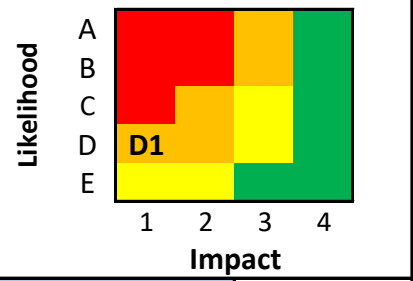
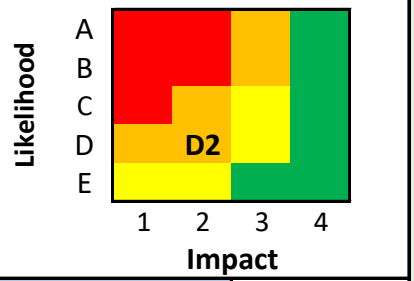
- Being held in contempt of court.
- Imprisonment.
- Unlawful detention of persons.
- Payment of costs / damages.
- Professional reputation of staff.
- Recruitment problems.

**Type(s) of Impact**

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**Linked Risks**

# Climate Change & Energy Security

Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)			
Cardiff not able to manage the effects of climate change and energy security due to lack of future proofing for key (social and civil) infrastructure and business development.				<b>Andrew Gregory</b>	<b>Councillor Michael Michael</b> Clean Streets, Recycling and Environment		
<p><b>Potential Impact(s)</b></p> <p>Climate change will result in more intense and frequent weather events leading to:</p> <p><b>Flood, Wind, Snow and High Temperatures events</b></p> <ul style="list-style-type: none"> <li>Loss of life and personal injury;</li> <li>Increase in health issues including air quality;</li> <li>Direct damage to property, infrastructure and utilities;</li> <li>Contamination and disease from flood and sewer water and flood on contaminated land;</li> <li>Increased cost of insurance;</li> <li>Break up of community and social cohesion;</li> <li>Blight of land and development.</li> <li>Migration of ecosystems.</li> </ul> <p>Energy security will result in more frequent energy supplies failure events leading to:</p> <p><b>Consistent energy supply and increased costs</b></p> <ul style="list-style-type: none"> <li>Inability to deliver public services</li> <li>Decrease in economic output</li> <li>Disruption to the supply of utilities</li> <li>Increased transport costs</li> <li>Increased costs for heating / providing services to buildings</li> <li>Increased fuel poverty</li> </ul>	<p><b>Risk Updated</b>    <b>Q1 2019/20</b></p>	<p><b>Movement from prev Qtr</b>    ↔</p>	<p><b>Target Reduction Date</b>    <b>12 mths +</b></p>	<p style="text-align: center;"><b>What we've done/are currently doing to achieve the Residual Risk Rating</b></p> <p><b>Emergency Management Unit (EMU)</b></p> <ul style="list-style-type: none"> <li>Working through the Local Resilience Forum (LRF) structure to ensure planning is carried out with consideration of emerging emergency events.</li> <li>Cardiff Area Community Risk Register developed and reviewed on a regular basis.</li> <li>Procedures in place for extreme temperatures in line with Welsh Governments Heatwave Plan.</li> <li>Produced 'Preparing for Emergencies – A Guide for Communities' now available to all agencies and organisations.</li> <li>Developed EVAC Cardiff App - now publicly available for both android and apple systems.</li> <li>Website to offer further advice/ information alongside the App (<a href="https://www.evaccardiff.co.uk/">https://www.evaccardiff.co.uk/</a>)</li> </ul> <p><b>Flood Management Planning</b></p> <ul style="list-style-type: none"> <li>Local Flood Risk Management Strategy completed. This integrates flood risk, the coastal protection strategy and stakeholder communications setting a clear corporate approach to flood management.</li> <li>Flood Risk Management Plan sets out how Cardiff Council will manage flooding to deliver improvements to communities most at risk. Flood mitigation schemes delivered in Rhiwbina and Roath Waterloo Gardens.</li> <li>Mapping of flood events to provide historical data of areas of concern. This supports work relating to 5 active community flood plans in Cardiff with other key stakeholders and the retrofitting of sustainable drainage to remove water from piped systems and control surface water at source.</li> <li>Improvement in records for all drainage assets and associated maintenance through AMX and WinCan.</li> <li>Delivery of the Sustainable Drainage Approval body on 7th January 2019 requiring sustainable drainage for all new developments.</li> </ul> <p><b>Energy Management</b></p> <ul style="list-style-type: none"> <li>Council procures competitive energy contracts through Crown Commercial Services on a 10 monthly purchasing window for the following 12 month financial year.</li> <li>Key sites fitted with back-up generators for emergency back-up, specifically for IT systems.</li> <li>The Carbon Reduction Strategy 2022 identifies projects/ activities through 4 strands to achieve a 35% reduction in the council's carbon emissions from electricity and gas by 2022. These include; Renewables, Energy Efficiency, Design &amp; Asset Management and Behaviour Change.</li> <li>Control of energy use and demand reduction in the Council Estate</li> </ul>		<p style="text-align: center;"><b>What we plan to do to meet target</b></p> <p><b>Given the most recent information, including declaration of a climate emergency, a comprehensive review of the risk is being undertaken and will be reported in Q2.</b></p> <p><b>Flood Management Planning</b></p> <ul style="list-style-type: none"> <li>Deliver flood management and coastal improvement schemes. Including the Identification and delivery of retro-fit sustainable drainage schemes.</li> </ul> <p><b>Energy Management</b></p> <ul style="list-style-type: none"> <li>Increasing local renewable generation. Lamby Way Solar Farm final business plan approved by cabinet following planning consent and successful procurement exercise. District Heat Network proposals given authority to proceed by Cabinet, subject to Final Business Case approval.</li> <li>Deliver Low Emission Transport strategy - the first phase of on street EV charging infrastructure underway. Plans for introduction of EV in the fleet progressing.</li> </ul>	
<p style="text-align: center;"><b>Type(s) of Impact</b></p> <ul style="list-style-type: none"> <li>Service Delivery</li> <li>Reputational</li> <li>Legal</li> <li>Financial</li> <li>Health &amp; Safety</li> <li>Partnership</li> <li>Community &amp; Environment</li> <li>Stakeholder</li> </ul>	<p style="text-align: center;"><b>Linked Risks</b></p> <p>Coastal Erosion (Corporate Red Risk) Air Quality (Corporate Red Risk)</p>		<p style="text-align: center;"><b>Linked Documents</b></p> <p><a href="https://www.evaccardiff.co.uk/">https://www.evaccardiff.co.uk/</a> <a href="https://www.cdp.net/en">https://www.cdp.net/en</a></p>		<p style="text-align: center;"><b>Key Indicators / Measures used to monitor the risk</b></p> <p>Storm Events that meet silver &amp; gold emergency intervention Annual number of flooded properties and severity (statutory reporting) Energy use / renewable energy production of Cardiff Council</p>		

# Delivering Capital Ambition Programme

Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)	
<p>Projects within the Programme fail to deliver the change required to ensure the implementation of the Administration's agenda and to refocus services to meet the challenges faced by the Council and the city's wider public services.</p>				<p><b>Chris Lee</b> (Dean Thomas)</p>	<p><b>Councillor Chris Weaver</b> Finance, Modernisation and Performance</p>
	<p>Risk Updated    Q1 2019/20</p>	<p>Movement from prev Qtr    ↔</p>	<p>Target Reduction Date    6-12 mths</p>		
	<p><b>What we've done/are currently doing to achieve the Residual Risk Rating</b></p>			<p><b>What we plan to do to meet target</b></p>	
	<ul style="list-style-type: none"> <li>Governance arrangements established and led by the Chief Executive. The Modernisation component of the Capital Ambition Delivery Programme is led by the Corporate Director Resources; and the Resilient Services component is led by the Corporate Director People and Communities.</li> <li>Disciplined approach, where risk assessment forms an integral part of the approach to change.</li> <li>Programmes and projects initiated with dedicated resources.</li> <li>Experienced gained by managing programmes and projects over a number of years, building on lessons learned.</li> <li>An extensive training programme for the Capital Ambition Delivery Team was undertaken during 2017/18 to ensure both project management and business analyst's skills and knowledge are enhanced.</li> <li>Building capacity and capability across the organisation through development opportunities and skills transfer.</li> <li>Appropriate engagement and stakeholder management, including Trade Union meetings and updates for PRAP, Scrutiny and Internal Audit.</li> <li>Continued implementation of Programme &amp; Project Management Database to enhance management information and reporting. Investment Review Board review/approve Business Cases and prioritise resources.</li> <li>SMT acts as the Sponsoring Group and receives regular updates on programme and project progress. All Programme Briefs are submitted to SMT for discussion prior to them being signed off at the relevant programme board.</li> <li>All Programme Briefs have been signed off by SMT and the relevant programme boards.</li> <li>Project briefs have been developed for a number of projects within the CADP.</li> <li>Effective governance arrangements are now in place for the CADP. These arrangements are continually monitored and refined as and when required.</li> </ul>			<ul style="list-style-type: none"> <li>Monthly meetings are also taking place between the relevant SRO and the Portfolio Manager from the CADT. Project executives are invited to these meetings, as and when required, to provide project updates.</li> <li>A review of the programme will be undertaken as part of the overall review of Delivering Capital Ambition.</li> </ul>	
<p><b>Potential Impact(s)</b></p>					
<ul style="list-style-type: none"> <li>Failure to deliver the Administration's Capital Ambition statement.</li> <li>Failure to respond to the key financial and organisational challenges that dominate the medium term planning horizon of the Council.</li> <li>Vital services will not be protected if we fail to find more efficient ways of working.</li> <li>Reputational impact if services do not meet increasing customer expectations.</li> <li>Public services are not delivered efficiently or effectively and fail to deliver joined up services to the public.</li> <li>Lack of a programme management approach to the delivery of these significant projects will result in lack of governance and failure to report project progress to relevant stakeholders in a timely manner.</li> <li>Reputational risk with our external regulators if the CADP is not delivering on time and does not have robust governance arrangements in place.</li> </ul>					
<p><b>Type(s) of Impact</b></p>	<p><b>Linked Risks</b></p>			<p><b>Key Indicators / Measures used to monitor the risk</b></p>	
<ul style="list-style-type: none"> <li>Service Delivery</li> <li>Reputational</li> <li>Legal</li> <li>Financial</li> </ul>				<p>No key metrics/indicators but robust governance arrangements are in place to monitor the CADP.</p>	

# Education Consortium & Attainment

Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)	
<p>The Central South Consortium does not deliver effective services that challenge and support Cardiff schools to improve - the CSC model will need to be adapted to meet the emerging needs of education reform in Wales, including the new curriculum and accountability and assessment changes.</p>				<p><b>Nick Batchelar</b></p>	<p><b>Councillor Sarah Merry</b> Deputy Leader &amp; Education, Employment &amp; Skills</p>
	<p><b>Risk Updated</b>    Q1 2019/20</p>	<p><b>Movement from prev Qtr</b>    ↔</p>	<p><b>Target Reduction Date</b>    6-12 mths</p>		
	<p><b>What we've done/are currently doing to achieve the Residual Risk Rating</b></p> <ul style="list-style-type: none"> <li>Results for 2018/19 show that Cardiff schools are performing well across a wide range of performance indicators at all Key Stages.</li> <li>Outcomes of Estyn inspections and Categorisation outcomes have also improved.</li> <li>Cardiff schools are working with CSC on the development and implementation of the new curriculum for Wales.</li> <li>The Local Authority has strong working relationships with the Senior Primary, Secondary and Special School Challenge Advisers, and systems and processes to secure improved joint service delivery have been put in place.</li> <li>In 2018/19, the constituent Councils in the Central South Consortium (CSC) commissioned an external review of the CSC.</li> </ul>			<p><b>What we plan to do to meet target</b></p> <p>The Joint Committee of CSC will determine what follow up actions should be taken in light of any recommendations from the report on the external review.</p>	
<p><b>Potential Impact(s)</b></p> <ul style="list-style-type: none"> <li>Learners do not reach their full potential</li> <li>Schools are not supported to improve</li> <li>Schools are not able to deliver the new curriculum</li> <li>Educational performance does not improve</li> <li>Impact on Estyn judgements</li> <li>Value for money - CSC</li> <li>Budget implications</li> <li>Intervention from WG</li> </ul>					
<p><b>Type(s) of Impact</b></p> <ul style="list-style-type: none"> <li>Reputational</li> <li>Legal</li> <li>Financial</li> </ul>	<p><b>Linked Risks</b></p>		<p><b>Key Indicators / Measures used to monitor the risk</b></p> <p>KS4 2018/19 School Performance, Outcomes from Estyn Inspections up to 2020.</p>		

Updated on 31/5

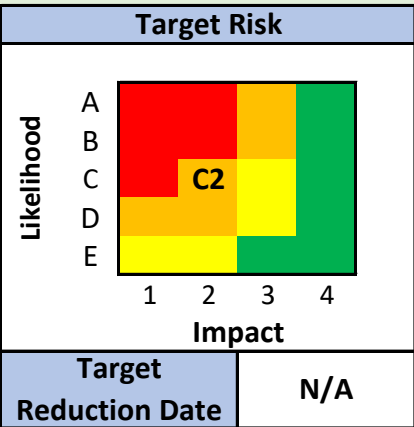
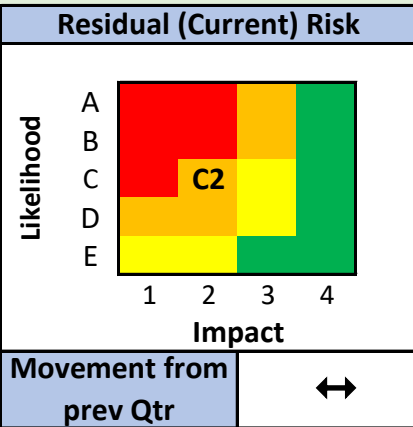
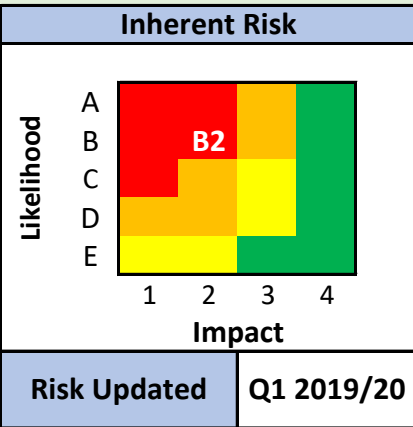
# Legal Compliance

**Description**

Changes in services and staff roles across the Council resulting in:

- gaps in Council wide knowledge of the local authority framework of responsibilities and duties within which we have to operate;
- inability to deliver the services in accordance with all duties and responsibilities due to lack of resource:

In each case leading to increased risk of challenges. Reduction and changes in front-line services, discretionary and statutory, will lead to increased risks of challenge from users and other stakeholders affected.



**Risk Owner(s)**

Davina Fiore

Councillor Huw Thomas  
Leader

**What we've done/are currently doing to achieve the Residual Risk Rating**

- Professional internal legal and financial advice provided to a high standard
- Maintaining robust decision making process with legal implications on all Council, Cabinet and Committee reports and Officer Decision Reports at Director level
- Appropriate use of NPS Legal Services by Solicitors Framework to increase resilience
- Dedicated teams in specialist areas e.g. equalities, FOI / DPA
- Sharing training/publications received

**What we plan to do to meet target**

- Further development of standard precedents with guidance for use in cases of low value/low risk/repetitive matters
- Provide legal training to Directorates to develop knowledge within Directorates of specific statutory functions.
- Encourage Directorates to ensure reports are discussed at preliminary stage in development to ensure all legal issues are addressed early

**Potential Impact(s)**

- Increase in number of challenges and complaints with consequences in terms of already stretched resources and impact of diverse decisions
- Implementation of decisions delayed due to challenges and potentially fatally disrupted
- Impact on projects if reputation for sound management and implementation of projects is damaged
- Major incident
- Adverse press/media reaction
- Involvement from Welsh Government in terms of performance standards or measures
- Increased costs
- Impact on capacity to deal with proactive legal work

**Type(s) of Impact**

- Service Delivery
- Reputational
- Legal
- Financial

**Linked Risks**

**Key Indicators / Measures used to monitor the risk**



# Performance Management

Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)	
<p>Performance Management arrangements are essential for discharging statutory requirements, setting objectives and meeting targets. Weak corporate performance management arrangements heighten the risk of poor performance, service failure, financial overspend or legal non-compliance going unidentified, unchallenged and unresolved.</p> <p>The Council must therefore maintain a focus on the Key Performance Indicators it has identified within the Corporate Plan as a pointer to overall organisational success. The Council must also ensure that more granular indicators of performance- the Council's Core Data which is managed by individual Directorates- are established and monitored to provide more detailed insight into the drivers of corporate performance.</p> <p>Changes to the Statutory Performance Requirements likely to emerge via the Local Government Bill must also be reflected within the Council's performance regime.</p>				Sarah McGill (Gareth Newell)	Councillor Chris Weaver Finance, Modernisation and Performance
<p><b>Potential Impact(s)</b></p> <ul style="list-style-type: none"> <li>The strategic and corporate level changes do not have the intended impact because they are not fully embedded in operational practices</li> </ul> <p style="font-size: small;">Council unable to accelerate performance improvement as planned/desired</p>	<p style="text-align: center;"><b>What we've done/are currently doing to achieve the Residual Risk Rating</b></p> <p>Over the course of recent years, the Council has been able to evidence a broad pattern of year-on-year performance improvement, which has been consistently reflected by external regulators and comparative data. A corporate focus on improvement and performance management has underpinned the Council's progress, with a sustained increase in key statutory areas and in the Council's performance relative to other local authorities.</p> <p><b>Response to the WAO Report &amp; Follow On Report:</b></p> <ul style="list-style-type: none"> <li>The Council's reformed approach to Corporate Planning was recognised by the Wales Audit Office's follow-on report- who acknowledged a "step-change" in arrangements. Performance Management arrangements were further strengthened with the Council's Senior Management Team regularly considering "Assurance" issues, which included monthly Budget Reports, quarterly performance reports, Corporate Risk, Assurance Statements, Sickness Absence data as well as any issue requiring escalation.</li> </ul> <p><b>Further Strengthening of the Performance Regime</b></p> <ul style="list-style-type: none"> <li><u>Statutory Compliance:</u> The requirements of Well-Being of Future Generations Act (Wales) 2015 are discharged by the Council's Performance Arrangements, with the Council having published its Well-being Objectives, Steps and having arrangements in place to keep them under review.</li> <li><u>Corporate Planning:</u> Corporate Plan Steps, Indicators and Targets are now agreed following a comprehensive corporate exercise. This involves the Leader &amp; Chief Executive reviewing the delivery of the Corporate Plan with lead Cabinet Members and Lead Directors for each Well-being Objective. The Policy Review and Performance Scrutiny Committee (PRAP) and a Performance Sub-Group involving the Chairs of Each Scrutiny Committee also review the plan as part of the review process and are involved in setting organisational targets. This represents a strengthening of the system and was recognised by the Chair of PRAP as an "unprecedented.... step forward in co-production of the Corporate Plan"</li> <li><u>Performance Monitoring/Challenge:</u> A Self-Assessment process has been established which includes Cabinet, the Senior Management Team, and the Council's Scrutiny Committees (particularly the Policy Review and Performance Scrutiny Committee). The approach ensures that the Council takes a rounded view of performance, considering progress against Corporate Plan Steps and KPIs, Inspection Reports, Surveys and Citizen Feedback, Corporate Risk, Budget Monitoring and as well as feed-back from relevant committees. Formal performance challenge sessions have also been established with Cabinet (Delivering Capital Ambition: performance and Progress) on a quarterly basis. Agreed actions inform performance improvement activity over the next quarter.</li> </ul>			<p style="text-align: center;"><b>What we plan to do to meet target</b></p> <ul style="list-style-type: none"> <li>Develop a Service Delivery Framework, which recognises the partnership component of the delivery arrangements and builds on the current Performance Framework</li> <li>Revise the Corporate Reporting Framework to:                             <ul style="list-style-type: none"> <li>Bring the Statutory Annual Well-Being Report ('end of year report') forward from Month 7 to Month 4</li> <li>Include a Strategic Assessment of Performance within the Annual Report</li> </ul> </li> </ul>	
<p><b>Type(s) of Impact</b></p> <ul style="list-style-type: none"> <li>Service Delivery</li> <li>Reputational</li> <li>Stakeholder</li> </ul>	<p style="text-align: center;"><b>Linked Risks</b></p>		<p style="text-align: center;"><b>Key Indicators / Measures used to monitor the risk</b></p>		

