



County Hall  
Cardiff  
CF10 4UW  
Tel: (029) 2087 2000

Neuadd y Sir  
Caerdydd  
CF10 4UW  
Ffôn: (029) 2087 2000

## AGENDA

<b>Committee</b>	GOVERNANCE AND AUDIT COMMITTEE
<b>Date and Time of Meeting</b>	TUESDAY, 21 MARCH 2023, 1.30 PM (PLEASE NOTE REVISED START TIME)
<b>Venue</b>	COMMITTEE ROOM 4 - COUNTY HALL, MULTI-LOCATION MEETING
<b>Membership</b>	Hugh Thomas (Chairperson) Gavin McArthur, David Price, Dr. Janet Wademan,  Councillors Ahmed, Carr, Goodway, Lewis, Moultrie, Palmer, Waldron and Williams

*Time  
approx.*

**1 Apologies for Absence**

To receive apologies for absence.

**2 Declarations of Interest**

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

**3 Minutes (Pages 5 - 12)**

To approve as a correct record the minutes of the meeting held on 24 January 2023.

**4 Appointment of an Independent Member to the Governance and Audit Committee (Pages 13 - 20)** 2.05 pm

**5 Internal Audit** 1.45 pm

**5.1 Audit and Investigation Team - Progress Update (Pages 21 - 52)**

**5.2 Audit Charter and Audit Plan 2023/24 (Pages 53 - 92)**

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

- |                             |  |         |
|-----------------------------|--|---------|
| <b>5.3</b>                  | Public Sector Internal Audit Standards (PSIAS) Peer Assessment / External Quality Assessment <i>(Pages 93 - 132)</i>     | 3.55 pm |
| <b>6</b>                    | <b>Update on Adults, Housing &amp; Communities Directorate Control Environment</b> <i>(Pages 133 - 214)</i>              | 2.15 pm |
|                             | Jane Thomas, Director Adults, Housing and Communities  |         |
| <b>7</b>                    | <b>ISA 260 and Audited Statement of Accounts 2021/22</b> <i>(Pages 215 - 440)</i>  | 2.45 pm |
|                             | ISA 260 and Audited Statement of Accounts 2021/22 for Cardiff Council including; Cardiff Harbour Authority & Trust Funds |         |
| <b>8</b>                    | <b>Finance</b>   | 3.05 pm |
| <b>8.1</b>                  | Financial Update including Resilience Issues <i>(Pages 441 - 452)</i>  |         |
| <b>Comfort Break 3.15pm</b> |  |         |
| <b>8.2</b>                  | Statement of Accounts 2022/23: Accounting Policies and Timescales <i>(Pages 453 - 504)</i>                               |         |
| <b>9</b>                    | <b>Governance and Risk Management</b>  | 3.35 pm |
| <b>9.1</b>                  | Corporate Risk Management (Q3) <i>(Pages 505 - 534)</i>  |         |
| <b>9.2</b>                  | Recommendation Tracker - Reports of External Review Bodies <i>(Pages 535 - 546)</i>                                      |         |
| <b>10</b>                   | <b>Treasury Management</b>   | 3.55 pm |
| <b>10.1</b>                 | Treasury Management Practices <i>(Pages 547 - 638)</i>   |         |
| <b>11</b>                   | <b>Outstanding Actions</b> <i>(Pages 639 - 640)</i>  | 4.10 pm |
| <b>12</b>                   | <b>Correspondence</b> <i>(Pages 641 - 642)</i>   |         |
| <b>13</b>                   | <b>Work Programme Update</b> <i>(Pages 643 - 644)</i>  |         |
| <b>14</b>                   | <b>Urgent Items (if any)</b>   |         |
| <b>15</b>                   | <b>Date of next meeting</b>  |         |
|                             | The next meeting is scheduled for 11 July<br>(subject to Full Council in May 2023)                                       |         |
| <b>16</b>                   | <b>Chairman's Closing Remarks</b>  |         |

**Davina Fiore**

**Director Governance & Legal Services**

Date: Wednesday, 15 March 2023

Contact: Graham Porter, 02920 873401, g.porter@cardiff.gov.uk

## **WEBCASTING**

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GOVERNANCE AND AUDIT COMMITTEE

24 JANUARY 2023

Present: Hugh Thomas(Chairperson)  
Gavin McArthur, David Price, Dr. Janet Wademan,  
  
Councillors Carr, Goodway, Lewis, Moultrie, Palmer, Waldron  
and Williams

66 : APOLOGIES FOR ABSENCE

No apologies for absence.

67 : DECLARATIONS OF INTEREST

Councillor Williams declared a personal interest in Item 4 as a member of his family works within the Education and Lifelong Learning Directorate.