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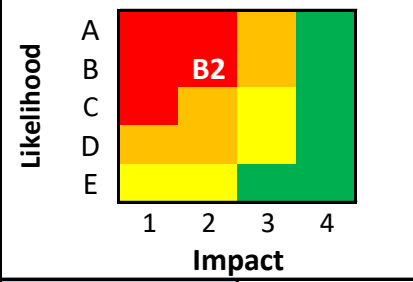
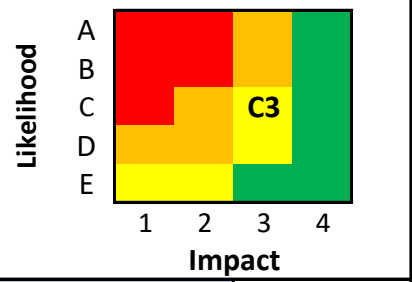
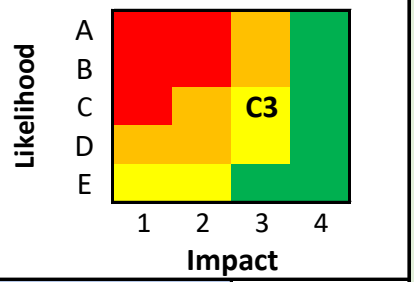
## Fraud, Bribery & Corruption

Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)	
<p>Fraud, financial impropriety or improper business practices increase as internal controls are weakened as resources become severely stretched.</p>				<p><b>Chris Lee</b> (Ian Allwood)</p>	<p><b>Councillor Chris Weaver</b> Finance, Modernisation and Performance</p>
	<p>Risk Updated Q1 2019/20</p>	<p>Movement from prev Qtr ↔</p>	<p>Target Reduction Date 12 months +</p>		
	<p><b>What we've done/are currently doing to achieve the Residual Risk Rating</b></p> <ul style="list-style-type: none"> <li>The Council communicates a zero tolerance approach to fraud, bribery and corruption</li> <li>Regular review of relevant policies and procedures e.g. the Fraud, Bribery and Corruption Policy, Money Laundering Policy and Disciplinary Policy</li> <li>Financial Procedure Rules and Contract Standing Orders and Procurement Rules and training</li> <li>Work on the National Fraud Initiative exercises in collaboration with the Cabinet Office and Wales Audit Office</li> <li>Receipt and dissemination of fraud intelligence alerts from law enforcement agencies</li> <li>Regular reports to the Section 151 Officer and Audit Committee and the Chief Executive</li> <li>Audit Committee review of the risk management, internal control and corporate governance arrangements of the authority</li> <li>Independent assurance from Internal and External Audit on the effectiveness of governance, risk and control</li> <li>Ongoing delivery of briefings to Schools on fraud and control risks</li> <li>Cardiff Manager Programme includes session on risk management and compliance / control</li> <li>Provision of disciplinary management information on DigiGov</li> <li>Mandatory disciplinary e-learning module for all managers to complete and a programme of mandatory e-learning modules and face-to-face training for Disciplinary Hearing Chairs, Investigating Officers and Presenting Officers</li> <li>A Fraud Publicity Strategy has been approved, to publicise the Council's approach to counter fraud work / sanction activity and explain the roles and responsibilities of key parties</li> </ul>			<p><b>What we plan to do to meet target</b></p> <p>Draft Counter-Fraud and Corruption Strategy for Cabinet in July, to be followed by:</p> <ul style="list-style-type: none"> <li>Participation in International Fraud Awareness week in November 2019</li> <li>Roll-out mandatory counter-fraud eLearning across the Council, to commence in July 2019</li> </ul> <p>Investigation Team to:</p> <ul style="list-style-type: none"> <li>Review the Council's Money Laundering Policy in quarter 2 2019</li> <li>Review the SMAS responses from senior management in respect of fraud assurance and provide advice and guidance to support strong assurance</li> <li>Liaise with the Monitoring Officer and agree a policy for monitoring employees at work and a management framework for its enactment as well as undertaking online investigations</li> <li>Review and use the management information produced by HR in respect to the Disciplinary Policy</li> </ul>	
<p><b>Potential Impact(s)</b></p> <ul style="list-style-type: none"> <li>Increase in frauds and losses to the Council</li> <li>Reputational risk as more frauds are reported</li> <li>Increased time investigating suspected fraud cases impacting on capacity</li> </ul>					
<p><b>Type(s) of Impact</b></p> <ul style="list-style-type: none"> <li>Service Delivery</li> <li>Reputational</li> <li>Legal</li> <li>Financial</li> </ul>	<ul style="list-style-type: none"> <li>Stakeholder</li> </ul>	<p><b>Linked Risks</b></p>			
				<p><b>Key Indicators / Measures used to monitor the risk</b></p> <ul style="list-style-type: none"> <li>Adherence to the NFI Security Policy and annual completion of compliance forms</li> <li>Mandatory eLearning completion rates</li> <li>Delivery of Fraud Awareness week campaign</li> <li>Delivery of Policy updates</li> <li>Delivery of mandatory investigating officer training and the note taker training</li> <li>Criminal investigations conducted on behalf of Directorates</li> <li>Provision of timely investigation advice, guidance and support to Directorates as required</li> </ul>	

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# Workforce Planning

Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)	
<p>Importance of forecasting and planning to build capability and capacity for the future is not fully recognised and embedded.</p>				<p><b>Chris Lee</b> (Philip Lenz)</p>	<p><b>Councillor Chris Weaver</b> Finance, Modernisation and Performance</p>
	<p><b>Risk Updated</b>    Q1 2019/20</p>	<p><b>Movement from prev Qtr</b>    ↔</p>	<p><b>Target Reduction Date</b>    N/A</p>		
	<p><b>What we've done/are currently doing to achieve the Residual Risk Rating</b></p>			<p><b>What we plan to do to meet target</b></p>	
	<ul style="list-style-type: none"> <li>Workforce Strategy developed and agreed by Cabinet in April 2015 and programme developed to encompass a number of projects relating to the requirements around this risk, including Workforce planning, Learning &amp; Development, PPDR review and Employee Voice.</li> <li>An updated Workforce Strategy for 2018-2021 was developed and agreed by Cabinet in July 2018.</li> <li>The Workforce planning project has a completed project brief identifying a number of key outputs</li> <li>Workforce planning dashboard data provided to each Directorate to inform Directorate Delivery Planning discussions and development.</li> <li>Research and benchmarking undertaken to help inform WFP approach going forward; including – attendance at WLGA – Work Force Planning Wales event - LGA/ Skills for Local Government hosted COP event.</li> <li>HR working with Directorates where required, to help identify appropriate strategies to support their WFP agenda.</li> <li>Children’s Services have developed a Workforce Strategy for their area which is being reviewed on a regular basis.</li> <li>Resources have held a workshop which focussed on Professional and Technical areas to inform the key skills required for the Directorate going forward.</li> <li>Work has taken place with Cardiff and Vale College to roll out an Essential Skills diagnostic tool to frontline employees through Commercial Services</li> <li>A programme of NVQ study is been discussed with Cardiff &amp; vale College and Commercial Services are coming forward with cohorts of employees to attend.</li> <li>Employee surveys carried out to identify areas where further employee engagement / development can be focused.</li> <li>Work has been carried out with WLGA and WAO to look at a Wales wide workforce planning process for use within Local Authorities.</li> <li>Project brief for Workforce Planning provides full details of milestones and implementation dates.</li> <li>A review of the courses provided by the Cardiff Academy has taken place to ensure that these meet the skills requirements for the future.</li> <li>Workforce planning tool kit has been rolled out to pilot areas and workshops taking place between May and September 2017.</li> <li>Feedback from pilots has been received and allowed for the toolkit to be reviewed.</li> <li>Full rollout of Workforce planning toolkit to take place in 2018/19.</li> <li>Workforce planning toolkit presented to SMT in April 2018, and roll out across organisation commenced in first quarter.</li> <li>All Directorates completed workforce plans by December 2018 and are now working on the actions therein.</li> <li>A corporate process is in place for workforce plans to be updated by end of June each year as part of the business planning process</li> <li>The workforce plans forecast and plan to build capacity and capability for future requirements and the process is now embedded into the corporate planning process</li> </ul>			<ul style="list-style-type: none"> <li>The Council is reviewing its resourcing strategies to ensure that it is a considered employer for young people leaving school, college and universities</li> <li>As part of the Workforce Strategy Cabinet report, recruitment advertising to be reviewed and processes put in place to ensure that adverts are reaching hard to reach groups</li> <li>Work is taking place to identify areas where the employee group is not representative of the communities and actions identified of what could be done to improve this</li> <li>Actions being taken to improve the accessibility to Welsh language either through the recruitment process or through the training and development of current employees</li> <li>Development to take place of a corporately agreed skills set for the future delivery of services so that all employees and posts can be measured against this skill set to identify learning and development gaps</li> <li>Workforce planning now embedded into the corporate planning process</li> </ul>	
Potential Impact(s)	Linked Risks			Key Indicators / Measures used to monitor the risk	
<ul style="list-style-type: none"> <li>Poor service delivery due to ineffective use of resources</li> <li>Lack of resources with the knowledge and skills the Council requires for future delivery</li> <li>Loss of resources and recruitment problems</li> <li>Poor morale</li> <li>Loss of experienced staff members including managers</li> <li>Reduce the likelihood of attracting high calibre managers to Cardiff Council</li> <li>Risk of not meeting statutory and legislative requirements in relation to specific workforce requirement e.g. social care</li> <li>Risk of workforce not representing the communities to which services are delivered</li> </ul>					
Type(s) of Impact					
<ul style="list-style-type: none"> <li>Service Delivery</li> <li>Reputational</li> <li>Financial</li> <li>Stakeholder</li> </ul>					

Updated 31/9/19

Mae'r dudalen hon yn wag yn fwiadol

## Cardiff Council

### Work Programme update including 2019-20 Audit Plan update

#### Performance Audit work

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2018-19 Performance Audit Work	Scope	Status
<b>Annual Improvement Report (AIR)</b>	Annual report summarising the audit work undertaken in the last year which also includes a summary of the key findings from reports issued by 'relevant regulators'	Issue draft expected September 2019
<b>Leisure</b>	As part of our 'delivering for less' programme we will follow up progress made by the Council in implementing our proposals for improvement from our 2015 Leisure report.	Underway
<b>Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations</b>	Examination of the extent to which the Council has acted in accordance with the sustainable development principles when taking the following step: "Develop and launch a new Transport and Clean Air Vision for the City" which sits under the Council's Well-being objective of 'Cardiff grows in a resilient way'.	Complete. Final report issued 22 <sup>nd</sup> July 2019
<b>Environmental health</b>	Review of the arrangements the Council has put in place to deliver environmental health services building on the study previously undertaken by the Auditor General as part of the 'delivering with less' themed studies.	Draft report issued 7 <sup>th</sup> August 2019

	The review will seek to answer the question: Is the Council's environmental health service continuing to deliver its statutory obligations given the financial challenges?	
<b>Corporate safeguarding arrangements</b>	Review of the effectiveness of corporate safeguarding arrangements building on the study previously undertaken by the Auditor General in this area.	Complete. Final report issued 27 <sup>th</sup> June 2019
<b>2019-20 Performance Audit Work</b>	<b>Scope</b>	<b>Status</b>
<b>Improvement Plan audit</b>	Checks Council compliance with Local Government Measure (Wales) 2009 requirement to publish a self-assessment of performance in the previous year by 31 October.	Final Certificate issued 11 <sup>th</sup> April 2019
<b>Performance audit</b>	Checks Council compliance with Local Government Measure (Wales) 2009 requirement to set improvement objectives.	Due September 2019
<b>Annual Improvement Report (AIR)</b>	Annual report summarising the audit work undertaken in the last year which also includes a summary of the key findings from reports issued by 'relevant regulators'	July 2020
<b>Assurance and risk assessment</b>	Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources.	Underway
<b>Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations</b>	Examination of the extent to which the Council has acted in accordance with the sustainable development principle when taking steps to meet its Priority for 2019-20 to Support Sports, Leisure, Culture and Green Spaces.	Underway
<b>Financial Sustainability</b>	The project will seek to assess the sustainability of councils' short to medium-term financial position. This will include a focus on reviewing financial 'indicators' of each council's financial position in relation to:	Project Brief issued 30 <sup>th</sup> July 2019

	<ul style="list-style-type: none"> <li>• Performance against budget</li> <li>• Delivery of savings plans</li> <li>• Use of reserves</li> <li>• Council tax</li> <li>• Borrowing</li> </ul>	
<b>Waste Management/recycling</b>	A project to look at the pressures in this area and understand the Council's plans to improve performance.	Planning
<b>Social Services budget and cost pressures</b>	A project to look at social services budgetary and cost pressures.	Planning
<b>2018-19 Local Government Studies</b>	<b>Scope</b>	<b>Status</b>
First point of contact assessments under the Social Services and Well-being (Wales) Act 2014	<p>The Welsh Government introduced the Social Services and Well-being (Wales) Act 2014 (the 2014 Act), which focuses on reforming and simplifying the law relating to social services. The 2014 Act introduced new duties for local authorities, local health boards and other public bodies and covers adults, children and their carers, and came into force on 6 April 2016. The study will review first point of contact and assessments for adult social care.</p> <p>Detailed fieldwork in five local authorities. We are planning to undertake fieldwork in Cardiff City Council, Denbighshire County Council, Merthyr Tydfil County Borough Council, Pembrokeshire County Council and Carmarthenshire County Council</p>	<p>Clearance.</p> <p>Due to be published 29th August 2019</p>
Tackling violence against women, domestic abuse and sexual violence	In 2015 the Welsh Government passed the Violence against Women, Domestic Abuse and Sexual Violence (Wales) Act (the 2015 Act). The overarching objective of the 2015 Act is to improve the Public Sector response to violence against women, domestic abuse and sexual violence; provide a strategic focus on these issues; and ensure consistent	Drafting

	<p>consideration of preventative, protective and supportive mechanisms in the delivery of services. The review will focus on determining whether local authorities and their partners are effectively working together to prevent gender-based violence and domestic abuse, and protecting all of the people involved.</p> <p>Our fieldwork sites are Swansea City and County Council, Conwy County Borough Council, Flintshire County Council, Rhondda Cynon Taff County Borough Council, South Wales Police and South Wales Fire and Rescue Authority</p>	
<p>Planning Services: Improving the wellbeing of Wales</p>	<p>Planning services are an important part of the democratic jigsaw that allows the detailed consideration of proposals to improve the economic prospects of the nation. Good planning decisions can have a positive impact on the wellbeing of people and places. Poor planning decisions can have a detrimental impact on people’s wellbeing and can stifle economic development. This study will provide independent assurance that planning authorities are supporting sustainable development and delivering for the future long-term wellbeing of their communities and for Wales</p> <p>We are planning to undertake fieldwork in Bridgend County Borough Council, Gwynedd County Council, Newport City Council, Torfaen County Borough Council and Ceredigion County Council.</p>	<p>Published 6<sup>th</sup> June 2019</p> <p><a href="#">LINK</a> to Published report</p>
<b>2019-20 Local Government Studies</b>	<b>Scope</b>	<b>Status</b>
<p><b>Review of Public Service Boards and the effectiveness of partnership working</b></p>	<p>This review will provide assurance and insight on how well PSBs are delivering the expectations of the Well-being of Future Generations Act, and by working together in tackling complex hard to shift problems. This includes examining the practicalities of joint working, what resources are being used, whether current arrangements are fit for purpose, and what needs to change.</p>	<p>Phase 1 – drafting</p> <p>Phase 2 – Set up</p>

	<p>This review will also allow us to identify how decisions are communicated to partners and the public and whether decisions are transparent to help build a picture of how relationships work in reality.</p> <p>We will undertake fieldwork looking at how partners recognise and deal with problems of rough sleeping including public and voluntary bodies in three areas – Cardiff, Swansea and Wrexham.</p>	
<p><b>The impact of austerity on discretionary services in local government</b></p>	<p>The focus of the study is to provide independent assurance by looking at councils approaches to sustaining discretionary services and identify if councils are ensuring changes in provision or cessation of activity do not adversely impact future generations or those with protected characteristics.</p> <p>The study will provide insight on an issue that is much talked about but not well evidenced and provides us with a good opportunity to comment on services which are much valued by citizens across Wales. The review will take a strong focus on risk management and consider how well councils manage the transition from direct service providers towards a different role based on what will be affordable in the future.</p>	<p>Data tool being developed</p>
<p><b>Commercialisation in local government</b></p>	<p>Our review will focus on producing good practice case studies and support materials to help authorities develop their approaches to commercialisation. This will cover the key building blocks required to effectively manage commercialisation.</p> <p>The study will comment on long-term approaches to financial sustainability and how commercial activity supports organisations to deliver their wider wellbeing objectives and corporate priorities. Given commercialisation should have a strong ethical focus we are likely to touch on equality issues and we will provide a commentary on how public bodies</p>	<p>Fieldwork being set up</p>



collectively are responding to ensuring fairness and accountability for commercial ventures.

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National Studies	Update and link to report
Improving the well-being of young people	Publication autumn 2019
Primary care services	Published April 2018. <a href="#">Link</a> to published report
Integrated care fund	Published 18 <sup>th</sup> July 2019 <a href="#">LINK</a>
Reflecting on Year One – Well-being of Future Generations Act	Published 10 <sup>th</sup> May 2018 <a href="#">LINK</a>
Waste management	Recycling module (published <a href="#">Link</a> ); waste prevention (published <a href="#">Link</a> ) and waste treatment infrastructure modules (published <a href="#">Link</a> )
NHS Wales informatics services	Published 10 January 2018. <a href="#">Link</a> to published report
Access to public services with the support of specialist interpretation and translation	Published 25 April 2018. <a href="#">Link</a> to published report
Early intervention and public behaviour change	Drafting
Welsh Government business finance	Publish 29 <sup>th</sup> November 2018
Managing the Impact of Brexit on the Rural Development Programme	Published November 28 <sup>th</sup> November 2018 <a href="#">Link</a>
European Structural Funds Programme 2014-2020	Published August 2018 <a href="#">Link</a>

**CARDIFF COUNCIL  
CYNGOR CAERDYDD****AUDIT COMMITTEE:****10 SEPTEMBER 2019**

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**TREASURY PERFORMANCE REPORT – POSITION AT 31 JULY  
2019****REPORT OF CORPORATE DIRECTOR RESOURCES****AGENDA ITEM: 9.1**

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

**Reason for this Report**

1. The Audit Committee Terms of Reference sets out their responsibility for undertaking scrutiny of the accounting, audit and commercial issues in relation to the Council's Treasury Management Strategy and practices.
2. This report has been prepared to provide Audit Committee Members with performance information and a position statement on Treasury Management as at 31 July 2019.