68 : MINUTES

The minutes of the meetings held on 15 and 29 November 2022 were approved as correct records, subject to a number of typographical alterations.

69 : UPDATE ON EDUCATION & LIFELONG LEARNING DIRECTORATE  
CONTROL ENVIRONMENT

*Councillor Williams declared a personal interest in this item as a member of his family works within the Education and Lifelong Learning Directorate.*

The Committee received a report providing an update on the control environment within the Education and Lifelong Learning Directorate.

The report included comprehensive overviews of the Senior Management Team structure, school improvement framework, schools causing concerns, governance of the School Reorganisation Programme, risk management, internal audit and assurance. A summary of budget management and value for money was also included. The Committee requested specific updates on the management of school balances; systems to review the affordability of the 21st Century Schools Programme; and complaints handling.

The Chairperson welcomed Mel Godfrey, Director of Education and Lifelong Learning, to the meeting. The Director was invited to deliver a presentation.

The Chairperson opened the debate on this item. Members invited to seek clarification, raised questions or comment on the information received. Those discussions are summarised as follows:

- Members noted the large balances held by a limited number of schools. The Director was asked to comment. The Director stated that schools face an

exceptional budget position. The balances held are not necessarily solely predicated on funding from delegated school budgets received from the local authority. As a consequence of the pandemic some schools were able to secure grant support from the Government. Some schools are also very good at generating income. These schools are well-placed to provide additional support to other schools in Cardiff and across Wales. In terms of control, Officers within the Directorate work closely with colleagues in Finance to establish their spend profile set against their delegated budget. There are links with the schools at Director, Assistant Director and Operational Manager level specifically in terms of budgets.

- A Member noted that the Tertiary Education and Research Act (Wales) had recently received Royal Assent and this would bring school 6<sup>th</sup> forms under a new regulatory and funding regime. A Member asked what preparations and awareness raising had the Directorate made ahead of this regulatory change and to what extent were schools being assisted to prepare for this change. The Director advised that there was a continuous conversation taking place with colleagues in Welsh Government in order to understand, oversee and implement the new arrangements coming forward. Regular conversations are also being held with secondary schools. A framework for the implementation of the new requirements is in place and schools are prepared.
- In terms of Internal Audit, Members noted that 12 schools have outstanding actions, some of which date back to 2019/20. Members asked what reviews of school governance systems and frameworks occur and how is the effectiveness of those arrangements measured. The Director stated that it was important to understand the context within which schools have been operating for the past two years which resulted in stop/start school closures and partial school closures. Schools have been faced with the challenges presented by their pupils being at home for such an extended period. Nevertheless, Headteachers and Governing Bodies need to ensure that the right controls and mechanisms are in place. Members were advised that audit recommendations are regularly monitored, and the addressing of audit recommendations is an absolute priority. Additionally, the 'All Schools Risks' process will also address any outstanding audit recommendations, set against the context of any other issues occurring in schools.
- A Member asked to what extent governance and control frameworks for projects delivered by the 21st Century Schools Programme were dictated or required by Welsh Government, and whether the authority was departing from those guidelines/requirements. Members were advised that the 21st Century Schools Programme is a flexible partnership arrangement with Welsh Government providing the major share of funding. Welsh Government sets the priorities for the programme and the authority works within those parameters but takes decisions locally on the specific projects within the programme with a view to addressing need in the system.

- A Member asked whether the governance arrangements for the Central South Consortium would be subject to scrutiny. The Director advised that a Joint Committee consisting of the Lead Chief Executive, Lead Director and Cabinet Members for Education from the five constituent local authorities is the overarching control mechanism. Below that sits a further level of governance arrangements including a Management Board. In addition, there lies a host of other boards and management arrangements.
- The Director provided further clarification on a number of the points raised above. School Government arrangements are set out in statute legislation and the 'All Schools All Risks' process would provide a review mechanism for those arrangements. The legislation includes statutory provision for the LEA to intervene when certain conditions are met. The Director confirmed that the authority has not deviated from the Welsh Government's requirements for the 21<sup>st</sup> Century Schools Programme. The Central South Consortium undertook an independent review of its governance pre-pandemic. Estyn also undertake thematic analysis of school improvement arrangements across Wales.
- A Member noted that the Cardiff 2030 Strategy is due to be reviewed. A Member asked whether the Committee would have an opportunity to consider the refreshed strategy and whether the term covered by the strategy would move beyond 2030. The Director agreed to share the refreshed Cardiff 2030 Strategy document with the Committee. The Strategy was a 10-year vision, and the refresh intends to evaluate the strategy and get a sense of prioritisation in terms of its goals. Key to that would be distilling those priorities into a deliverable 3-year plan.
- In terms of demand for school places, Members asked whether there were any preventative measures to respond to demand for school places proactively, particularly in relation to demographics in the secondary school sector. The Director stated that a key priority for the department would be to improve its understanding of data. A significant amount of data is received, including Census data, but improvement is needed in the understanding of real-time data to ensure that the right number of places are provided in the right schools to address the challenge of learner needs. A Member supported the Department's moves to understand real time data and would welcome a further briefing specifically around this at a future meeting.
- A Member asked whether there was scope to 'flex' admission numbers in schools to ensure Value For Money across the City. The Director stated that Standard Admission Numbers for schools are set and there is limited opportunity to 'flex' those in extenuating circumstances. The Department also has to be mindful of the capacity of school buildings and the teaching resources available. Members were asked to note that there is an increasing demand to reduce class sizes in certain parts of the city as a consequence of the challenges resulting from the Covid-19 pandemic.

- A Member requested further details around the schools identified as a cause for concern and the measures that have been implemented to support those schools. Assurance was also requested that robust action would be taken where appropriate. The Director stated that school improvement partners would refer to such schools as 'school needing enhanced support'. In terms of the position in Cardiff, of 16 Estyn inspections, 1 school is in needs of significant improvement and 1 school is under review. The new accountability, improvement and evaluation arrangements from Welsh Government mean that the authority will be evaluated on the support provided to schools. The Department is acutely aware and focussed on the support provided. For example, the Director and both Assistant Directors met with the Head Teacher of a school that was under review following its Estyn inspection with the offer of support to address the recommendations made and to ensure that the correct support services are provided.
- A Member noted the significant number of improvements needed in the school estate. The Members sought assurance that, given the pressure on the capital programme, the backlog in capital investment in schools is being addressed holistically to ensure that urgent projects are prioritised. The Director stated that reactive maintenance is ongoing and these works are carried out where appropriate. Capital investment is finite and it was important to ensure investment is prioritised appropriately. As a result of the confines set priority is given to health and safety, safeguarding and more urgent repairs. Conditions surveys across the estate inform where best to make such investments over and above any reactive emergency repairs required.
- Members requested clarification on a point made regarding the Committee's statutory functions contained within the legal implications provided in the report. The Legal Advisor agreed to provide clarification following the meeting.

RESOLVED – That the report be noted.

## 70 : FINANCIAL UPDATE INCLUDING RESILIENCE ISSUES

The Corporate Director Resources and Section 151 Officer, Chris Lee, presented a financial update including resilience issues and the financial challenges facing the authority, including the current position, provisional settlement for 2023/24 and a budget modelling update for 2023/24

RESOLVED – That the report be noted.

## 71 : AW WORK PROGRAMME AND TIMETABLE UPDATE

RESOLVED – That the report be noted.

## 72 : AUDIT AND INVESTIGATION TEAM - PROGRESS UPDATE

The Committee received a progress report providing an update on the work and performance of the Internal Audit and Investigation Teams from the Audit Manager, Chris Pyke. The progress report covered the period from 1 October – 31 December 2022.

Annex 1 of the report highlighted the performance in relation to the Internal Audit Plan. A summary of 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 Governance and Audit Committee was provided. Members were asked to note that no 'unsatisfactory' audit opinions have been provided over the reporting period. Annex 2 focused on proactive and reactive fraud awareness, detection and investigation activities, including participation in initiatives, such as National Fraud Initiative (NFI) data matching exercises

The Audit Manager provided details of the ongoing external peer assessment being undertaken. It was anticipated that a report would be presented to the Committee at its meeting in March 2023.

Members requested further details on a number of audit findings which concluded 'insufficient with further improvement needed' and the steps being taken to address any shortcomings. The Audit Manager agreed to provide a summary briefing of the audit findings and an update position in addressing the recommendations. A Member requested assurance specifically on children's placements and pre-contract assurance for children's services.

Members requested further clarification on the feedback response rate for audits. The Audit Manager advised that the response rate is between 50% and 60%.

A Member asked whether mechanisms were in place to ensure that organisations the authority enters into contracts with have the relevant professional indemnity cover in place. The Audit Manager advised that in the case referenced in the report, there were mechanisms in place within the legal services framework for insurance to be verified periodically for those organisations to remain on the framework. The Audit Manager advised, that as part of wide pre-contract assurance work, internal audit and procurement have reinforced the importance of managers being assured that all relevant insurances are appropriately held before entering contracts.

Members noted the large number of schools with outstanding audit recommendations. Members asked whether an assessment of the extent to which schools are in compliance with the legal requirements their governance arrangement framework is including within the scope of audits and whether the framework is being effectively implemented. The Audit Manager stated that the Group Auditor leads on school governance and financial system controls. Test programmes have been developed and these are up-to-date with control requirements. The Audit Manager was confident that these will test all relevant governance areas.