**Background**

3. Appendix 1 provides the Committee with position statements on investments and borrowing at 31 July 2019.

**Performance**

4. At 31 July 2019, investments total £97.4 million. The budgeted level of interest receivable from treasury investments is circa £700,000 based on current cash flow and interest rate assumptions.
5. Borrowing is £721.2 million, with the average rate being 4.53%. The total interest forecast to be payable is shown as that initially budgeted, £32.8 million and includes interest payable by the Housing Revenue Account.
6. The forecast level of internal borrowing at 31 March 2020 is £57 million, however this is subject to the level of capital expenditure and funding of that expenditure at the end of the year as the timing and quantum of external borrowing.
7. At a future meeting of audit committee, officers will present the outcome of a review in respect to compliance of the Council's treasury management activities with regulations and professional codes of practice as well as benchmarking of treasury activities.

## Investments

8. Pages 2 and 3 of the Performance Report considers the position on investments. The charts on the Performance Report show the position at a point in time and investments continue to be closely monitored.
9. The current investments list details each investment, the interest rate, the start date and maturity date. They also link this back to the credit criteria approved by Council in February 2019 by a colour coding which indicates the perceived strength of the organisation.
10. The balance of investments is at a point in time and will fluctuate depending on the timing of income and expenditure e.g. payments to suppliers, receipt of grants, capital receipts etc.
11. The charts that surround this table provide additional information and the key areas to highlight are shown below.
  - **Counterparty Exposure** displays actual investment against the maximum permitted directly with an organisation. It should be noted that Coventry Building Society will be removed from the lending list on maturity of deposits.
  - **Remaining Maturity Profile of Investments.** Maturities of investments have been spread to achieve a balanced profile.
  - **Investments by Institution.** This expresses the investments held with different institutions as a percentage of the total. It can be seen that investments remain diversified over a number of organisations.
  - **Geographic Spread of Investments** as determined by the country of origin of relevant organisations. All countries are rated AA and above as per our approved criteria.
  - **Investments by Financial Sector.** The majority of investments are with banks.

## Borrowing

12. During the year to date, Welsh Government Repayable Loan funding of £2.810 million at nil interest has been received and is to be used specifically for town centre regeneration schemes in Butetown and Grangetown. Maturing loans of £3.51 million have been repaid.
13. As set out in the Council's Treasury Management Strategy for 2019/20, considered by audit committee and approved by Council in February 2019, further external borrowing is required to be undertaken to meet the Council's projected borrowing requirement.
14. The internal borrowing assumption above, initially assumes £10 million of PWLB loans would be borrowed during the next few months. However significant uncertainty remains in the UK financial markets primarily in relation to Brexit. This has a beneficial impact in reducing available borrowing rates as such rates are based on government gilt yields. Uncertainty has resulted in borrowing rates across all periods being less than 2%. For this reason, opportunities may be taken to increase the level

of borrowing given the need to fund the Council's approved long term capital programme which includes the Housing Revenue Account.

15. Whilst market movements cannot be predicted, further borrowing opportunities will be undertaken in accordance with delegations to the Corporate Director Resources to lock in to current low rates. This will be reviewed regularly with treasury management advisors as current uncertainties continue.

### **Reason for Report**

16. To provide Audit Committee Members with a performance position statement at 31 July 2019.

### **Legal Implications**

17. No direct legal implications arise from this report.

### **Financial Implications**

18. Treasury management activities undertaken by the Council are governed by a range of policies, codes of practice and legislation. This report and appendices indicates the treasury management position at one point in time and makes a number of assumptions in forecasts which will be updated in future reports. The report provides a tool for indicating to Members the treasury position. Future reports will highlight main changes since this report.

### **RECOMMENDATIONS**

19. That the Treasury Performance Report for 31 July 2019 be noted.

**CHRISTOPHER LEE**  
**CORPORATE DIRECTOR RESOURCES**  
**10 September 2019**

*The following appendix is attached*  
Appendix 1 – Cardiff Council Treasury Management Performance Report – 31 July 2019

Mae'r dudalen hon yn wag yn fwriadol

Yn rhinwedd paragraff (au) 14, 21 Rhan (nau) 4 a 5 o Atodlen 12A  
o Ddeddf Llywodraeth Leol 1972.

Mynediad Cyfyngedig i'r Ddogfen

Mae'r dudalen hon yn wag yn fwriadol





# CARDIFF COUNCIL CYNGOR CAERDYDD

**AUDIT COMMITTEE: 10 SEPTEMBER 2019**

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## **TREASURY MANAGEMENT ANNUAL REPORT 2018/19**

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

**AGENDA ITEM: 9.2**

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

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

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

#### **Background**

3. Council requires the scrutiny of the accounting, audit and commercial issues of its Treasury Management Strategy and Practices to be undertaken by the Council's Audit Committee due to the technical nature of the documents. The report attached at Appendix 1 provides the Committee with the Treasury Management Annual Report for 2018/19. Audit Committee has already been appraised of the main contents of this report from previous Treasury Management and performance reports.

#### **Issues**

4. In accordance with regulatory requirements, reports were submitted to Council in February 2018 indicating the Treasury Management Strategy for 2018/19 and a mid year report in November 2018. The following paragraphs cover the main highlights of the annual report for 2018/19.
5. At 31 March 2019, investments stood at £93.3 million. The annual report includes charts indicating who the investments are placed with and for how long. All investments are deemed recoverable and so no losses are required to be recognised in the Council's Statement of Accounts for activities during 2018/19. Interest receivable from treasury investments totalled £0.7 million during the year.
6. At 31 March 2019, the Council had £721.9 million of external borrowing, with £32.9 million of new borrowing and £4.3 million of scheduled repayments during 2018/19.

Interest payable during the year from its revenue budget on this debt was £32.2 million of which £11.7 million was paid for by the Housing Revenue Account.

7. The level of internal borrowing is £45 million at 31 March 2019. (£58 million at 31 March 2018). Opportunities for early repayment were sought of Lender Option Borrower Option Loans, however the terms were not changed by the lender during the year. Accordingly these were not required to be repaid early, but remain a re-financing risk. Due to restrictive penalty costs, no debt rescheduling was undertaken during the year.
8. At the start of the financial year, the Council is required to set a number of prudential indicators for capital expenditure and its treasury management activities. During 2018/19, there was no breach of indicators requiring a separate report to Council. Local affordability indicators are also produced highlighting the percentage of the Council's budgets committed to capital financing costs.

### **Reason for Recommendations**

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

### **Legal Implications**

10. No direct legal implications arise from this report.

### **Financial Implications**

11. This report provides a summary of the Council's Treasury Management activities during 2018/19. The report is required to be submitted to Council to discharge its reporting duties under the Treasury Management Policy adopted by the Council. This requires a report on treasury management at the start of the year, a mid year report and an annual report at the end of the year. The report is to note the activities and position of the prior financial year and highlights the level of investments, borrowing and revenue impact of treasury management decisions.

## **RECOMMENDATIONS**

12. That the Treasury Management Annual Report for 2018/19 be noted.

**CHRISTOPHER LEE**  
**CORPORATE DIRECTOR RESOURCES**  
**10 September 2019**

The following appendix is attached:  
Appendix 1 – Cardiff Council Treasury Management Annual Report 2018/19

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 1

# Treasury Management Annual Report 2018/19

Cardiff Council



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## 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:-

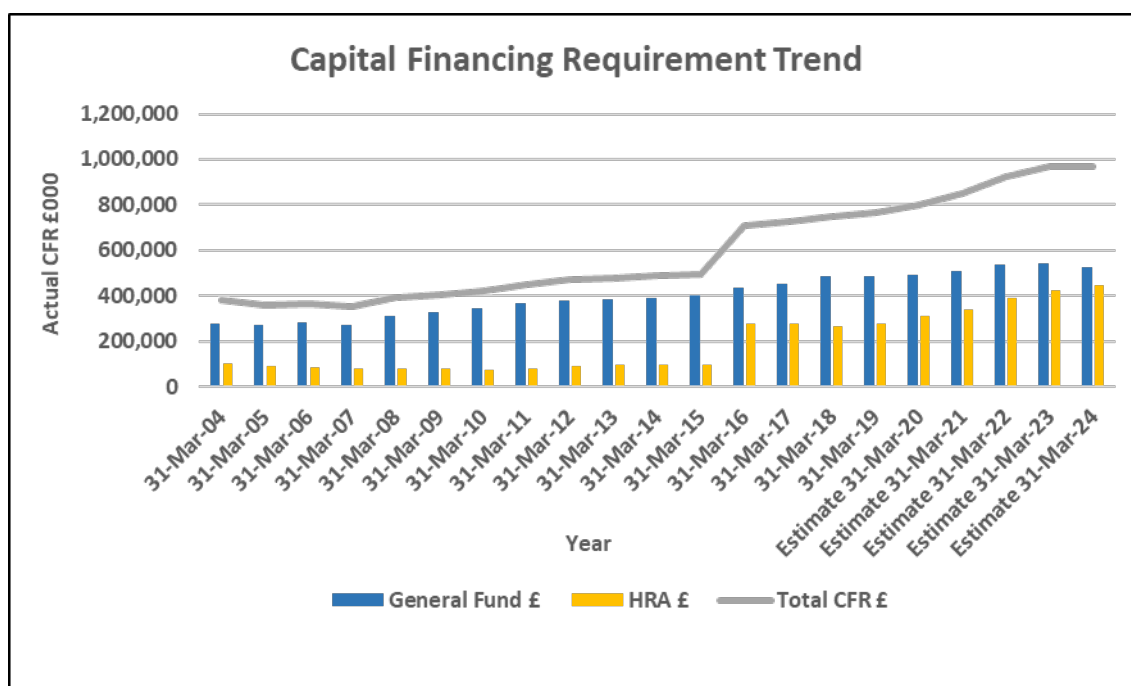
<b>Capital Expenditure</b>							
	<b>2018/19 Actual</b>	<b>2018/19 Original Estimate</b>	<b>2019/20 Estimate Month 4</b>	<b>2020/21 Estimate</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
General Fund	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						
Over / (Under) Borrowing	(45)						

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			
				Loans to Maturity		Loans if LOBO's Paid Early	
	%	£m		%	£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 Actual %	2018/19 Original Estimate %	2018/19 Actual %	2019/20 Estimate %	2020/21 Estimate %	2021/22 Estimate %	2022/23 Estimate %	2023/24 Estimate %	Difference 11/12-23/24 %
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.

Mae'r dudalen hon yn wag yn fwriadol

Yn rhinwedd paragraff (au) 14, 21 Rhan (nau) 4 a 5 o Atodlen 12A  
o Ddeddf Llywodraeth Leol 1972.

Mynediad Cyfyngedig i'r Ddogfen

Mae'r dudalen hon yn wag yn fwriadol

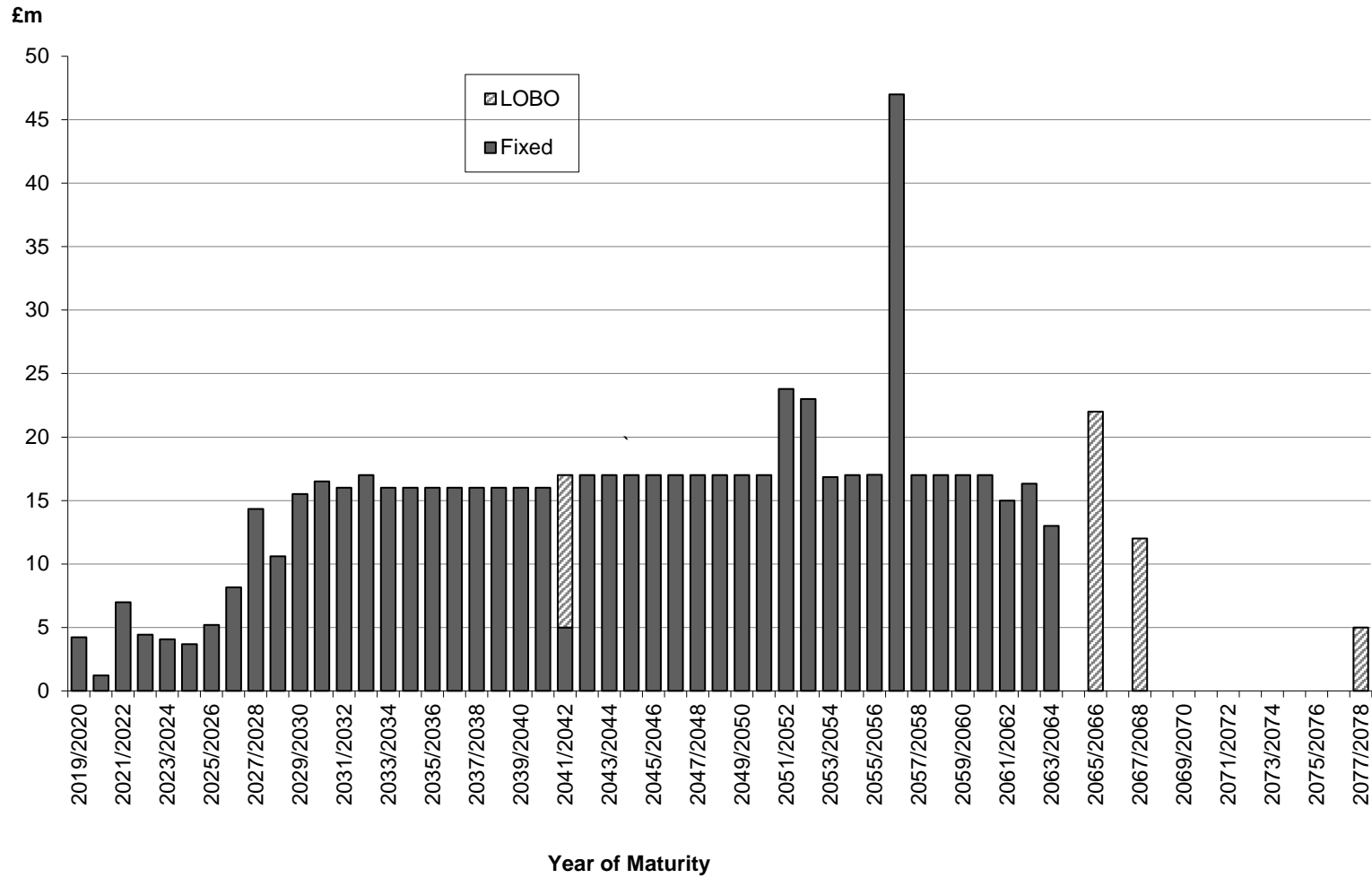
Yn rhinwedd paragraff (au) 14, 21 Rhan (nau) 4 a 5 o Atodlen 12A  
o Ddeddf Llywodraeth Leol 1972.

Mynediad Cyfyngedig i'r Ddogfen

Mae'r dudalen hon yn wag yn fwriadol

## Annexe D – Maturity Profile of Debt at 31 March 2019

Tudalen 353





Mae'r dudalen hon yn wag yn fwriadol

**AUDIT COMMITTEE: 10 September 2019**

**INTERNAL AUDIT PROGRESS REPORT**

**REPORT OF THE AUDIT MANAGER**

**AGENDA ITEM: 10.1**

**Appendices F, G and H of the report are not for publication as they contain exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972**

**Reason for this Report**

1. Audit Committee's Terms of Reference requires that Members consider reports from the Audit Manager on Internal Audit's performance during the year.
2. A progress report has been prepared to provide Audit Committee Members with an update on the work of Internal Audit as at 16 August 2019 for the current financial year.

**Background**

3. The Audit Committee agreed the risk-based Audit Plan 2019-20 on 2 April 2019. A progress report is prepared for each Committee meeting to provide a meaningful update on the work and performance of Internal Audit over the reporting period. As part of progress updates, there is an opportunity to consider emerging risks, issues and sources of assurance, and to potentially refocus priorities. Prior to presentation to Audit Committee, the progress report is discussed with the Corporate Director Resources.
4. In accordance with PSIAS 2010 (Planning), the risk-based plan is linked to an Audit Strategy. The Audit Strategy provides the strategic intentions of the audit service, and outlines how the audit service is developed and delivered in accordance with the Audit Charter. Audit Committee considered the Audit Strategy in its meeting in June 2019.
5. The Internal Audit Section reports to the Audit Manager. To meet the provisions of PSIAS 1100 (Organisational Independence), the Audit Manager is not responsible for managing any functions beyond the Investigations and Internal Audit teams. The Audit Manager reports administratively to the Head of Finance and functionally to the Audit Committee for audit-related matters. There have been no impairments of independence or objectivity.

**Issues**

6. The Internal Audit Progress Update (**Annex 1**) sets out performance in relation to the Internal Audit Plan, for the period to 16 August 2019. It summarises the work performed, the priority recommendations raised, the critical findings, emerging trends, and relevant value for money findings across the Council for the assurance of the Audit Committee.

### Audit Delivery

7. **Appendix A** shows a list of audits and their reporting status in the current year until 16 August 2019. This includes all outputs finalised since April 2019, and all draft outputs issued at the reporting date.
8. There have been eighteen new audit outputs in the reporting period, and ten further reports have been concluded and finalised. Outputs have been issued with an opinion of effective or effective with opportunity for improvement in 87% of the audit opinions provided in 2019-20, as at 16 August. The Audit Manager has identified twenty-three audits, which are being targeted for draft audit delivery by the end of the quarter.
9. It is expected that around 19% of the audit plan will be delivered in quarter 2, marginally below the 20% quarterly target. Audit output is typically lower over for the summer period due to staff and client management availability. Study leave was also marginally higher than usual in the reporting period, resulting in the average productive days being slightly below target.
10. Through recent Relationship Manager and Senior Officer meetings:
  - Fifteen unallocated audit days within Social Services have been allocated to Planning, Transport and Environment. Audit Committee approval is sought to allocate this time to an audit of the abandoned shopping 'Trolleys' service, as an area where management has requested assurance on the operation of systems in place.
  - It is requested that Audit Committee approve 15 days allocated for value for money purposes to a proposed audit of Value for Money in Digital Initiatives. Given the strategic importance of digitalisation, it is considered an important area for assurance.
  - The Audit Manager has agreed a small amount of consultancy (advice and guidance) work on the processes proposed for processing Housing Benefits and Council Tax claims using a Risk Based Verification (RBV) approach, in accordance with DWP requirements. RBV is a method of applying different levels of checks to housing benefit and council tax support claims according to the risk associated with those claims.
11. The above updates are highlighted in 'green' in the Audit Plan (**Appendix B**). Additionally, the Audit Plan has been populated with all unsatisfactory audits, for which follow-up audit engagements will be required to seek assurance that agreed recommendations have been implemented. The target timeframe for follow-up audits is 6 months following the conclusion of the original audit, and these audits are highlighted in 'blue' in Appendix B.
12. The Audit Plan content has been expanded to show the inherent risk rating and scope of each audit, prior to the objective setting process in planning individual audits. The Audit Plan also now records if audits are addressing or responding to a national issue, in line with good practice.