A Member suggested that the detailed audit recommendations spreadsheet be made available to Members via alternative means in future, perhaps via Sharepoint. This was in the interest of limiting Committee papers to core content, and was agreed.

RESOLVED – That the report be noted.

#### 73 : DRAFT INTERNAL AUDIT CHARTER AND SUMMARY AUDIT PLAN 2023/24

The Committee received a report providing Members with the Draft Internal Audit Charter for 2023/24, including a draft Committee Terms of Reference. The report also provided the Draft Summary Audit Plan for 2023/24.

Members were invited to comment on the Draft Charter and Audit Plan prior to the Committee agreeing the final versions at its meeting in March 2023. Members were asked to note that the Charter has been updated to reflect the Governance and Audit Committee's revised Terms of Reference, as amended in line with CIPFA and Welsh Government statutory guidance. The changes to the Terms of Reference were set out in the report.

A Member requested that the Audit Plan for 2023/24 included provision for the assessment of the compliance of school governance frameworks against legislative requirements and measures to review the effectiveness of those arrangements.

RESOLVED – That the report be noted.

#### 74 : MID-YEAR SELF-ASSESSMENT REPORT UPDATE

The Committee received the Council's Mid-Year Assessment Report. Members were asked to consider the self-assessment process for developing the report and make any appropriate recommendations for improvement.

Members were advised that Mid-Year Assessment Report was approved by Cabinet on 19 January 2023 having previously been considered by the Policy Review and Performance Scrutiny Committee. A copy of the Cabinet Report, Half-Year Self Evaluation Report, Scrutiny Letter and Cabinet Response was provided with the report.

The Cabinet Report set out the self-assessment process followed in the production of the Mid-Year Performance Assessment and the evidence upon which the report's conclusions are based. The report summarised areas of progress and improvement, and also identified a number of strategic improvement priorities for Quarter 3 and Quarter 4, namely:

- Financial Pressures
- Demand Pressures in Children's Services
- Delivering a Partnership Response to Demand Pressures in the city's Health and Social Care System
- Responding to the Cost-of-Living Crisis

- Workforce Pressures
- Housing

The Chairperson welcomed Gareth Newell, Head of Performance, to the meeting. Gareth Newell provided a brief presentation.

Members were asked to note the findings and consider the self-assessment process for developing the report. The Chairperson requested that any commentary from the Committee on the self-assessment process and any recommendations for improvement be deferred until the Committee has had an opportunity to consider the performance framework, including the Mid-Year Self-Assessment and reporting process, at a briefing to be convened in Quarter 4.

RESOLVED – That the report be noted.

## 75 : DRAFT TREASURY MANAGEMENT STRATEGY 2023/24

The Committee received the draft Treasury Management Strategy for 2023/24 which is required to be approved as part of the Budget Report to Council in March 2023/24.

Members were asked to note the proposed Draft Treasury Management Strategy for 2023/24 and provide any comments as necessary to be considered as part of the final document.

The Chairperson invited Anil Hirani, Operational Manager, Capital, Corporate and Treasury to introduce the report. The Operational Manager stated that the Treasury Strategy and treasury activities focus on identifying key risks. The Treasury Strategy has regard to Welsh Government and CIPFA guidance. Reference is made within the Treasury Strategy to the Capital Strategy. Members were asked to note that, the Capital Strategy, is the process which drives the Capital Financing Requirement (CFR). A chart illustrating the past CFR and future trends was included with the Treasury Strategy.

The Strategy also provided details of the current investment and borrowing position and forecasted interest rates, along with details of the authority's approach to debt repayment. Members were also asked to note a new indicator required by CIPFA in relation to a liability benchmarking.

The Operational Manager advised that, in terms of the Investment Strategy, the focus remains on security, liquidity and yields and the criteria use remain unchanged and were set out in the report.

The Operational Manager considered that it was important to consider how the authority's borrowing requirement would impact on the Treasury Team in the future. There is a requirement to review the skills capacity capabilities of managing treasury activities. Following a move to borrowing requirement there may be a need to reflect upon the existing skill set within the Treasury Function in order to ensure that the borrowing requirement, and any risk, is managed.

RESOLVED – That the report be noted.

76 : OUTSTANDING ACTIONS

RESOLVED – That the report be noted.

77 : CORRESPONDENCE

RESOLVED – That the report be noted.

78 : WORK PROGRAMME UPDATE

RESOLVED – That the report be noted.

79 : URGENT ITEMS (IF ANY)

No urgent items.

80 : DATE OF NEXT MEETING

The next meeting is scheduled for 21 March 2023.

The meeting terminated at 7.00 pm

**GOVERNANCE & AUDIT COMMITTEE: 21 MARCH 2023**

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**APPOINTMENT OF AN INDEPENDENT MEMBER OF THE GOVERNANCE  
& AUDIT COMMITTEE****REPORT OF THE HEAD OF DEMOCRATIC SERVICES AGENDA ITEM 4**

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**Appendix A to this report is not for publication by virtue of paragraph 12 of Schedule 12A, Part 4 of the Local Government Act 1972**

**Reason for this Report**

1. To consider the decision of the Appointment Panel on 13 March 2023 to recommend the appointment of an Independent Member to the Governance and Audit Committee.

**Background**

2. At the Annual meeting on 26 May 2022, Council approved the terms of reference of the Governance and Audit Committee and the establishment and composition of the Committee, with 12 Members comprised of 8 Elected Members and 4 Independent Members.
3. After serving on the Committee for eight and a half years, and as Committee Chairperson since January 2020, David Hugh Thomas announced on 15 November 2022 that he would be standing down from the Committee with effect from 31 March 2023. An Appointment Panel was established to recruit an Independent Member to serve on the Committee in his place.
4. A recruitment exercise was undertaken, and the notification of a vacancy was published in the media and on the Council's website. The Council website also provided additional information about the role and the requirement of being an Independent Member of the Committee.
5. The Appointment Panel comprised Gavin McArthur, Deputy Chair of the Committee and Appointment Panel Chair, Chris Lee, Corporate Director Resources and Section 151 Officer, and Paula O'Connor, Chair and Independent Member of the Governance and Audit Committee in Swansea Council.

## Issues

6. The vacancy was advertised on the Council's website, in the Guardian and through the Council's social media channels from 30 January 2023. The advert closed on 24 February 2023, with three applications being received. Shortlisting took place on 24 February with provisional dates the interview being planned. The recruitment exercise was concluded on the 13 March with the Appointment Panel interviewing the shortlisted candidate.
7. The recommendation of the Appointment Panel is to appoint the candidate identified in **Appendix A**, subject to satisfactory references, agreement of the Governance and Audit Committee and approval by Council, for an initial a 5-year term of office, with the possibility of reappointment for one further 5-year term.
8. If approved, the Governance and Audit Committee's recommendation will be considered at the Council meeting scheduled for 25 May 2023.

## Legal Implications

9. The Local Government (Wales) Measure 2011 ('the Measure'), Part 6, Chapter 2, as amended by the Local Government and Elections (Wales) Act 2021, requires local authorities to appoint a Governance and Audit Committee to discharge the statutory functions set out in section 81 of the Measure. Section 82 of the Measure deals with membership of the Governance and Audit Committee and provides that two thirds of the members of the committee are to be members of the Council and one third must be a lay members. Under the Council's Constitution, Article 8.1, the Governance and Audit Committee is to comprise of 8 elected Members and 4 independent (lay) members; and the Chair and Vice-Chair must be independent members.
10. A local authority must have regard to the statutory guidance issued by the Welsh Ministers in relation to exercise of the functions and membership of the Governance and Audit Committee: [THE LOCAL GOVERNMENT MEASURE 2011](#) although it should be noted that revised statutory guidance is due to be issued shortly, currently awaiting Ministerial approval. The statutory guidance includes the following (which is essentially replicated in the revised draft statutory guidance):

*'.. lay members should be independent from the council and have no business connection with it, although knowledge of how local government functions would be a definite advantage. In appointing lay members whose political allegiances are well known, local authorities should consider if this compromises the independence from the council a lay member should possess. It is recommended that councils follow a public recruitment exercise, similar to that used to appoint members of standards committees, to recruit their lay members. It is recommended that a lay member should not be appointed for more than two full terms of a local authority. Any lay member with voting rights is subject to the provisions of the authority's Code of Conduct for Members.'*

11. The appointment of a member of a Council Committee is a function reserved to full Council.

## Financial Implications

12. There are no direct financial implications arising from this report. Independent Member remuneration payments are to be made in accordance with the rates applicable through the Members' Schedule of Remuneration, and contained within the allocated budget.

## RECOMMENDATIONS

13. The Governance and Audit Committee is recommended to:

- Consider the decision of the Appointment Panel on 13 March 2023; and
- Recommend to Council the appointment of the Independent Member shown in **Appendix A (Exempt)** to the Governance and Audit Committee, subject to receipt of satisfactory references, for an initial 5-year term of office, with the possibility of reappointment for one further 5-year term.

**GP JONES**  
**HEAD OF DEMOCRATIC SERVICES**  
**21 March 2023**

The following are attached:

**Appendix A.** Candidate Profile – Extract of CV – Exempt from publication

### **Background Papers:**

[Allocation of Seats and Nominations and Appointments of Members to Committees](#) Annual Meeting of Council dated [26 May 2022](#).