### Audit Findings

13. Section 2.3 of Annex 1 provides details of the critical findings and emerging trends from audit work for the reporting period ending 16 August 2019, with focus given to unsatisfactory and insufficient with major improvement audit assurance.

14. Firstly, from a control perspective, Audit Committee is advised that additional interim management support has recently been established in certain areas of the Planning, Transport and Environment Directorate. The Corporate Director, People and Communities has begun overseeing the Waste Management and Street Cleansing teams, supporting the Assistant Director. The Corporate Director Resources has been facilitating the same role in respect of Central Transport Services.
15. The Director for Planning Transport and Environment is focusing on planning, highways and transport. Audit reports and findings are being reported and considered through the above management channels. Audit Committee will have the opportunity to discuss these arrangements with the relevant directors through their attendance at Committee meetings as part of the Audit Committee Work Programme.
16. In respect of the audit findings over the reporting period, aside from the executive summary reports, as referenced in paragraph 17, three further reports were referred to within the critical findings or emerging trends within section 2.3 of the Annex 1. Each of the following reports had an opinion of insufficient with major improvement needed:
  - An audit of Whitchurch High School identified that certain governance documents required approval and contracts required greater monitoring and review. Improvements were also required in transactional records, and the documentation of authorisations for purchases and school private fund transactions. A copy of the final report and agreed actions has been issued to the Headteacher and the Chair of Governors for delivery and oversight.
  - An audit of Gatehouse followed a period of consultancy on the controls for recording weighbridge activity in Lamby Way and Bessemer Close. The audit identified improvements in practices for recording waste movements on Gatehouse in general, but identified a need to improve recording of out of hours transactions, the completeness of reconciliations, and to eliminate any sharing of system passwords. A particular system-based concern was raised, relating to access control for the Gatehouse system, which did not offer a management record of the system administrator who had made amendments to system access or passwords. Management have set up a compensating control prior to resolution in the next procurement specification.
  - An audit of Windsor Clive Primary School has identified a need to improve financial and governance processes to ensure that controls and oversight are robust. Recommendations have been raised respect of governance documents, policies and disclosures, and the need to modernise income processes, and improve the consistency of procurement processes and contract management practices. Arrangements are being made to discuss the findings with the Headteacher.
17. Section 2.4 of Annex 1 provides the pertinent value for money findings over the reporting period. The two value for money reviews completed over the reporting period have provided a broadly effective level of assurance, in respect of audits of 'Overtime' and 'Enforcement'. The finalised audit of Waste Management Contracts has raised value for money concerns based on the gaps in coordination and control required to provide sufficient assurance that contracts are being planned, co-ordinated and controlled effectively. Additionally, the lack of progress to date in managing income and debt recovery processes for the Music Service also raises value for money concerns on the operation of this important mechanism. Both of these audits will be subject to a follow-up audit, and progress will be monitored through management meetings and recommendation monitoring.

18. **Appendix C (Annex 2)** provides an Executive Summary of the audit of Waste Management Contacts and a follow up of Music Services Income.

*Benchmarking & Performance*

19. The audit team is a member of the Welsh Chief Auditors and Core Cities benchmarking groups. Benchmarking information for Cardiff has been submitted for both exercises, and the Welsh Chief Auditors Group output has been received, for which fourteen out of twenty-two councils participated, and comparative data is provided in Annex 1. The final output of the Core Cities benchmarking has not been received, and will be reported to a future Audit Committee meeting.
20. The Welsh Chief Auditors benchmarking information is positive in respect of productivity, and audit delivery costs, but it highlights a lower proportion of recommendations implemented in 2018-19 compared to the other local authorities. This reaffirms the importance of focussing on the timely management delivery of audit recommendations, and the requirement for audit advice and guidance to clients on setting realistic delivery dates when concluding audit engagements.
21. The percentage of audit recommendations implemented within the agreed timescale was significantly below target in quarter 1. The primary reason for this dip in performance has been the effect of a cleansing exercise for school recommendations, due to gaps in progress updates and a higher incidence of overdue recommendations than elsewhere. Through this exercise, a number of overdue recommendations were identified as complete and were closed down as appropriate. The Audit Manager has reiterated the importance of proactively monitoring recommendations to the audit team, and has tasked an audit support officer with proactively monitoring schools to improve and sustain audit recommendation delivery and update information.
22. Further information on the benchmarking results and the quarter 1 performance position is included within 3.2 of Annex 1.

*PSIAS Action Plan & Audit Protocol Updates*

23. An Audit Planning Pro forma has been developed and introduced in July 2019 to record the preliminary risk assessment for each audit in a consistent documented format. Each audit is subject to an initial risk assessment, and a pro forma document has now been introduced to record this information in a consistent format. This proposed process development was reported to Audit Committee in June, following an internal review against the Local Government Application Note 2019 through a PSIAS Action Plan.
24. The updated PSIAS Action Plan is included in **Appendix D**, and includes two further actions. The first was in respect of developing an Audit Strategy to link to the risk based plan and to outline the strategic intent of Internal Audit. This action has been completed and was reported to Audit Committee on 25 June. Additionally, in accordance with best practice, within the Audit Plan (Appendix B), it is now being recorded against relevant audits where the audit is considering / addressing a national issue.
25. Following the introduction of the Audit Strategy, the Audit Protocol, which covers the process flow within each individual audit, has been reviewed and subject to minor adjustment. The Audit Protocol is a concise document, designed to summarise the audit process, and it is provided for Audit Committee information in **Appendix E**. The Audit Planning Risk Assessment has been added, facilitated through the pro forma recently

introduced as outlined above. Additionally, the audit control stages and the audit response process has been included.

### Audit Recommendations

26. The recommendations and progress at the reporting date are provided in the following appendices.

<b>Appendix F</b>	Contains the red and red / amber recommendations not yet complete.
<b>Appendix G</b>	Contains the red and red / amber recommendations completed since the last Audit Committee in June 2019.
<b>Appendix H</b>	Contains the open red and red / amber recommendations with revised action dates.

### **Legal Implications**

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

### **Financial Implications**

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

### **RECOMMENDATIONS**

29. That the Audit Committee:

- Note and consider the contents of the Progress Report and appended documents;
- Approve the proposed assurance audits of the Trolleys service, and Value for Money in Digital Initiatives, for the Audit Plan 2019/20.

**CHRIS PYKE**  
**AUDIT MANAGER**  
10 September 2019

The following are attached:

<b>Annex 1</b>	Internal Audit Progress Report
Appendix A	Report Status as at 16 August 2019
Appendix B	Audit Plan
Appendix C	Executive Summary – Waste Management Contracts Executive Summary – Music Service Income Follow-up
Appendix D	PSIAS Action Plan Update
Appendix E	Audit Protocol
Appendix F	Red & red / amber open recommendations
Appendix G	Red & red / amber recommendations completed since last Committee
Appendix H	Red & red / amber open recommendations with revised action dates

Mae'r dudalen hon yn wag yn fwriadol



Report Status (as at 16<sup>th</sup> August 2019)

Audit Opinion	Audit Area	High Risk Recommendations		Status (If not Final)
		Proposed	Agreed	
<b>Fundamental / High</b>				
Effective	Resources - Budgeting and forecasting 2019-20			
	Ethics and values – Gifts and Hospitality			Draft Issued
Effective with opportunity for improvement	Health and Safety Framework			
	Risk management arrangements			
	Housing Rents			
	Creditors 2018/19			
	Payroll - In year testing 2018-19	1		Drafts Issued
	Local Housing Allowance 2018-19			
	Payroll Overpayments			
<b>Medium</b>				
Effective with opportunity for improvement	Atebion Solutions			
	Sickness absence processes			
	Willows High School			
	Youth Innovation Grant			
	Communities - Partnership and collaborative governance			
	Stocktake observation - Brindley Road 2018-19			
	Stocktake observation - Lamby Way 2018-19			
	Storey Arms			
	Value for Money – Agency workers, interims and consultants			
	Personal Review Process			
	Radyr High – ICT Governance			
	LLanishen High – ICT Governance			
	Fitzalan High – ICT Governance			
	Cardiff High – ICT Governance			
	Cathays High – ICT Governance			
IT Governance				

Audit Opinion	Audit Area	High Risk Recommendations		Status (If not Final)
		Proposed	Agreed	
	Cloud Computing			Drafts Issued
	Responsive Repairs			
	PTE - Bulky waste collections (domestic)			
	Regional Partnership Board			
	St. Teilo's – ICT Governance			
	Bishop of Llandaff – ICT Governance			
	Ysgol Plasmawr – ICT Governance			
	Bilingual Cardiff			
	Education – Commissioning of Independent Investigations			
	Insurance			
	VFM – Enforcement			
	VFM – Overtime			
	Into Work Grant Streams			
Insufficient with major improvement needed	County Hall Canteen	1	1	Draft Issued
	Ysgol Glantaf	2	2	
	Music Service - expenditure review	1	1	
	Purchasing Cards (CTS)			
	Review of Gatehouse	2	2	
	Whitchurch High School	1	1	
	Windsor Clive Primary School	1		
Unsatisfactory	St. Peter's R.C. Primary School	5	5	
	Music Service – income review follow up	3	3	
	Contracts in Waste Management	1	1	
<b>Grants / Accounts / External Bodies</b>				
Effective with opportunity for improvement	Education Improvement Grants			
	Norwegian Church Trust 2018-19			
No assurance opinion given	Joint Committees - Prosiect Gwyrdd	Statement of Accounts Reviews / Support		
	Joint Committees – Port Health Authority			
	Joint Committees - Glamorgan Archives			

Audit Opinion	Audit Area	High Risk Recommendations		Status (If not Final)
		Proposed	Agreed	
	Cardiff Further Education Trust Fund			
<b><i>Other assignments</i></b>				
No assurance opinion given	Payroll – CRSA	CRSA		
	Treasury Management – CRSA			
	Counter-fraud in schools - CRSA development			
	Contract guidance for schools	Guidance		
	Education – income processes			Draft Issued

Mae'r dudalen hon yn wag yn fwriadol

AUDIT PLAN, 2019/20 (as at 16 August 2019)

Audit Category	Risk	Engagement Type	Original audit plan	Assignment	Days	Audit Scope	National Issue	Report Status 16.08.19	Audit Opinion		
<b>Fundamental Audits - S151 Assurance</b>											
Creditor Payments & Processing (including procurement)	High	Assurance	60	CRSA 2019/20	5	Payments are authorised, accurate and timely for goods / services ordered and received.					
					In year testing (mid year 2019/20)		25				
							In year testing (year end 2019/20)	25			
							To be agreed with Director	5			
				0	Creditors in year testing 2018/19 (carried forward from 2018/19)	0			Final report issued	Effective with opportunity for improvement	
Payroll				65	CRSA 2019/20	5	Recruitment processes are transparent and robust, only bona fide, authorised and accurate payments are made, with effective prevention, detection and recovery of errors.		Completed	No opinion given	
					In year testing 2019/20	15					
					Payroll overpayments	15				Draft report issued	Effective with opportunity for improvement
					Recruit	15					
					Establishment reviews	15					
			0	Payroll in year testing 2018/19 (carried forward from 2018/19)	0			Draft report issued	Effective with opportunity for improvement		
Council Tax			0								
NNDR	High		20	CRSA 2019/20	5	Business Rate collection and control is working effectively and efficiently.					
					In year testing 2018/19 and 2019/20		15				
Local Housing Allowances				10	Local Housing Allowances In-year Testing (carried forward from 2018/19)	10	Effective controls to ensure accurate processing of bona fide claims.		Draft report issued	Effective with opportunity for improvement	
Treasury Management				10	CRSA 2019/20	4	Effective Treasury Management Strategy, governance, risk magement and monitoring framework.		Completed	No opinion given	
					In year testing 2019/20	6					
Main Accounting				15	CRSA 2019/20	5	The main accounting system and processes are well controlled and operating effectively.				
				In year testing 2019/20	10						
Income and Debtors			0								
Asset Management			0								
Housing Rents	Medium		0	Housing Rents (carried forward from 2018/19)	0	Effective control processes are in place for managing and recovering housing rents		Draft report issued	Effective with opportunity for improvement		
<b>Total</b>			<b>180</b>		<b>180</b>						
<b>Corporate Governance Assurance - Audit</b>			<b>Original audit plan</b>	<b>Assignment</b>	<b>Days</b>						
Audit of risk management arrangements	High	Assurance	10	Audit of risk management arrangements	10	Risk Management arrangements are effective, and operated consistently					
				0	Audit of risk management arrangements (carried forward from 2018/19)		0			Final report issued	Effective with opportunity for improvement
Audit of governance arrangements				20	Audit of governance arrangements	20	Effective application of the Council's Code of Corporate Governance.				
Audit of scrutiny functions	Medium			20	Audit of scrutiny functions	20	Effective scrutiny activities and outcomes				
Audit of ethics and values	High			0	Audit of ethics and values (carried forward from 2018/19) - business and personal interests	0	Policy alignment to organisational values, with appropriate disclosures made.				
					0	Audit of ethics and values (carried forward from 2018/19) - gifts and hospitality		0		Draft report issued	Effective with opportunity for improvement
Audit of Wellbeing of Future Generations				15	Wellbeing of Future Generations	15	Effective application of Wellbeing of Future Generations requirements.	Y			
Audit of performance management				20	Audit of performance management	20	Performance management arrangements are effective, and operated consistently.				
Audit of Health and Safety				0	Audit of health and safety framework (carried forward from 2018/19)	0	Effective application of the Council's Health and Safety Framework.		Final report issued	Effective with opportunity for improvement	
Audit of Information governance				15	Audit of Information Governance	15	Effective mechanisms and systems for the requirement of the Data Protection Act 2018.	Y			
<b>Total</b>			<b>100</b>		<b>100</b>						
Digital Services	Medium	Assurance	30	IT project audits 1 - Hybrid Mail	15	Project management arrangements are operating effectively, as per corporate requirements.					
					IT project audits 2 - Virtual Agent		15				
Delegation and decision making	High		20	Delegation and decision making	20	Effective application of delegated authority and decision making.					

Programme and projects (including CADT)			0								
Total			50		50						
Other Assurance			Original audit plan	Assignment	Days						
Contract Audit			40	Cradle to Grave review - Building Maintenance Framework	20	Effective contract compliance, control and delivery of objectives					
				Cradle to Grave review	20						
Cardiff Bus - governance			0	Atebion Solutions (carried forward from 2018/19)	0	Effective performance management and charging mechanism			Final report issued	Effective with opportunity for improvement	
Education - SOP			10	Cardiff Bus - governance	10	Section 151 Assurance on governance arrangements					
ICT Audit		Assurance	20	Review of Band B	20	Delivery of service objectives with effective compliance and control.			y		
				50	Identification and access management	20	Effective access management controls				
					IT inventory and asset management	20	Effective IT inventory and asset management controls				
					Change and patch management controls (to be confirmed)	10	Effective co-ordination and control.				
					IT Governance (Carried forward from 2018/19)	0	Effective co-ordination and control.			Final report issued	Effective with opportunity for improvement
					Cloud Computing (Carried forward from 2018/19)	0	Effective co-ordination and control.			Final report issued	Effective with opportunity for improvement
Value for Money studies	Medium	Assurance	30	VFM Theme - TBC	15	TBC					
				VFM in Digital Initiatives	15	Assurance on value for money in digital initiatives					
			0	VFM - enforcement (carried forward from 2018/19)	0	Value in use of enforcement practices			Draft report issued	Effective with opportunity for improvement	
				VFM - review of overtime (carried forward from 2018/19)	0	Value in use of overtime			Draft report issued	Effective with opportunity for improvement	
				VFM - agency workers, interims and consultants (carried forward from 2018/19)	0	Value in use of temporary workforce arrangements			Final report issued	Effective with opportunity for improvement	
				VFM - sickness absence review (carried forward from 2018/19)	0	Effective sickness management policy and practices			Final report issued	Effective with opportunity for improvement	
				VFM - workforce deployment (carried forward from 2018/19)	0	Value in the deployment of the workforce					
				VFM - personal review process (carried forward from 2018/19)	0	Effective personal review application and management.			Final report issued	Effective with opportunity for improvement	
Taxation (incl. VAT)		19	Taxation	19	Effective compliance and control.						
System Development		TBC	10	System Development	10	Consultation or assurance services, as relevant					
National Fraud Initiative			20	National Fraud Initiative	20	Data matching counter-fraud exercise.					
Pensions and Investments			15	CRSA 2019/20	5	Effective compliance and control.					
				In year testing 2019/20	10						
Insurance			0	In-year testing 2018/19 (carried forward from 2018/19)	0				Draft report issued	Effective with opportunity for improvement	
Health and safety											
Mileage & subsistence			0								
Fleet Management (pool cars, grey fleet, etc.)	Medium	Assurance	20	Fleet Management (pool cars, grey fleet, etc.)	20	Delivery of service objectives with effective compliance and control.					
Procurement			0								
Stores	Medium		16	Review of CTS stores	10	Effective and efficient stores management, and stock control					
				Year end stock check 1	3	Disciplined and controlled stock check processes for valuation and accountability					
				Year end stock check 2	3						
Business Continuity			0								
Total			250		250						
Service specific audits			Original audit plan	Assignment	Days						
	High			Health and Safety	15	Directorate health and safety compliance and risk management.					
				Commissioning and Procurement	15	Commissioning and Procurement compliance and control					
				Asset management	15	Effective Directorate recording, monitoring, management and control of physical assets					