[Governance and Audit Committee on Tuesday, 15th November, 2022](#)

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

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## **GOVERNANCE & AUDIT COMMITTEE: 21 March 2023**

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### **INTERNAL AUDIT & INVESTIGATION TEAM - PROGRESS REPORT**

#### **REPORT OF THE AUDIT MANAGER**

#### **AGENDA ITEM: 8.1**

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

1. The Terms of Reference of the Governance and Audit Committee requires that Members:
  - Consider reports from the Audit Manager on Internal Audit's performance during the year.
  - 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. A progress report has been prepared to provide the Governance and Audit Committee with an update on the work and performance of the Internal Audit and Investigation Teams. This progress report covers the period from 1 January – 28 February 2023, and follows the updates provided in the Committee meeting held on 24 January 2023.

#### **Background**

3. The Governance and Audit Committee approved the Audit Charter and the risk-based Audit Plan 2022/23 on 15 March 2022 at which time the planned activity of the Investigation Team was also provided for consideration.
4. The Internal Audit Progress Report (**Annex 1**) sets out performance in relation to the Internal Audit Plan. 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 Governance and Audit Committee. It is positive to report that no 'unsatisfactory' audit opinions have been provided over the reporting period.
5. The Investigation Team Progress Reports (**Annex 2**) focuses on proactive and reactive fraud awareness, detection and investigation activities, including participation in initiatives, such as National Fraud Initiative (NFI) data matching exercises.
6. 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 presenting to Committee, progress reports are discussed with the Corporate Director Resources.
7. The Internal Audit Section reports to the Audit Manager. To meet the provisions of Public Sector Internal Audit Standards (PSIAS 1100 - Organisational Independence), 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 Governance and Audit Committee for audit-related matters. There have been no impairments of independence or objectivity.

## Issues

### a) Audit

8. Annex 1 provides details of an external peer assessment, which has recently been completed, for external assurance of ongoing internal audit conformance with the PSIAS. Details are contained within section 1.4 'External Peer Assessment', and further information and the full assessment are provided within agenda item 8.3, to be presented to Committee by the assessors.
9. The report outlines how during quarter four 2022/2023 as at 28 February 2023, the priorities and approach of the audit team were to deliver a combination of management support through consultation and engagement in high-risk areas, and to further progress the delivery of assurance engagements from the Audit Plan.
10. Work continues to be undertaken predominantly on a desktop basis, although site visits are taking place for establishment audits, and where there is a need to observe the operation of physical controls or operating practices. The Internal Audit Team has also continued to be available and to provide advice and guidance across the Council on schemes, initiatives and systems, and further details are provided within section 2.1. 'Current Activities'.
11. Section 2.2 'Resources' outlines that a new Principal Auditor post 2022 has been successfully appointed to at 0.6 FTE. This is in accordance with the audit team structure update provided to the Governance and Audit Committee on 29 November, whereby Members were advised of the decision to invest in an additional Principal Auditor post, to enhance a solid core of senior officers within the team and to not fill vacant posts at lower grades.
12. The new Principal Auditor was an internal appointment, leaving a vacancy at the Senior Auditor level. There is a further vacancy at the Senior Auditor level, as the other post holder will be leaving the team after the year end for an opportunity within the Planning and Performance Team. Arrangements are being made to advertise the two Senior Auditor posts at the earliest opportunity. Three CIPFA trainee posts have been advertised and, subject to successful appointments, there will be one CIPFA trainee on rotation within internal audit from quarter 3 2023/24 to support the delivery of the Audit Plan.
13. Section 2.3 'Annual Plan' advises that delivery of the Audit Plan 2022/23 has been significantly lower than targeted in the year to date, as at 28 February 2023. This is attributed in part to a reduced level of staff resources as outlined in section 2.2. 'Resources', and to some isolated delays in receiving the information requested in order to conclude audit fieldwork.
14. In January 2023, the Committee received details of the audits that were being prioritised for completion by the financial year-end. The audits were targeted to provide a sufficient spread of assurance, that mitigates any impairment to the annual opinion of the Audit Manager on the Council's control environment for 2022/23. Delivering what was referred to as priority 1 audits, would ensure all fundamental areas of the plan are delivered, that core areas of corporate governance have been reviewed, and that there is sufficient coverage at the directorate level. The position in respect of these audits is included

within figure 4 of Annex 1, as at 28 February 2023, whereby 20 audits remain ongoing and are all at audit fieldwork stages or beyond. It is intended to complete the majority of these audit to draft report stage by the end of March 2023, with remaining audits to be completed early in the financial year 2023/24.

15. Within Annex 1, section 2.4 'Critical Findings or Emerging Trends (Q4 (as at 28 February) 2022/23)', details are given of one draft report that has been issued with an opinion of 'unsatisfactory' (Central Transport Services), and another issued with an opinion of 'insufficient with major improvement needed' (Directorate Payment Card Industry Data Security Standard Compliance). Management consideration and discussion will follow before the reports are finalised, at which time the assurance ratings and recommendations will be confirmed. Once the management response has been received for the unsatisfactory audit, and the audit has been finalised, the Governance and Audit Committee will receive an executive summary report of the findings and actions for improvement in the following Committee meeting.
16. The performance position in respect of quarter three was provided to the Governance and Audit Committee in January 2023, with relevant commentary, and it is provided again within section 3.2 'Performance' for reference ahead of the quarter four statistics which will be collated following the financial year-end.
17. The position against the full Audit Plan is contained in agenda item 8.2 (annex 6) and is therefore not included as an appendix to this report to avoid duplication. However, the report status is shown in **Appendix A**.

## **b) Investigations**

18. Annex 2 outlines the activities of the Investigation Team in quarter 4, as at 28 February 2023. For the current financial year, there are four hundred and forty-three chargeable days available based on current resources, indicatively split between strategic (80 days) and operational activities (363 days).
19. Excluding blue badge pilot work and outcomes as reported separately, as at 28 February 2023:
  - 220 cases have been identified for investigation so far this year, compared to 378 for the same period last year.
  - 75 investigations are ongoing, compared to 77 for the same period last year.
  - 223 investigations have concluded, compared to 401 over the same period last year.
  - £465,853 has been attributed to concluded investigations, compared to £633,757 for the same period last year.
20. In addition to identifying and progressing investigation cases, the team has continued to provide counter-fraud advice, guidance, training and support across the Council.
21. The summary report in Annex 2 provides further details in respect of the above, the training and awareness campaigns, the Council's involvement in the National Fraud Initiative exercise and a blue badge scheme.

## **Audit Recommendations**

22. A summary of the audit recommendations and progress at the reporting date are provided within **Appendix B**. Full recommendation trackers on the recommendations open, and those completed since the last committee, are available for Governance and Audit Committee Members via a SharePoint site for information and reference.

## **Legal Implications**

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

## **Financial Implications**

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

## **RECOMMENDATIONS**

25. That the Governance and Audit Committee note and consider the contents of the:

- Internal Audit and Investigation Team Progress Reports.

## **CHRIS PYKE AUDIT MANAGER**

The following are attached:

**Annex 1 - Internal Audit Progress - Summary Report**

**Appendix A** Report Status as at 28 February 2023

**Appendix B** Recommendations Summary

[Committee Member Link to Recommendation Trackers](#)

**Annex 2 - Investigation Team Progress – Summary Report**



## Resources Directorate Internal Audit Section



# Internal Audit Progress Report (As at 28 February 2023)

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

# INTERNAL AUDIT PROGRESS REPORT

## 1. INTRODUCTION

### 1.1 Background

The Internal Audit Progress Report sets out performance in relation to the Internal Audit Plan. It summarises the work performed, the priority recommendations raised, the critical findings, emerging trends, and relevant value for money findings.

This progress report covers the period from 1 January – 28 February 2023, and follows the updates provided in the last Committee meeting held on 24 January 2023. This report is structured to provide a summary account of audit activities, outcomes and progress made against the Audit Plan 2022/23.

The Audit Plan 2022/23 was approved by the Governance and Audit Committee on 15 March 2022. The Internal Audit 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.

### 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 Governance and Audit Committee for audit-related matters. There have been no impairments of independence or objectivity.

### 1.1 Continuing Professional Development

Auditors have completed their year-end personal reviews and formalised their objectives for 2022/23. Prior to discussing performance, auditors updated their skills assessment in application of the IIA Professional Competencies Framework.

The results of personal reviews and skills assessments informed the year-end Audit Manager's review against the Quality Assurance and Improvement Programme (Standard 1300), from

which a generally strong baseline of knowledge and skills were recognised across the audit team.

#### 1.4 External Peer Assessment

The Public Sector Internal Audit Standards (PSIAS) requires an external assessment of conformance with the Standards to be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The previous external peer assessment was completed by the Head of Audit from Rhondda Cynon Taf and reported to the Committee in March 2018.

Further to the details provided to Committee in July and November 2022 and January 2023, the assessment has been completed, led by the Chief Auditor in Monmouthshire / Newport Councils (Andrew Wathan) who was allocated to undertake the peer assessment of Cardiff Council's Internal Audit service.

The assessment has reported no partial or non-conformance. One optional action was proposed and has been implemented, relating to the communication of the audit scope and objectives along with the risk, within audit outputs. Further information and the full assessment are provided within agenda item 8.3, to be presented to Committee by the assessors.