Tudalen 366

Tudalen 367 Planning, Transportation and Environment	Medium	Assurance	170	Income and Debtors	15	Operation of appropriate arrangements to record, monitor and recover sundry debts.				
				Bulky waste collection (domestic properties)	15	Accurate charging and controlled operation of the service		Final report issued	Effective with opportunity for improvement	
				Commercial waste	10	Delivery of service objectives with effective compliance and control.				
				Recycling in HWRCs	20	Effective and efficient stock management and control				
				Stock systems (Tranman)	20	Delivery of service objectives with effective compliance and control.		Final report issued	Insufficient with major improvement needed	
				Stock systems (Vectec)	10					
				Purchasing cards (CTS)	10					
				Building Control	10					
				Fly Tipping	15					
				Trolleys	15					
		FOLLOW UP - Lamby Way Stores	0	Follow up Audit						
		FOLLOW UP - Review of contracts in Waste Management	0	Follow up Audit						
		0	Stock take observation - Lamby Way (carried forward from 2018/19)	0	Disciplined and controlled stock check processes for valuation and accountability	Final report issued		Effective with opportunity for improvement		
			Review of Gatehouse	0	Effective system and access control	Final report issued		Insufficient with major improvement needed		
Review of contracts in Waste Management	0		Delivery of service objectives with effective compliance and control.	Final report issued	Unsatisfactory					
Consultation	Weighbridge - monitoring and review	0	Consultation and guidance on effective compliance and control.							
Tudalen 367 Housing and Communities	High	Assurance	150	Health and Safety	15	Directorate health and safety compliance and risk management.				
				Commissioning and Procurement	15	Commissioning and Procurement compliance and control				
				Asset management	15	Effective Directorate recording, monitoring, management and control of physical assets				
				Income and Debtors	15	Operation of appropriate arrangements to record, monitor and recover sundry debts.				
	Medium			Independent Living (deferred from 2018/19)	10	Delivery of service objectives with effective compliance and control.				
				Lettings policy in high rise accommodation (deferred from 2018/19)	10					
				Into work grant streams	10			y	Draft report issued	Effective with opportunity for improvement
				Responsive Repairs	20	Delivery of service objectives with effective compliance and control.			Final report issued	Effective with opportunity for improvement
				Flexibilities funding (Housing)	10			y		
				"Get me home" service	15					
	0			Review of stores - Joint Equipment Stores	12	Effective and efficient stores management, and stock control				
				Bilingual Cardiff (carried forward from 2018/19)	0	Welsh Language Standards compliance and control		y	Draft report issued	Effective with opportunity for improvement
	High			Regional Partnership Board (carried forward from 2018/19)	0	Effective governance and control in partnerships / collaborations		y	Draft report issued	Effective with opportunity for improvement
				Partnerships and collaborative governance (carried forward from 2018/19)	0				Final report issued	Effective with opportunity for improvement
Consultation	RBV Module	3	Consultancy on controls in the proposed Northgate Module							
Economic Development	High	Assurance	150	Health and Safety	15	Directorate health and safety compliance and risk management.				
				Commissioning and Procurement	15	Commissioning and Procurement compliance and control				
				Asset management	15	Effective Directorate recording, monitoring, management and control of physical assets				
				Income and Debtors	15	Operation of appropriate arrangements to record, monitor and recover sundry debts.				
	Assurance			Income collection (fees and charges) (deferred from 2018/19)	15	Delivery of service objectives with effective compliance and control.				
				Film Unit	15					
				Strategic Estates - processes	10					



	Medium		0	Channel View	15									
				Stores (leasehold properties)	15	Effective and efficient stores management, and stock control								
				Major Project governance	20	Operation of appropriate arrangements for Major Projects								
				Stock take observation - Brindley Road (carried forward from 2018/19)	0	Disciplined and controlled stock check processes for valuation and accountability	Final report issued	Effective with opportunity for improvement						
				County Hall canteen (carried forward from 2018/19)	0	Effective compliance and control.	Final report issued	Insufficient with major improvement needed						
	High				Health and Safety	15	Directorate health and safety compliance and risk management.							
					Commissioning and Procurement	15	Commissioning and Procurement compliance and control							
					Asset management	15	Effective Directorate recording, monitoring, management and control of physical assets							
					Income and Debtors	15	Operation of appropriate arrangements to record, monitor and recover sundry debts.							
					ICT governance - in year testing for schools	40	Effective ICT Governance mechanisms for compliance, business continuity and control	5 Final & 3 Drafts Reports Issued	Effective with opportunity for improvement					
					Counterfraud in schools - CRSA development	10	Counter-fraud assurance in school governance, transactional, procurement and recruitment activities	Completed	No opinion given					
					Counterfraud in schools: in year testing in primary schools x 4	40								
					Counterfraud in schools: in year testing in secondary schools x 4	40								
					Medium		Assurance	300	Work in individual schools	40	Full audits of systems of governance and internal control within individual schools			
									School 1 - St. Francis RC Primary School					Draft report issued
School 2 - Windsor Clive Primary School														
School 3 - St. Illtyd's RC High School														
School 4														
School 5														
School 6														
Income collection in schools (incl. lettings, banking)	25	Effective compliance and control in school income collection.												
Contract procedures in schools	25	Effective compliance and control in school procurements												
Storey Arms	10	Review of systems of governance and internal control	Final report issued	Effective with opportunity for improvement										
Consultation				FOLLOW UP - St. Peter's RC Primary School	0	Follow up Audit								
				FOLLOW UP - Pontprennau Primary School	0	Follow up Audit								
				FOLLOW UP - Music Service income	0	Follow up Audit								
Assurance			0	School guidance on contract procedures	0	The provision of documented guidance and support to schools	Completed	No opinion given						
				Roath Park (carried forward from 2018/19)	0	Full audit of systems of governance and internal control.								
				Commissioning of independent investigations (carried over from 2018/19)	10	Effective control in the commissioning and monitoring of independent investigations	Draft report issued	Effective with opportunity for improvement						
				Youth Innovation Grant (carried forward from 2018/19)	0	Effective governance, decision making and performance management	Final report issued	Effective with opportunity for improvement						
				Music Service - expenditure (carried forward from 2018/19)	0	Compliance and control in Music Service expenditure	Final report issued	Insufficient with major improvement needed						
				Income processes (carried forward from 2018/19)	0	Compliance and control in income processes	Draft briefing paper issued	No opinion given						
				St. Peter's (carried forward from 2018/19)	0	Full audit of systems of governance and internal control.	Final report issued	Unsatisfactory						
				Willows (carried forward from 2018/19)	0		Final report issued	Effective with opportunity for improvement						
				Ysgol Glantaf (carried forward from 2018/19)	0		Final report issued	Insufficient with major improvement needed						
				Whitchurch High School (carried forward from 2018/19)	0		Final report issued	Insufficient with major improvement needed						
Health and Safety	10	Directorate health and safety compliance and risk management.	Final report issued	Unsatisfactory										

Governance and Legal Services	High	Assurance	50	Commissioning and Procurement	10	Commissioning and Procurement compliance and control		
				Income and Debtors	10	Operation of appropriate arrangements to record, monitor and recover sundry debts.		
				Asset management	10	Effective Directorate recording, monitoring, management and control of physical assets		
	Medium			To be agreed with Director	10	TBC.		
Resources	High	Assurance	50	Health and Safety	10	Directorate health and safety compliance and risk management.		
				Commissioning and Procurement	10	Commissioning and Procurement compliance and control		
				Income and Debtors	10	Operation of appropriate arrangements to record, monitor and recover sundry debts.		
				Asset management	10	Effective Directorate recording, monitoring, management and control of physical assets		
		TBC			To be agreed with Director	10	TBC.	
	High		0	Budgeting and forecasting (carried forward from 2018/19)	0	Effective financial planning, budgeting and monitoring	Draft report issued	Effective
Social Services	High	Assurance	300	Health and Safety	15	Directorate health and safety compliance and risk management.		
				Commissioning and Procurement	15	Commissioning and Procurement compliance and control		
				Income and Debtors	15	Operation of appropriate arrangements to record, monitor and recover sundry debts.		
				Asset management	15	Effective Directorate recording, monitoring, management and control of physical assets		
				Safeguarding (follow up review)	15	Follow up Audit		
	Direct Payments	20	Effective control, management and monitoring of Direct Payments					
	Medium	Assurance	300	ICF schemes (incl. Families First)	15	Delivery of service objectives with effective compliance and control.		
				Early help service (impact of FPOC)	15			
				Children's Placements	20			
				Learning Disabilities	15			
				Mental Health Day Services (CRT)	15			
				Foster carers (incl. safeguarding)	15			
				To be agreed with Director	5	TBC.		
				Deprivation of Liberty Safeguards	20	Delivery of service objectives with effective compliance and control.		
				Sensory Services	15			
				Payments to Care Leavers	20			
	Child Health and Disabilities	20						
Home Care (mobile scheduling)	15							
		0	Domiciliary Care (carried forward from 2018/19)	0				
<b>Total</b>			<b>1,170</b>		<b>1,170</b>			
<b>External</b>			<b>Original audit plan</b>	<b>Assignment</b>	<b>Days</b>			
External clients	Medium	Assurance	20	City Deal 2019/20	5	Scope as per rolling SLA	y	
				Cardiff Further Education Trust Fund	2			
	Low			Norwegian Church Preservation Trust	2	Grant certification / statement of accounts work		
				Joint Committees	6			
				Rumourless Cities European Grant	8			
				Provision for other work	5			
				St. Peter's Out of School Club and Governors' Fund (unplanned)	10			
	0			Cardiff Further Education Trust Fund 2017/18 (carried forward from 2018/19)	0			
	Norwegian Church Preservation Trust (carried forward from 2018/19)	0						
	Provision for grant work	10						
Grants		Assurance	0	Education Improvement Grant 2018/19 (carried forward from 2018/19)	0			
<b>Total</b>			<b>30</b>		<b>48</b>			
							Final report issued	Effective with opportunity for improvement
							Closed	No opinions given
							Closed	No opinion given
							Closed	No opinion given
							Final report issued	Effective with opportunity for improvement



## Executive Summary

### Music Service Income- Follow up Audit

#### BACKGROUND

- 1 A follow up audit review has been undertaken of income processes in the Music Service, which is a non-profit making traded service for Cardiff and the Vale of Glamorgan.
- 2 The original audit provided an assurance rating of unsatisfactory due to insufficient levels of income collection, and gaps in system controls and debt management processes. An executive summary report was provided to the Audit Committee in June 2018.

#### MAIN CONCLUSIONS

- 3 The follow up audit has considered the progress made in delivering the original audit recommendations, and has reflected on the current control environment.
- 4 The audit review has recognised that some actions have been delivered, but an overall opinion of **unsatisfactory** has been allocated, as management had not sufficiently improved income collection, or the management of outstanding debt, which was only marginally lower than the figure reported in the original audit. (current outstanding debt £310k, compared with £334k at the time of the original audit)
- 5 There has been progress in the roll out of the financial system for the Music Service (Paritor), which has been operational since the academic year 2017/18. The system is used for billing purposes and enables online payment through the Music Service website, as part of the approach to register service users and collect income by the Music Service directly and limit school involvement. Following slow initial uptake and a drive to register peripatetic and ensemble service users, a significant proportion of service users were reported as registered at the conclusion of audit fieldwork.
- 6 To support management to ensure consistent income collection and appropriate action in the event of non-payment, a formal strategy for income and debt management is considered necessary. It was noted during the audit that, whilst letters were issued to request outstanding income payments, services had continued for those in arrears. Following the audit, management have advised that service terms and conditions have been revised, in consultation with Legal Services, and instructions have been issued for outstanding invoice payments, in order for services to continue. Internal Audit will follow up the progress and impact made through the proposed approach.

- 7 In addition to the Paritor system, a number of historic bank accounts were still being used for the administration of ensemble music services, and had not been considered for closure, as agreed in the original audit. Whilst guidance on the required administration of these funds had been reported as circulated, steps should be taken to remove as many legacy accounts as possible to enable efficient and co-ordinated control and monitoring processes. Progress is also required to develop staff guidance and a Music Service Business Plan, as previously agreed.

## **RECOMMENDATIONS FOR ACTION**

- 8 Two of the recommendations made in the original report have been implemented in full. Seven recommendations had not been implemented and were re-raised, and two additional recommendations were made during the audit.
- 9 The new recommendations related to developing a debt management and recovery strategy given the high levels of remaining debt, and ensuring prompt processing and banking of cheques where received, in view of some delays noted.
- 10 The follow up audit report includes nine recommendations for improvement going forward (three red and six red / amber), all of which were agreed by the Head of the Music Service.

## **LATEST POSITION**

- 11 Management have agreed all recommendations, and have indicated that there will be close engagement with finance colleagues in Resources to develop a formal debt collection and recovery strategy. Management have also advised they will improve controls in monitoring and reconciling income invoiced and received, which along with the revised recovery strategy will focus on reducing the level of debt for the service.
- 12 Management have committed to developing a Music Service Business Plan, and to preparing improved working procedures, to support officers. Consideration will also be given to reducing the number of bank accounts held by the Music Service ensembles.
- 13 At the time of concluding the audit, a Service Review for the Music Service was being initiated by the Capital Ambition Delivery Team to consider existing operations, issues and risks and to identify opportunities and recommendations for improvement.
- 14 Internal Audit will continue to monitor the internal control environment through the recommendation tracker and regular discussions with management. A further follow up audit will be undertaken in line with agreed audit protocols.

## Executive Summary

### Waste Management Contracts

#### BACKGROUND

- 1 An audit review has been undertaken of contracts and procurement activity within Waste Management, for which external spend was £9.5million, and external income was £5.9million, in 2018/19. The audit reviewed contract compliance and control processes, through financial and contract analysis, and through holding interviews with contract managers and lead officers.

#### MAIN CONCLUSIONS

- 2 Overall, the audit recognised a need for greater contract co-ordination and control, and allocated an **unsatisfactory** assurance opinion. The audit identified a need for attention in these areas in order to provide effective assurance on commissioning and procurement practices and the delivery of value for money.
- 3 The audit recommended the use of a central contract register, to co-ordinate and maintain a portfolio of contracts and the need for key officer training, as new procurements had not been planned, nor existing contracts re-procured, with sufficient time to avoid contracts lapsing. Of the twenty-seven procurements sampled, eleven (41%) did not have current contracts.
- 4 A small number of higher value procurements did not have sufficient records to demonstrate the commissioning and procurement process followed. During the conclusion of the audit, management reviewed relevant cases, communicated requirements to lead officers, and were instigating new / replacement procurement mechanisms. Internal Audit will perform a follow-up audit of Waste Management Contracts for assurance that improvements have been delivered and sustained.
- 5 It has been recognised that the service is required to implement innovative solutions to achieve challenging environmental and cost effective requirements. However, through reviewing contracts, there were instances where contracts had not delivered the expectations set in terms of cost, process or volume. The audit has advocated management learning from less successful procurements in the planning of new arrangements.
- 6 At contract management stages, processes were mixed, with robust arrangements in some areas, and further contracts with limited formal arrangements elsewhere. Day to day contract management required improvement, in respect of performance and risk management monitoring and reporting.
- 7 To support management to embed the required improvements, regular engagement has been recommended with colleagues in Commissioning and Procurement. This is to meet business needs, comply with corporate rules for standard contracts, and to ensure that all income contracts are arranged, managed and delivered with the same openness, probity and accountability as any procurement of equal value. The largest component of income was in respect of the commercial waste service, for which a separate audit has been arranged.

- 8 Additionally, in the interests of independence, it has been recommended that the process for reporting statutory recycling figures (WasteDataFlow) should be delivered by operational management sitting outside of the area delivering the targets.

## **RECOMMENDATIONS FOR ACTION**

- 9 The audit report includes 25 recommendations for improvement going forward (1 Red, 17 Red/Amber and 7 Amber/Green), all of which were agreed by Senior Management.

## **LATEST POSITION**

- 10 Management have agreed all the recommendations and indicated that the majority of the report's recommendations will be delivered through a targeted approach to improve governance, training and planning.
- 11 Following the audit, a training session was provided on financial management, control and procurement for management within the Waste Management function. This training was delivered and co-ordinated by officers from the Directorate, Internal Audit and Commissioning and Procurement.
- 12 During the conclusion of the audit, management reviewed the procurements, which required new contract arrangement. They communicated expectations with lead officers for improved management and monitoring going forward, and have embarked on instigating new / replacement procurement mechanisms where required.
- 13 Through the audit response, Management have advised that they will engage closely with corporate Commissioning & Procurement to improve the identified areas. Business Support controls are reported as established, to ensure orders relate to contracted spend. Process improvements have also been agreed for WasteDataFlow and the Commercial Waste Service.
- 14 Internal Audit will continue to monitor the internal control environment through discussions with management and the Recommendation Tracker, which allows managers to provide updates on the progress made towards implementing the audit recommendations, in accordance with agreed audit protocols.



PSIAS Action Plan 31 March 2019 – Updated Position

REF	SELF-ASSESSMENT QUESTION	FINDINGS	ACTION	RISK RATING	POSITION	OFFICER	ACTION DATE	POSITION AT 16 AUGUST 2019
Tudalen 375	<p>Does the risk-based plan incorporate or is it linked to a strategic or high-level statement of:</p> <ul style="list-style-type: none"> <li>• How the audit service will be delivered?</li> <li>• How the internal audit service will be developed in accordance with the internal audit charter?</li> <li>• How the internal audit service links to organisational objectives and priorities?</li> </ul>	<p>A strategic statement was included in the covering report to the draft audit plan for 2019/20 for Audit Committee.</p> <p>The self-assessed view is that a focussed Audit Strategy should be created to set out this information clearly, linked to the Audit Plan and Charter.</p>	<p>An Audit Strategy should be developed to set out:</p> <ul style="list-style-type: none"> <li>• How the audit service will be delivered?</li> <li>• How the internal audit service will be developed in accordance with the internal audit charter?</li> <li>• How the internal audit service links to organisational objectives and priorities?</li> </ul>	Green	An Audit Strategy has been developed which will be reported to the Audit Committee in its meeting of 25 June 2019.	Audit Manager	25 June 2019	<p><b>Completed.</b></p> <p>The Audit Strategy has been adopted, and discussed with the Chief Executive and Directors.</p> <p>The Audit Strategy was presented to the Audit Committee on 25 June 2019.</p>

Tudalen 376	<p>Do internal auditors consider the following in planning an engagement, and is this documented:</p> <ul style="list-style-type: none"> <li>• The objectives of the activity being reviewed?</li> <li>• The means by which the activity controls its performance?</li> <li>• The significant risks to the activity being audited?</li> <li>• The activity's resources?</li> <li>• The activity's operations?</li> <li>• The means by which the potential impact of risk is kept to an acceptable level?</li> <li>• The adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model?</li> <li>• The opportunities for making significant improvements to the activity's governance, risk management and control processes?</li> </ul>	<p>There are robust processes in place as part of audit planning in order to properly consider and reflect on each of the following areas as part of any audit engagement.</p> <p>Whilst this information is considered in all audits, it is considered that the team would benefit from the introduction of a pro forma document in which all of the required information is consistently documented.</p>	<p>An audit planning assessment form is to be developed and introduced to ensure consistent recording of all planning considerations and preliminary risk assessments.</p>	Green	<p>An audit planning document has been developed and communicated with the team. Application to commence towards the end of quarter 1 2019/20.</p>	<p>Audit Manager</p>	<p>1 June 2019</p>	<p><b>Completed.</b></p> <p>An Audit planning Pro forma has been developed and was introduced in July 2019 to record the preliminary risk assessment for each audit.</p>
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<p>2 Tudalen 377</p>	<p>Does the risk-based plan set out how internal audit's work will identify and address local and national issues and risks?</p>	<p>The audit plan does not set this out specifically, but consideration is taken of issues raised by Scrutiny Committees and any national risks that may impact upon the Council. These are reported regularly to Audit Committee for consideration either for inclusion within the current year plan or a future year's plan.</p>	<p>Although comment is already made in the progress reports to Audit Committee, Management should consider including information on consideration of local and national issues in the committee reports on the development of the audit plan for the following year.</p>	<p>Green</p>	<p><b>Ongoing</b></p> <p>Assurance Mapping has been further progressed in the development of the 2019/20 audit plan and communicated to the Audit Committee to show all the primary assessment of risks and assurances in prioritising areas for audit.</p> <p>The Audit Plan for 2019/20 includes a range of local and national issues, ranging from local safeguarding, procurement and Council Scrutiny assurances, to wider issues such as the Wellbeing of Future Generations and Welsh Language Standards compliance.</p> <p>This action will remain open whilst the means of capturing this context in the audit plan is further developed.</p>	<p>Audit Manager</p>	<p>Refine presentation of audit plan by end of Q2 19/20</p>	<p><b>Completed.</b></p> <p>Within the Audit Plan (Appendix B to the Audit Progress Report), it is being recorded against relevant audits where the audit is considering / addressing a national issue.</p>
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**PLANNING**

The Audit Plan sets the proposed audit coverage, based on a risk assessment. The plan is approved by Audit Committee and shared with Directors.

Auditors are allocated audit engagements from the plan. They research the audit area and meet the client to understand relevant strategies, objectives and risks. A risk assessment informs the audit objectives and approach.

Control Stage 1 (Audit Planning) – The risk assessment is reviewed by a member of the audit management team, and used to develop the audit terms of reference (TOR)

The TOR is issued: it sets out the area/s under review, the objectives, approach and records required. The TOR is sent to the relevant management (Line Management, OM (and Director, where appropriate)). The audit fieldwork will commence as set out in the TOR.

**NB** – For consultancy services, the guidance / support is planned with management directly, with the objectives documented for significant engagements. There will be regular dialogue with the reviewing manager throughout the audit, but only formal control stage 4 will apply (Post Audit Review).

**FIELDWORK**

Audit visits are normally pre-arranged to help minimise disruption. Any significant issues will be raised as soon as they are identified. The main findings will be discussed at the end of the visit or shortly afterwards.

Control Stage 2 (Audit Fieldwork) – An audit ‘pit-stop’ is held with the senior team member mid-way through the audit as a quality assurance and progress check. A full quality assurance review is completed once fieldwork is completed and the draft audit opinion, output and recommendations are prepared.

Once fieldwork completed and a review undertaken, a decision will be made whether to issue a formal Report or an Action Plan. depending on the overall ‘Audit Opinion’.

**REPORTING**

The audit output prepared depends on the audit opinion:

- o An Action Plan – For *Effective* or *Effective with Opportunity for Improvement* audit opinions (where recommendations are raised);
- o A Report and Action Plan – for *Insufficient with Major Improvement* or *Unsatisfactory* audit opinions.

Control Stage 3 (Audit Reporting) – Where the audit opinion is *Insufficient with Major Improvement* or *Unsatisfactory*, the draft report will be considered by the Audit Management Team prior to being issued.

Draft Reports / Action Plans are discussed with Client Manager and comments considered in any Final Report / Action Plan. Management responses to audit recommendations are recorded in the Action Plan.

Final report or Action Plan issued to the Director, OM/Line Manager and an opportunity to discuss the report or provide comments is provided. Any recommendations not agreed are referred to the Director for consideration.

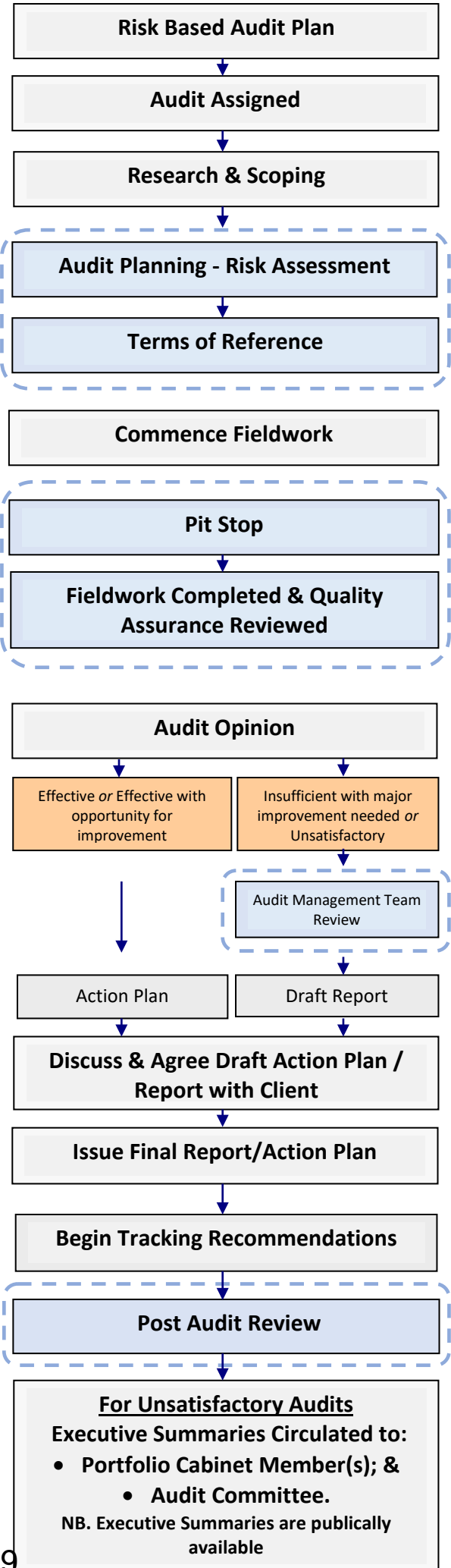
Control Stage 4 (Post Audit Review) – Upon conclusion of each audit, the auditor, and a senior team member review the auditor’s performance. A client satisfaction survey is used to identify the audit delivery and value from the client’s perspective. Development needs are progressed.

The Audit Manager reports the summary findings of *Insufficient* and *Unsatisfactory* reports to the Chief Executive and the Audit Committee. For all *Unsatisfactory* reports, an Executive Summary is prepared, discussed with the Chief Executive and Section 151 Officer, and reported to the relevant Portfolio Cabinet Member(s) and the Audit Committee.

**RESPONSE**

Recommendations are added to the ‘Recommendation Tracker’ in SharePoint, through which management provide progress updates and, for ‘red’ or ‘red/amber’ actions, also submit evidence of delivery. The recommendation tracker is reported to each Audit Committee meeting, and discussed in Director Relationship Manager Meetings.

All Unsatisfactory Audit Opinion Reports will be scheduled for an audit follow-up six months after the audit conclusion.



Mae'r dudalen hon yn wag yn fwriadol

Yn rhinwedd paragraff (au) 14, 21 Rhan (nau) 4 a 5 o Atodlen 12A  
o Ddeddf Llywodraeth Leol 1972.

Mynediad Cyfyngedig i'r Ddogfen



Mae'r dudalen hon yn wag yn fwriadol

Yn rhinwedd paragraff (au) 14, 21 Rhan (nau) 4 a 5 o Atodlen 12A  
o Ddeddf Llywodraeth Leol 1972.

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o Ddeddf Llywodraeth Leol 1972.

Mynediad Cyfyngedig i'r Ddogfen

Mae'r dudalen hon yn wag yn fwriadol



# Resources Directorate Internal Audit Section



## Internal Audit Progress Report (as at 16<sup>th</sup> August 2019)

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Prepared by: **Chris Pyke, Audit Manager**

# INTERNAL AUDIT PROGRESS REPORT

## 1. INTRODUCTION

### 1.1 Background

The Internal Audit plan for 2019/20 was approved by the Audit Committee at its meeting in April 2019. The plan provides the framework for audit work each year and is aligned to the Council's corporate governance arrangements, whilst also being responsive to any changes to the risks faced by the Council during the year.

The Internal Audit plan for 2019/20 is made up of a total of 2,706 days, with a total of 1,990 chargeable days for the audit team being agreed. This report serves to provide an update on progress against the plan to the 16<sup>th</sup> August 2019.

### 1.2 Independence and objectivity

The Internal Audit section reports to the Audit Manager. In line with the provisions of the Public Sector Internal Audit Standards (1100), organisational independence is maintained, as the Audit Manager is not responsible for managing any functions beyond the Internal Audit and Investigation teams. The Audit Manager reports administratively to the Head of Finance and functionally to the Audit Committee for audit-related matters. There have been no impairments of independence or objectivity.

### 1.3 Continuing Professional Development

The Personal Reviews of performance during 2018/19 were completed by the end of May 2019. The Personal Review process enabled each member of the audit service to discuss progress against agreed objectives, and to consider and agree their overall performance for the year.

Prior to discussing performance, each auditor completed a skills assessment in application of the IIA Professional Competencies Framework. The results have informed both the Personal Review process, and the annual internal Audit Manager review against the Quality Assurance and Improvement Programme (Standard 1300), from which a generally strong baseline of knowledge and skills are held across the audit team.

The new objectives for 2019/20 were discussed with the members of the team and agreed in accordance with the Council's deadline of the end of June.



## 2. SUMMARY OF WORK PERFORMED

### 2.1 Current Activities

The report to Audit Committee in April 2019 set the scene for audit coverage for the year and the planned assignments have been set up in the audit planning, monitoring and control database. Priority has been given to any audits planned for 2018/19 but not completed during that year.

All Auditors have continued to be allocated at least three months' work in advance, with an expectation that their assignments will be effectively managed and delivered. This approach focuses on outcomes, improving performance and the timeliness of reporting.

**Appendix A** shows a list of audits and their reporting status in the current year until the end of 16 August 2019. The listing will include all reports finalised since April 2019, and all new and existing draft reports as at the reporting date.

The table below shows audit outputs separated into those which are new for 2019/20, meaning that a draft report had not been issued in the prior year, and those which were at draft status in 2018/19, but have since been finalised.

**Figure 1.** Audit outputs in 2019/20 (at 16<sup>th</sup> August 2019)

	Audit	Status as at 16.08.19
NEW Audit Outputs (for 2019/20)		
1	Audit of ethics and values – Gifts and Hospitality	Draft output issued
2	Education – Income Processes	
3	Payroll – In-year testing	
4	Regional Partnership Board	
5	Bulky Waste	
6	Responsive Repairs	
7	St. Teilo's - ICT governance	
8	Bilingual Cardiff	
9	Education - Commissioning of independent investigations	
10	Local Housing Allowances 2018/19	
11	Insurance	
12	VFM - enforcement	
13	Payroll overpayments	

14	VFM - overtime	
15	Into Work Grant Streams	
16	Bishop of Llandaff – ICT Governance	
17	Ysgol Plasmawr – ICT Governance	
18	Windsor Clive Primary School	
19	Joint Committees - Prosiect Gwyrdd	Final output issued
20	Joint Committees – Port Health Authority	
21	Joint Committees - Glamorgan Archives	
22	Cardiff Further Education Trust Fund	
23	Storey Arms	
24	Housing Rents	
25	P-Cards Central Transport Services (CTS)	
26	Resources – Budgeting and forecasting	
27	Personal Review Process	
28	Radyr Comp – ICT Governance	
39	Llanishen High – ICT Governance	
30	Fitzalan High – ICT Governance	
31	Cardiff High – ICT Governance	
32	Cathays High – ICT Governance	
33	Value for Money – Agency workers, interims and consultants	
34	Music Service – income review follow up	
35	Payroll – CRSA	CRSA completed
36	Treasury Management - CRSA	
37	Counter-fraud in schools - CRSA development	CRSA developed
38	Contract guidance for schools	Guidance developed
<b>Concluded Reports from the prior year at 16.08.19</b>		
39	Atebion Solutions	Final output issued
40	Risk management arrangements	
41	Sickness absence processes	
42	County Hall Canteen	
43	Education Improvement Grant	
44	Youth Innovation Grant	
45	Creditors 2018/19	
46	St. Peter’s R.C. Primary School	

47	Willows High School
48	Ysgol Glantaf
49	Health and Safety Framework
50	Contracts in Waste Management
51	Gatehouse
52	Whitchurch High School
53	Norwegian Church Trust
54	Communities - Partnership & Collaborative Governance
55	Music Service Expenditure Review
56	IT Governance
57	Cloud Computing
58	Stock Check Observation - Lamby Way
59	Stock Check observation - Brindley Road

The opinions given in reports issued to 16<sup>th</sup> August 2019 are shown in the table below. The majority of audit opinions allocated through drafts issued have recognised a sufficient level of internal control and governance in the areas reviewed.

**Figure 2.** Audit outputs and opinions (at 16<sup>th</sup> August 2019)

Output Stage	Number of outputs	Opinion				No opinion given
		Effective	Effective with opportunity for improvement	Insufficient with major improvement needed	Unsatisfactory	
Draft	18	1	15	1	0	1
Final	41	1	23	6	3	8
<b>TOTAL</b>	59	2	38	7	3	9

Since the last reporting period, an audit of Windsor Clive Primary School has provided a draft assurance rating of insufficient with major improvement needed. Two audit reports, Contracts in Waste Management and Music Service Income Follow up, have been finalised with assurance ratings of unsatisfactory. Two further audit reports, Gatehouse and Whitchurch High School, have been finalised with assurance ratings of insufficient with major improvement needed. Information is provided on the findings of these audits within Section 2.3 – Critical Findings or Emerging Trends, and executive summary reports are appended for the unsatisfactory audits.

Further to the table above, the outputs that were not been given an assurance opinion and the reasons for this were as follows:

**Figure 3.** Outputs without an assurance opinion (at 16<sup>th</sup> August 2019)

Audit	Comments
Payroll – CRSA completed	CRSA completed and discussed with payroll colleagues
Treasury Management – CRSA Completed	CRSA completed and discussed with Treasury Management colleagues
Education – income processes	Consultation review consolidating discrete assurance reviews – no further audit opinion.
Joint Committees - Prosiect Gwyrdd	Work to support completion of Statement of Accounts, 2018/19
Joint Committees - Port Health Authority	
Joint Committees - Glamorgan Archives	
Cardiff Further Education Trust Fund	Completion of audit of accounts for 2017/18
Schools Contract guidance development	Guidance for schools on contracts, tendering, etc. and the publication of an exemplar policy.
Counter-fraud in schools – CRSA developed	Development of a counter-fraud CRSA for Schools.

## 2.2 Annual plan

The annual plan was agreed by Audit Committee at its meeting in April 2019 and was designed to be risk based and co-ordinated in application of the “three lines of defence” model. Assurance mapping exercises are carried out at periodic intervals during the year.

Through recent Relationship Manager meetings, it has been agreed with Senior Officers that 15 unallocated audit days within Social Services would be allocated to Planning, Transport and Environment. Audit Committee approval is sought to allocate this time to an audit of the Trolleys service, as an area where management has requested assurance on the operation of systems in place. In further development of the audit plan, it is requested that Audit Committee approve the application of 15 days allocated for value for money purposes to an audit of Value for Money in Digital Initiatives. The proposed audit follows a discussion with the Chief Digital Officer and, given the strategic importance of digitalisation, it is considered an important area for assurance.

The Audit Manager has agreed a small amount of consultancy work, to provide advice and guidance on the processes proposed for processing Housing Benefits and Council Tax claims using a Risk Based Verification (RBV) approach, in accordance with DWP requirements. RBV is a method

of applying different levels of checks to housing benefit and local council tax support claims according to the risk associated with those claims.

The above updates are highlighted in 'green' in the Audit Plan (**Appendix B**). Additionally, the Audit Plan has been populated with all unsatisfactory audits, for which follow-up audit engagements will be required to seek assurance that agreed recommendations have been implemented. The target timeframe for follow-up audits is 6 months following the conclusion of the original audit, and these audits are highlighted in 'blue' in Appendix B.

The Audit Plan content has been expanded to show the inherent risk rating and scope of each audit, prior to the objective setting process in planning individual audits. The Audit Plan also now records if audits are addressing or responding to a national issue, in line with good practice.

### 2.3 Critical findings or emerging trends

In accordance with PSIAS, Internal Audit is required to report to Audit Committee on critical findings or emerging trends. Firstly, from a control perspective Audit Committee are advised that additional interim management support has recently been established in certain areas of the Planning, Transport and Environment Directorate. The Corporate Director, People and Communities has begun overseeing the Waste Management and Street Cleansing teams, supporting the Assistant Director. The Corporate Director, Resources has been facilitating the same role in respect of Central Transport Services. The Director for Planning, Transport and Environment is focusing on planning, highways and transportation, reflecting work underway in connection with air quality and the forthcoming White Paper on Transport, which will be published in the autumn. Audit reports and findings are being reported and considered through the above management channels. Audit Committee will have the opportunity to discuss these arrangements with the relevant directors through their attendance at Committee meetings as part of the Audit Committee Work Programme.

Since the last reporting period, two audits have been finalised with unsatisfactory audit opinions. These audits are in respect of Waste Management Contracts and a Music Service Income Follow up. The audit review of Waste Management Contracts recognised a need for greater contract co-ordination and control, as there were cases where current contracts were not in place, and improvements were required in areas of contract planning, monitoring and management. The

audit provided an assurance opinion of unsatisfactory and, accordingly, the executive summary is attached in **Appendix C** to this report. It is recognised that, since the conclusion of the audit, management have been instigating new / replacement procurement mechanisms, and a management training session has been delivered, supported by Internal Audit and Procurement colleagues. Internal Audit will perform a follow-up audit of Waste Management Contracts for assurance that improvements have been delivered and sustained.

The follow up audit has provided an assurance opinion of unsatisfactory as outstanding debt was only marginally lower than than the position reported in the original audit and recommendations had not been sufficiently progressed. The executive summary is attached as **Appendix C** to this report. The audit recommendations have been agreed with management, who have indicated they will engage closely with finance colleagues in Resources to develop a formal debt collection and recovery strategy. Management have also advised that controls in monitoring and reconciling income invoiced and received will be improved which, along with the revised recovery strategy, which will focus on reducing the level of debt for the service. A Service Review for the Music Service was being initiated upon concluding the audit to consider existing operations, issues and risks and to identify opportunities and recommendations for improvement. Internal Audit will perform a further follow-up audit to identify the improvements delivered.

Since the last Audit Committee reporting date, two audit engagements have been finalised with opinions of insufficient with major improvement needed. Firstly, an audit of Whitchurch High School, for which certain governance documents required approval to meet the requirements of Financial Procedure Rules for Schools. Contracts at the school were in need of greater monitoring and review, as some contracts had lapsed and, at the time of the audit, outsourced catering income was outstanding and the School's bank contract was out of date. Improvements were required in transactional records in respect of income and procurement, and authorisations needed to be better documented in respect of purchases and a contribution from the school's private fund to the school budget account. A copy of the final report and agreed actions has been issued to the Headteacher and the Chair of Governors for delivery and oversight.

The second finalised audit with an opinion of insufficient with major improvement needed was in respect of the Gatehouse system operated to record weighbridge activity in Lamby Way and Bessemer Close. The audit was completed following a period of consultation and advice from the Internal Audit section over the financial year 2018/19. At this time, an Internal Audit officer

attended meetings of a Waste Management officer group on a fortnightly basis, to discuss and capture compliance and control gaps and monitor management actions for improvement in the Civic Amenity Sites (Lamby Way and Bessemer Close). This subsequent audit has recognised steady progress in implementing the action points identified through the above approach. The audit identified improvements in practices for recording waste movements on Gatehouse in general, but identified a need to improve recording of out of hours transactions, the completeness of reconciliations, and to eliminate any sharing of system passwords. A particular system-based concern was raised, relating to access control for the Gatehouse system, which did not offer a management record of the system administrator who had made amendments to system access or passwords. In view of this finding, management have agreed to resolve the limitations to management information in a future procurement specification, and in the meantime, to limit the number of system administrators as far as considered feasible, and undertake cross checks between data of the operational teams and the Waste Data Flow team for NRW submission each quarter.

An audit of Windsor Clive Primary School has provided a draft opinion of insufficient with major improvement needed. Arrangements are being made to discuss the findings with the Headteacher, which include a need to improve financial and governance processes to ensure that controls and oversight are robust. Recommendations have been raised respect of governance documents, policies and disclosures, and the need to modernise income processes, and improve the consistency of procurement processes and contract management practices.

#### 2.4 Value for Money findings

The vast majority of audits undertaken by the Internal Audit Team have objectives which cover value for money assurances, from which a general satisfactory level of assurance can be provided for the reporting period.

The finalised audit of Waste Management Contracts has raised value for money concerns based on the gaps in coordination and control required to provide sufficient assurance that contracts are being planned, co-ordinated and controlled effectively. Additionally, the lack of progress to date in managing income and debt recovery processes for the Music Service also raises value for money concerns on the operation of this important mechanism. Internal Audit will continue to

monitor and follow up progress against the agreed management actions to address these matters, as outlined in section 2.3.

The findings of the two draft audit reports issued which had a specific value for money focus were more positive, and the areas were considered to be broadly effective in this regard, for which further information is provided below.

### Overtime

An audit on value for money in the use of overtime across the Council has been issued in draft. The audit considered overtime arrangements within a range of Directorates, through data analysis and management interviews in order to understand the basis upon which overtime had been considered necessary, and was monitored and reviewed against appropriate alternatives.

Based on the work undertaken and the samples tested, it was considered that effective and informed decisions had been taken for the use of overtime to meet business needs across the Council, for which the overall assurance rating was effective with opportunity for improvement.

Through discussion of overtime cases, it was apparent that managers were aware of alternatives to overtime and, for the cases sampled, managers had made reasoned decisions for its use either on a cost or capability basis. A recommendation has been raised for management to maintain close scrutiny on the use of overtime in the short-term as part of business management and monitoring, and also to be satisfied that they have arrangements in place to manage overtime costs over the medium term, through appropriate workforce planning, procurements, or other relevant management adjustments.

### Enforcement

An audit of value for money in enforcement activity has been issued in draft, which focussed on the processes in place in Revenues Services to utilise an Internal Enforcement Recovery Team and External Enforcement Recovery Agent Companies for service delivery, and the processes in place for value for money in the operation of the in-house Waste Education and Enforcement Team. Overall, it was considered that reasonable and suitably informed decisions had been made to deliver the services applying value for money principles to meet business needs, and the



assurance rating was effective with opportunity for improvement. There were different relative findings for the enforcement activities reviewed as summarised below.

In respect of the recovery arrangements sampled, a primary measure of value is the performance of cost effective collection of monies due. On this basis, both the in-house and external arrangements deployed were delivering a net cost benefit and meeting performance recovery targets. Management were advised to continue to monitor the balance of in-house and external recovery deployment to maximise the objectives of the services in the most cost effective way, whilst monitoring and managing contract risks appropriately.

In respect of the education and enforcement services reviewed, value for money is not based solely on income generation and cost of the penalty based recovery, but more a mixture of key performance measures and service outcomes including the changing of public behaviour. Whilst this judgement is more complex, an overall budget shortfall of £60k was noted for 2018/19 and performance measures, which were largely volume based, were achieved. Management have been recommended to set core performance measures for end to end processes in respect of education, investigation and enforcement, and to introduce a strong reporting and monitoring regime.

## 2.5 Resources

There have been 673 chargeable days to 16<sup>th</sup> August, against a pro-rata plan of 753 days, which includes all operational auditors and the audit assistant. As outlined in previous progress reports, it has been agreed for a senior auditor to reduce their hours temporarily from 37 to 32 hours per week for the financial year 2019-20, for which the planned days have been adjusted.

There are a range of reasons why the chargeable audit time has been below target over the reporting period. These include two auditors taking all of their study leave allocation to prepare for their final Certified Internal Auditor (CIA) exams in the reporting period, the CIPFA trainee undertaking some wider accountancy development and support work, a higher than planned requirement for a member of the team to deliver trade union responsibilities, and a greater level of leave being taken over the reporting period. Arrangements are being made to review the time recorded with each auditor as part of their next monitoring meeting, to be assured that there is consistency in the approach taken to account for their time used.

Three members of the team are being supported through a CIA qualification with the IIA. Two of these auditors have progressed to working towards their third and final exam, one auditor is working towards their second exam.

### 3. AUDIT PERFORMANCE AND ADDED VALUE

#### 3.1 Added value

Relationship Manager meetings have been arranged with every Director and diarised for quarterly meetings throughout 2019/20. These are useful in progressing matters relating to audits completed and planned; and for discussing corporate and directorate risks, issues and areas for potential audit input. Meetings were held with Directors in April 2019 to discuss the audits carried out in 2018/19 in their directorates and their outcomes. Further meetings were then held in June / July to review the audits undertaken in Q1, those planned for Q2 and any changes to internal controls that could affect the audit plan. Proposed changes to the audit plan, informed by these meetings, are detailed in section 2.2 (Annual Plan).

Audit has issued 21 client questionnaires this year (as at 16<sup>th</sup> August) and has received 10 responses (a response rate of 48%). One question asked of clients is whether they considered that the audit work added value to their service; 9 out of the 10 clients responded to advise that it did. In one case, this question was not answered, for which arrangements are being made to contact the relevant managers to discuss further.

In the reports issued to date (as at 16<sup>th</sup> August), there have been 326 recommendations made, of which audit clients have agreed 220, with 106 presently being considered through draft audit reports. These are summarised below:

**Figure 4.** Recommendations raised and agreed

Rating	Recommendations made	Recommendations agreed
Red	17	15
Red / amber	168	120
Amber / green	112	66
Green	29	19
<b>TOTAL</b>	<b>326</b>	<b>220</b>

Updates will continue to be provided on the number of recommendations implemented.

### 3.2 Benchmarking and Performance

The audit team is a member of the Welsh Chief Auditors and Core Cities benchmarking groups. For each group, benchmarking information for Cardiff has been submitted to the authority responsible for collating the data. In respect of the Welsh Chief Auditors Group, Fourteen out of twenty two councils responded to the exercise and the comparative data is set out below.

**Figure 5.** Welsh Chief Auditors Benchmarking data 2018/19

Benchmark Measure	Cardiff Result	Group Average
Number of audit staff	10.4	7.0
Planned Audits	156	76
% planned audits completed	77%	82%
Staffing cost per £'m gross revenue expenditure	£735	£806
Average cost per directly chargeable day	£261	£265
% directly chargeable time versus total available	81%	69%
% recommendations accepted v made	97%	99%
% recommendations implemented v made	64%	79%
% client questionnaires returned	64%	56%
% client response of at least "satisfied"	99%	99%

The benchmarking information is positive in respect of productivity, and audit delivery costs, but it highlights a lower proportion of recommendations implemented in 2018/19 compared to the other local authorities. The Welsh Chief Auditor performance measure in figure 5 of 'recommendations implemented v made' is a simple calculation based on the number of recommendations made and implemented over the year through the final reports issued.

Performance against recommendations implemented is being monitored via a performance target in Cardiff. The Cardiff measure provides additional focus, as it matches the recommendations completed to the agreed timescale. Performance against the measure is provided in figure 6.

Benchmarking data has been submitted to the Core Cities group. When received the final output will be reported to a future meeting of the Audit Committee.

The Internal Audit performance targets for 2019/20 are included within the table below:

**Figure 6.** Performance Targets for 2019/20 (and 2018/19 Outcomes)

Performance Indicator	2018/19 Outcome	2019/20 Target	Q1 Outcome
The percentage of audit reports delivered within six weeks	78%	85%	80%
The average number of audit productive days per FTE	142	170	42
The average number of finalised audits per FTE	12 <i>* 2018/19 measured draft audits</i>	12	3
The percentage of audit recommendations implemented within the agreed timescale	67%	90%	52%
The percentage of the audit plan completed	77%	80%	19%

The table above shows the actual performance achieved in 2018/19 and the targets set for 2019/20. In terms of last year's performance, the overall output and delivery for the year was in line with the targets set, but the productive days and levels of recommendations implemented within the agreed timescale were below target for 2018/19.

For the Q1 2019/20 position, the performance relating to reports issued and finalised was on target, and the level of the audit plan completed was only marginally below the pro rata target, representing reasonable audit delivery. It is anticipated that the proportion of the audit plan completed in Q2 will be in the region of 19% and marginally below the 20% level for each quarter. This is accounting for the typically lower level of audit output over for the summer period when a greater proportion of leave is taken by both audit staff and the management we engage with in undertaking audits. Study leave was also marginally higher than usual in the reporting period, resulting in the average productive days being slightly below target.

There has been a significant performance shortfall against the percentage of audit recommendations implemented within the agreed timescale. The primary reason for this dip in performance has been the effect of a cleansing exercise for school recommendations. As schools had a greater number of overdue recommendations and lower responses on progress, a proactive exercise was completed to contact relevant Headteachers for required updates. The exercise was successful in being able to identify the information and evidence required to close down a number of historic recommendations as complete. However, as the majority of the

recommendations which could be closed were overdue, this had a negative impact on the statistic of recommendations implemented within the agreed timeframe. The Audit Manager has reiterated the importance of proactively monitoring recommendations to the audit team, and has tasked an audit support officer with proactively monitoring schools to improve and sustain audit recommendation delivery and update information.

### 3.3 Audit Plan Delivery

There has been a steady start to audit delivery this year, as illustrated in the 'Audit Outputs' in section 2.1 of this report. At the time of reporting, a number of audit engagements are in the process of active fieldwork and, following the approach applied towards the end of last year, the Audit Manager has identified particular audits to target for delivery by the end of the financial quarter.

These audits targeted for delivery by 30<sup>th</sup> September are listed below, and their delivery would achieve a target of 38% Audit Plan at the end of quarter two. This target is considered to be stretching but achievable, and represents reasonable progress for a reporting period when a greater proportion of auditor and client leave is taken. The actual performance results for the full financial quarter will be reported to the Audit Committee in the November meeting.

**Figure 7.** Targeted 'Draft' Outputs by the end of Q2 (as at 16<sup>th</sup> August 2019)

	Audit	Status as at 16.08.19
Targeted to issue as draft by 30.09.19		
1	Cantonian – ICT Governance	Audit Review Stage
2	Ethics and values – Business and Personal Interests	Drafting
3	Direct Payments	
4	Stock systems (Vectec)	Fieldwork
5	NNDR - CRSA	
6	Main Accounting - CRSA	
7	PTE - Building Control	
8	Scrutiny Functions	
9	Learning Disabilities	
10	Fly Tipping	
11	Domiciliary Care	
12	St. Peter's Out of School Club and Governors' Fund	

13	Joint Equipment Service	
14	Roath Park Primary School	
15	Deprivation of Liberty Safeguards	
16	Stock systems (Tranman)	Research and Scoping
17	Resources - Asset management	
18	Governance and Legal Services - Asset management	
19	Information Governance	
20	Main Accounting - In Year Testing	
21	Film Unit	
22	Treasury Management - In Year Testing	
23	Strategic Estates - Processes	

Thematic audit work is being progressed with Asset Management work underway across directorates, and planning and preparation underway to deliver thematic audits on Counter-Fraud in Schools, and Health and Safety audits across directorates. Ahead of the planned CRSA audit on Counter-Fraud in schools, the Audit Manager and Group Auditor have provided a strategic briefing to the Chairs of Governors and to the School Budget Forum on the approach. Engagement is ongoing with management in the corporate Health and Safety Team, to develop an effective approach to the thematic audits of health and safety in directorates.

### 3.4 Processes

The management information available from both SharePoint and DigiGOV has been used to provide performance management information for each auditor, the section as a whole, and the information provided in this report.

An Audit Planning Pro forma has been developed and introduced in July 2019 to record the preliminary risk assessment for each audit in a consistent documented format. Each audit is subject to an initial risk assessment, but it has been considered that developing a document for this purpose would support the recording of this information in a consistent format. This proposed process development was reported to Audit Committee in June, following an internal review against the Local Government Application Note 2019 through a PSIAS Action Plan.

The updated PSIAS Action Plan is included in **Appendix D**, and includes two further actions. The first was in respect of developing an Audit Strategy to link to the risk based plan and to outline

the strategic intent of Internal Audit. This action has been completed and was reported to Audit Committee on 25 June. Additionally, in accordance with best practice, within the Audit Plan (Appendix B), it is now being recorded against relevant audits where the audit is considering / addressing a national issue.

Following the introduction of the Audit Strategy, the Audit Protocol, which covers the process flow within each individual audit, has been reviewed and subject to minor adjustment. The Audit Protocol is a concise document, designed to summarise the audit process, and it is provided for Audit Committee information in **Appendix E**. The Audit Planning Risk Assessment has been added, facilitated through the pro forma recently introduced as outlined above. Additionally, the audit control stages and the audit response process has been included.

### 3.5 Recommendations

Included within **Appendix F** are the red and red/amber open recommendations including the current management response for the information and monitoring of the Audit Committee. **Appendix G** contains the red and red/amber recommendations which have been completed since the last Audit Committee Meeting.

The table below shows the instances where implementation dates have been revised by audit clients on SharePoint (as at 16.08.19). This reporting mechanism is used to monitor progress and target discussions on the effective management of risk management in relationship management meetings each quarter.

**Figure 8.** Revised recommendation implementation dates and status

Directorate / Audit Category	Number of recommendations with revised dates	Actions now implemented	Actions still open
Education and Lifelong Learning	34	6	28
Social Services	26	19	7
Resources	8	5	3
Housing and Communities	3	2	1
Planning Transport and Environment	24	8	16
Economic Development	9	9	0
External and grants	2	1	1
Fundamental	2	0	2
Corporate Governance	1	0	1
Governance and Legal Services	4	4	0
Other assurance	6	3	3

	119	57	62
Schools	68	33	35
TOTAL	187	90	97

**Appendix H** provides the red and red / amber recommendations with revised action dates, and the amber / green and green recommendations are provided to Committee via a separate route.

#### 4. **CONCLUSION**

##### 4.1 Summary

There has been reasonable audit progress in delivering the audit plan, with audit output expectations set through audit targets for the remainder of the quarter, and the allocation of audits to the team for quarter three. The benchmarking data received from Welsh Chief Auditors Group has provided comparative assurance in respect of audit productivity and delivery, whilst also reinforcing the underperformance identified through audit indicators on the timely implementation of recommendations by management. Once received, the Core UK City Local Authority benchmarking data will also be reflected upon and reported to the Audit Committee for consideration.

The Audit Team will continue to monitor the recommendation tracker and engage with management regularly to seek progress in the timely delivery of agreed recommendations. The Audit Committee will also continue to receive the full recommendation tracker in each Committee meeting as part of Audit Progress reports, and as part of senior Management updates on each directorate control environment.

Preparatory work and engagement has been positive with management and technical officers for the first phase of thematic audits in 2019/20. Arrangements will be made in quarter three for planning and engagement to commence on the commissioning & procurement and income & debtor thematic reviews.

There have been some small adjustments to audit processes to address the remaining areas in the PSIAS Action plan, and the Audit Protocol has been updated to reflect working practices and to provide further clarity of processes to audit clients and officers. The audit plan has been developed in some areas for this year, and the plan will continue to be monitored to ensure that any changes to risks or internal controls are appropriately reflected in the plan.



**AUDIT COMMITTEE: 10 September 2019**

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**INTERNAL AUDIT INVESTIGATION TEAM PROGRESS REPORT****REPORT OF THE AUDIT MANAGER****AGENDA ITEM: 10.2**

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**Reason for this Report**

1. The Audit Committee's Terms of Reference requires Members to:
  - Review the assessment of fraud risks and potential harm to the council from fraud and corruption.
  - Monitor the Counter-fraud strategy, actions and resources.
2. This report has been prepared to provide Audit Committee with an update on the work of the Audit Section's Investigation Team, as at the 16<sup>th</sup> August 2019.

**Background**

3. The Audit Manager prepares quarterly progress reports, outlining the work undertaken by the Investigation Team, its key outputs and outcomes.
4. Progress reports focus on the proactive and reactive investigation activities underway, including participation in initiatives, such as National Fraud Initiative (NFI) data matching exercises. Information is also provided on the officer training delivered by the team.

**Issues**Progress Update

5. The progress report included in Appendix A, highlights that whilst the large-scale internal investigation within the Waste Management Service concluded in 2018/19, associated disciplinary hearings and the Police Investigation are ongoing.
6. A higher number of referrals have been received than last year, and the team continues to risk assess and prioritise cases to ensure that investigations are undertaken as necessary. Completed investigations have increased compared to last year, whilst there are 66 current investigations ongoing.
7. The value of concluded reactive investigations exceeds £29k, and as part of wider support work this year a £6k housing benefit overpayment has been generated, two individuals have been removed from the electoral register, two referrals have been made to the Insurance Team and one referral has been made to Rent Smart Wales.

8. Mandatory Investigating Officer training will continue to be delivered this year, as required. One session was delivered During April.
9. The team has successfully recruited a new investigator, subject to vetting, they should commence duties by the beginning of October 2019.

### Initiatives

10. Cabinet approved the Counter-Fraud and Corruption Strategy in July 2019, following Audit Committee review in June. To support the Strategy, a mandatory Fraud Awareness eLearning module has been rolled out to all PC users within the Council. There is a required completion date of 31 March 2020, and monitoring and reporting arrangements are in place.
11. Face-to-Face Fraud Awareness Training has been arranged for the autumn for:
  - Non- PC users through a series of mandatory training events
  - School Headteachers as part of Headteacher Conferences.
12. To further support Schools, a counter-fraud CRSA audit has been arranged for the Autumn Term, which has been introduced through strategic briefings Chairs of Governors and School Budget Forum meetings.
13. New initiatives planned for 2019/20 include:
  - New Anti-Money Laundering Policy
  - Closer Joint working with the Department for Work and Pensions
  - Closer working with Blue Badge enforcement
  - Review of Tenancy fraud arrangements
  - Participation in the International Fraud Awareness Week (17<sup>th</sup> November)
  - Fraud awareness training and campaigns

### Work Experience

14. The team has organised work experience for a South Wales University, Undergraduate student, to help them gain an insight into the different approaches to counter fraud in the Public Sector.
15. In addition to working within the Investigation Team, the student met colleagues from Governance & Legal Services, Shared Regulatory Services, the Department for Work and Pensions, and a visit to NHS Wales Fraud has been arranged for September.
16. The Communications and Media Team have interviewed the student, and a feature is due to be published raising awareness of the benefits to students and the Council of supporting work placements.

### **Legal Implications**

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

## **Financial Implications**

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

## **RECOMMENDATIONS**

19. That the Committee:

- Notes the content of the progress report

**CHRIS PYKE**  
**AUDIT MANAGER**  
10 September 2019

The following appendices are attached:

**Appendix A:** Investigation Team - Progress Report

Mae'r dudalen hon yn wag yn fwriadol



# Resources Directorate Internal Audit Section



## Investigation Team Progress Report (as at 16<sup>th</sup> August 2019)

### Resources



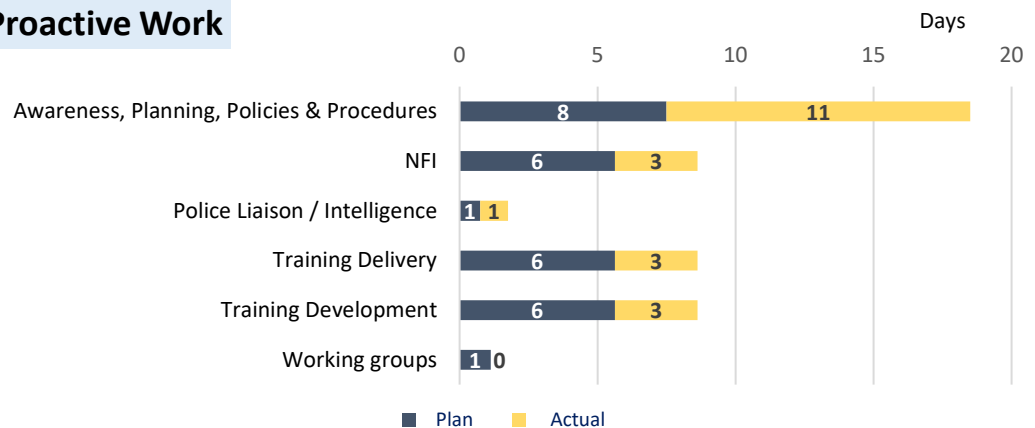
Following a successful recruitment process, an investigator has been offered a position in the Investigation Team. Subject to satisfactory vetting, they should commence duties by the beginning of October 2019.

The Team will then consist of a part time Investigation Assistant, a full time Investigator and a full time Group Auditor (Investigations).

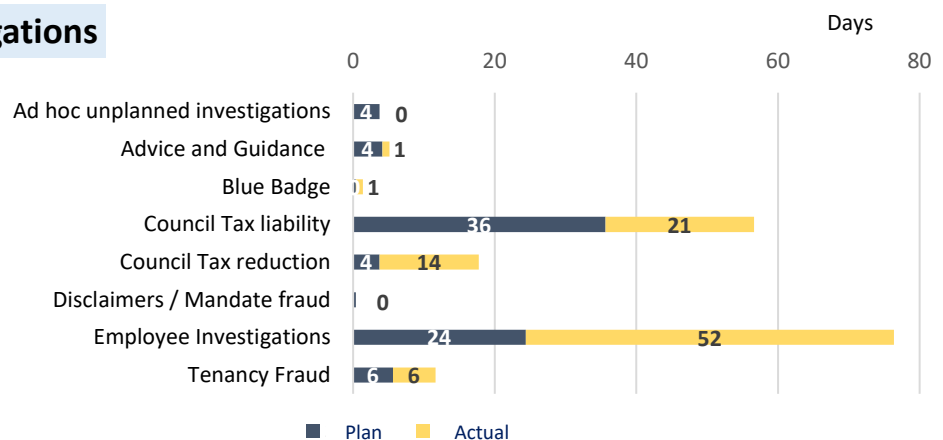
### Plan

There were 278 days available (based on 1.5 fte.) in the original 2019-20 Investigation plan. For the financial year to 16<sup>th</sup> August 2019, the planned days were 104 (inclusive of leave assumptions), of which 116 were applied as follows:

### Proactive Work



### Investigations

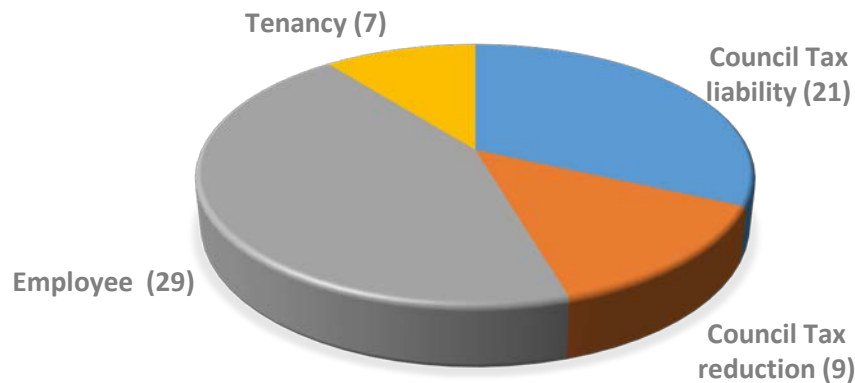


Modelled on the assumption of the new Investigator commencing duties on 1<sup>st</sup> October 2019, the audit plan would be revised to contain 376 days for 2019-20 financial year. The primary areas where the additional resource will be deployed, is in respect of Council Tax Liability, reduction and tenancy fraud.

## Ongoing Investigations

There are currently sixty-six Investigations ongoing:

### Ongoing Investigations



As has been reported previously, the Investigation Team has led on a large-scale, complex investigation, within the Waste Management Function. Whilst this investigation concluded in 2018/19, associated disciplinary hearings have been taking place during the reporting period. The criminal investigation is ongoing, and the team continues to support the Police with their enquiries.

Further to a HM Revenue and Customs review of landfill tax charged to customers, the Investigation Team is at the early stages of a formal investigation.

## Fraud Awareness Training

Cabinet approved the Counter-Fraud and Corruption Strategy in July 2019, following Audit Committee review in June. To support the Strategy, a mandatory Fraud Awareness eLearning module has been rolled out to all PC users within the Council. There is a required completion date of 31 March 2020, and monitoring and reporting arrangements are in place.

Face-to-Face Fraud Awareness Training has been arranged for the autumn for:

- Non- PC users through a series of mandatory training events
- School Headteachers as part of Headteacher Conferences.

To further support Schools, a counter-fraud CRSA audit has been arranged for the Autumn Term, which has been introduced through strategic briefings Chairs of Governors and School Budget Forum meetings.

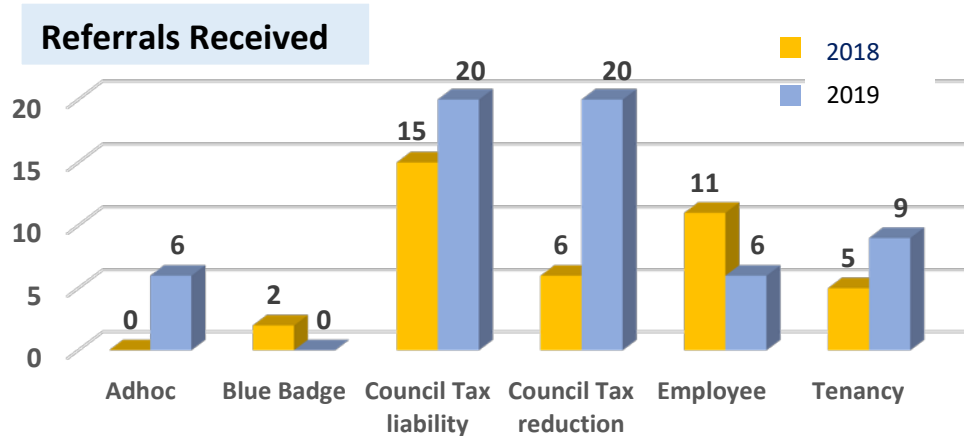
## Work Experience

A request was received from the University of South Wales to host a Psychology, Criminology and Criminal Justice undergraduate student, as part of the GO Wales Programme, which supports higher education students who face barriers to accessing work experience.

The student spent a week with the Investigation Team during July, they received an insight into the work of the team and also spent some time with Shared Regulatory Services, and had an opportunity to meet and discuss roles / duties with a Council Solicitor and a Department for Work and Pensions Investigator. The placement was a success, so much so, the student has returned for a further week, observing cases in the Magistrates and Crown Court and will return for a third week during September.

## Reactive - Referrals

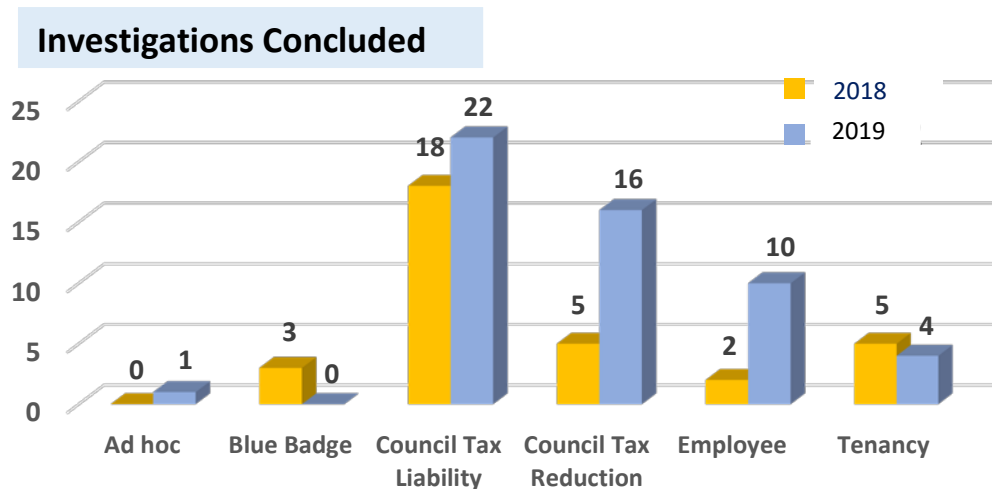
Sixty-one referrals have been received, compared to thirty-nine for the same period last year:



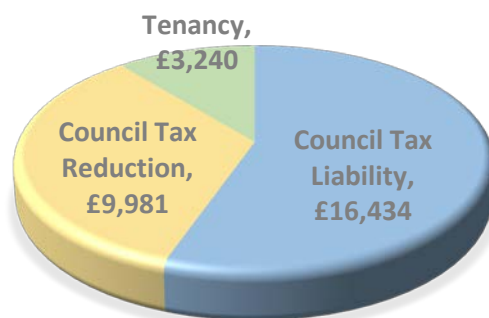
## Investigations concluded

Ad hoc referrals related to a potential insurance fraud and a number of requests to undertake pension verification checks.

Fifty-three investigations have been completed, compared to thirty-three for the same period last year:



In respect of the investigations concluded, overpayments have been generated as follows:



## Overpayments Generated

The tenancy case related to a housing waiting list applicant who was removed from the list following investigation.

In other cases,

- a Housing Benefit overpayment of £6k was generated;
- two individuals were removed from the Electoral Register;
- seven referrals were made to the Department for Work and Pensions to investigate;
- two referrals were made to the Council's Insurance Team, and a referral was made to Rent Smart Wales.

## Blue Badge

The 2018 CIPFA Fraud and Corruption Tracker Report stated that disabled parking concession (Blue Badge) is the second largest growing area of fraud, with an estimated value of £7.3m for cases prevented / detected in 2017/18.

Cardiff Council is currently working with BBFI, a specialist investigation and case preparation company, on a trial basis in order to identify the scale of the problem in Cardiff. Essentially BBFI patrol the streets to look for fraudulent use of blue badges and to gather evidence.

To date fifteen blue badges have been confiscated and a number of cases have been prepared and passed to Cardiff Council solicitors to consider criminal sanctions. A further update will be provided to Audit Committee as the trial progresses.

## Public Accounts Committee

Following the Auditor General for Wales report, Counter Fraud arrangements in the Welsh Public Sector, the National Assembly for Wales hosted a Public Accounts Committee (Convention on Counter Fraud in the Public Sector) on the 1<sup>st</sup> July 2019.

The speakers included the NHS Wales, Welsh Government, CIPFA, and for Local Authorities, representatives from the Welsh Chief Auditors Group and the Welsh Fraud Officers Group. Cardiff Council had an opportunity to feed into the presentation and to ask questions of the panel on the day.

The outcome of the day was that the Auditor General for Wales would produce a follow up report; this will be considered when received and reported to Audit Committee.

## Policy Review

The team has been leading on the development of a revised Anti-Money Laundering Policy.

Arrangements are being made for consultation, and a draft Policy will be provided to the Audit Committee for comment at a future Committee meeting.



Audit Committee Action Plan

## Agenda Item 12

(Updated following meeting held on 25 June 2019)

Minute No. /Agenda No.	Actions	Timeline	Action Owner
<b>Finance (Budget)</b>			
25.06.19	The Head of Finance to confirm the breakdown of the payment to the Assistant Director Commercial Services in the notes to the financial statements.	Completed Information issued on 4 September 2019	IA
25.06.19	Audit Committee to receive a briefing on the role and assurance provided by the South Wales Local Resilience Forum.	Completed Briefing Issued 22 August 2019	IB
<b>Governance &amp; Risk Management</b>			
25.06.19	The Head of Finance to report Audit Committee comments to SMT on enhancing the information within the Brexit Corporate Risk and to arrange Committee updates on 'Brexit' risk management as appropriate.	Completed Discussed with SMT and lead officers. Information contained within the Q1 risk report	IA
25.06.19	The Corporate Director Resources and Director of Economic Development to clarify any specific Health and Safety queries with Councillors Bale, Cunnah and Williams. Following this, relevant Audit Committee information and engagement is to be determined and arranged.	Ongoing  Councillor engagement Meetings commenced August 2019.	CL & NH
<b>Wales Audit Office (WAO)</b>			
<b>Internal Audit</b>			
25.06.19	Audit Manager to adjust the relevant Audit Committee Annual Report and corresponding AGS wording to reflect that: <ul style="list-style-type: none"> <li>the Audit Committee has focussed on the framework for financial decisions, rather than focussing on actual decisions.</li> <li>the reference to Audit Committee 'deep dives' will be adjusted to reflect the fact that the nature of reviews was more focussed, rather than deep dives.</li> </ul>	Completed 28 June 2019	CP
25.06.19	Audit Manager to meet with Corporate Communications Officers, to consider opportunities to communicate the outcomes of Internal Audit, and its work more widely.	Ongoing  Discussions commenced in August 2019	CP
<b>Treasury Management</b>			
25.06.19	The Operational Manager, Capital, Corporate & Treasury to: <ul style="list-style-type: none"> <li>prepare a note for a future Audit Committee meeting on the nature of treasury management investments and risks, including the approach to ethical investments, and to;</li> <li>consider ways of providing wider information and context in relation to borrowing activities in future treasury performance management reports to the Audit Committee.</li> </ul>	Ongoing  <b>Point 1</b> To deliver through TM overview report in November 2019, and TM Strategy 2020-21 in January 2020.  <b>Point 2</b> Ongoing	AH

Minute No. /Agenda No.	Actions	Timeline	Action Owner
<b>Operational Items</b>			
22.01.19	The Director of Social Services, supported by the Corporate Director Resources, to provide a breakdown of Social Services overspends for the last three years and their reasons.	Completed Information issued on 4 September 2019	CM/ CL
22.01.19	The Director of Planning, Transport and Environment is recommended to: <ul style="list-style-type: none"> <li>Review the resilience of local incident management plans, and develop specific plans for a flood event arising from the coastal erosion corporate risk;</li> <li>Develop an engagement strategy to communicate to those most at risk;</li> <li>Report progress to a future Audit Committee meeting.</li> </ul>	Ongoing  Interim updates emailed to Members 01 April 2019 and 03 June 19	AG
02.04.19	Once disciplinary procedures have concluded within the Waste Management Service, Audit Committee to be informed of the terms of reference and approach for delivering the associated Post Investigation Review.		AG
25.06.19	Audit Committee to be provided with the current value of spend on landfill tax consultancy in respect of HMRC matters as at 25 June 2019.	Completed Information issued on 4 September 2019	IA
25.06.19	The previously shared confidential briefing on the potential landfill tax liability is to be made available to Audit Committee Members who joined after the briefing was provided.	Ongoing  Briefing offered - to be completed by 10 September 2019	IA
<b>Work Programme</b>			
<b>WAO Tracker/Other Studies</b>			
<b>Outstanding Actions</b>			
<b>Scrutiny Letters</b>			

Topic	Tuesday 25.06.19 at 2pm (CR4)	Tuesday 10.09.19 at 2pm (CR4)	Tuesday 12.11.19 at 2pm (CR1)	Tuesday 21.01.20 at 2pm (CR4)	Tuesday 24.03.20 at 2pm (CR4)	Tuesday 23.06.20 at 2pm (CR4)
				12.30-1.30pm - Committee Self- Assessment		
Wales Audit Office		Audit of Financial Statement Report for City of Cardiff Council (ISA260)	WAO Performance Audit Work Programme Update		Annual Audit Plan 2020	
		Audit of Financial Statement Report - Cardiff & Vale of Glamorgan Pension Fund (ISA260)	Annual Improvement Report		Cardiff & Vale Pension Fund Audit Plan	
			Well-being of Future Generations Examination Report			
	WAO Activity/Report Progress Update	WAO Activity/Report Progress Update	WAO Activity/Report Progress Update	WAO Activity/Report Progress Update	WAO Activity/Report Progress Update	WAO Activity/Report Progress Update
Treasury Management	Performance Report	Performance Report	Performance Report	Performance Report	Performance Report	Performance Report
		Annual Report	Half Year Report			
				Draft Strategy 2020-21	Treasury Management Practices	
Finance	Financial Update including Resilience Issues	Financial Update including Resilience Issues	Financial Update including Resilience Issues	Financial Update including Resilience Issues	Financial Update including Resilience Issues & Benchmarking	Financial Update including Resilience Issues
	Draft Statement of Accounts 2018-19 (including the AGS)	Final Statement of Accounts for 2018-19 (including the AGS)			Accounting Policies and Timescales for 2019/20 Statement of Accounts	Draft Statement of Accounts 2019-20 (including the AGS)
			Annual Report on the Council's position on income			
	WAO Tracker / Other Studies	WAO Tracker / Other Studies	WAO Tracker / Other Studies	WAO Tracker / Other Studies	WAO Tracker / Other Studies	WAO Tracker / Other Studies
Internal Audit	Progress Update	Progress update	Progress Report	Progress Update	Progress Update	Progress Update
	Internal Audit & Investigation Annual Report 2018-19			Draft Audit Charter and Draft Audit Plan 2020-21	Audit Charter and Audit Plan 2020-21	Internal Audit Annual Report 2019-20
Governance and Risk Management	Audit Committee Annual Report 2018-19			Audit Committee Annual Report Discussion 2019-20		Audit Committee Annual Report 2019-20
	Senior Management Assurance Statement Review			Senior Management Assurance Statement and AGS Action Plan 2019-20 (Mid-Year)		Senior Management Assurance Statement Review
					Draft AGS 2019-20	
	Corporate Risk Management (Year-End)	Corporate Risk Management (Quarter 1)	Corporate Risk Management (Mid-Year)		Corporate Risk Management (Quarter 3)	Corporate Risk Management (Year-End)
					Audit Committee Self-Assessment Feedback/Action Plan	
Operational matters / Key risks	Neil Hanratty Update on Internal Control Environment	Nick Batchelar Annual Report on School Governance, Balances & Deficits	TBC - Andrew Gregory Update on Internal Control Environment (& Coastal Risk Management)	TBC - Sarah McGill Update on Internal Control Environment	TBC - Paul Orders Update on the Council's Control Environment	TBC - Claire Marchant Update on Internal Control Environment
			TBC - Jane Thomas, Risk Based Verification Policy - Housing and Council Tax Benefit Assessment	TBC - Christopher Lee Update on Internal Control Environment (& H&S Governance)	Nick Batchelar Update on Internal Control Environment and School Governance	

Mae'r dudalen hon yn wag yn fwriadol