## 2. SUMMARY OF WORK PERFORMED

The following audit summary covers the work programme for 2022/23, and the associated activities, resources, findings and measures of performance as at 28 February 2023.

### 2.1 Current Activities

During quarter four 2022/23 as at 28 February 2023, the priorities and approach of the audit team were to deliver a combination of management support through consultation and engagement in high-risk areas, and to further progress the delivery of assurance engagements from the Audit Plan.

The Internal Audit Team has continued to be available and to provide advice and guidance on the design and implementation of effective controls in the administration of Welsh and Central

Government grant schemes as well as for the Homes for Ukraine Scheme, to achieve compliance and control, and arrangements for the effective prevention and detection of fraud.

Work continues to be undertaken predominantly on a desktop basis, although site visits are taking place for establishment audits, and where there is a need to observe the operation of physical controls or operating practices.

The table below shows a list of audits and their reporting status in the current year until 28 February 2023, whereby 35 new audit engagements were completed to at least draft output stage and 22 audit engagements from the prior year have been finalised. A summary of the audit outputs and opinions in the year to date is shown below.

**Figure 1.** Audit outputs and opinions (at 28 February 2023)

Status	Number of completed audits	Opinion				
		Effective	Effective with opportunity for improvement	Insufficient with major improvement needed	Unsatisfactory	No opinion given
Draft	12	2	7	2	1	0
Final	45	7	25	6	0	7
TOTAL	57	9	32	8	0	7
	35	New Audit Engagements completed				
	22	Finalised Audit Engagements from 2021/22				

**Figure 2.** 2022/23 Audit outputs and opinions (at 28 February 2023)

No.	Assurance Audit Engagement	Audit Opinion
1.	Welsh Government Covid Grants - Assurance (2021/22) *	Effective
2.	Get me home service	
3.	ICF schemes (incl. Families First)	
4.	School Asset Management - Thematic (Albany)	
5.	Housing Benefit / Local Housing Allowance / Council Tax Reduction Scheme	
6.	Income and Debtors	Effective with opportunity for improvement
7.	Health and safety	
8.	Leisure Contract Governance	
9.	Shared Regulatory Services in Cardiff	
10.	Cantonian	

No.	Assurance Audit Engagement	Audit Opinion	
11.	Schools with Surplus Balances - Thematic		
12.	Agency Staff Payments		
13.	Risk Management Arrangements		
14.	Procurement		
15.	Brindley Road Stores		
16.	Safeguarding		
17.	Cardiff Caravan Park		
18.	Cardiff Riding School		
19.	Cardiff Organic Waste Treatment Contract		
20.	Glyncoed Primary School		
21.	Catering in Opted out schools		
22.	Cardiff Dogs Home		
23.	ICT Audit - Cyber Security Governance		
24.	Follow up - Cardiff West Community High School		
25.	City Deal 2021/22		
26.	Contract Variations		Insufficient with major improvement needed
27.	Directorate PCI - DSS Compliance		
28.	Central Transport Service		Unsatisfactory
Audit Work with 'No Opinion'			
29.	CRSA - Purchases and Payments		Consultancy, certification, advice, guidance
30.	CRSA - Payroll and HR		
31.	Joint Committees - Prosiect Gwyrdd		
32.	Joint Committees - Port Health Authority		
33.	Joint Committees - Glamorgan Archives		
34.	Service / Process Consultancy		
35.	Education Improvement Grant 2021/22		
Concluded Audits from the Prior Year			
36.	Purchasing and Payments - in year testing	Effective	
37.	Commissioning and Procurement - People and Communities		
38.	Main Accounting		
39.	Resources - Income and Debtors		
40.	Cradle to grave audit	Effective with opportunity for	
41.	Telecare		

No.	Assurance Audit Engagement	Audit Opinion
42.	Information Governance	improvement
43.	Business Continuity and Incident Management	
44.	Performance management	
45.	Purchasing cards	
46.	Directorate Recovery Planning	
47.	Resources - Pre-Contract Assurance	
48.	Income and debtors - Social Services	
49.	School Health and Safety – Thematic	
50.	Value for money in Digital Initiatives	
51.	Pre-Contract Assurance - Adults, Housing and Communities	
52.	Children's Placements	
53.	Section 106 agreements	
54.	Mileage & Subsistence	
55.	Cloud Computing	
56.	Pre-contract assurance - Children's Services	
57.	PTE - Pre-Contract Assurance	

\*Arrangements were made for the audit of 'Welsh Government Covid Grants – Assurance' to be overseen by another Operational Manager within Accountancy, and to remove any involvement in the audit review from the Audit Manager, who has advised on the design and operation of controls in the administration of these grants.

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.** Completed audits without an assurance opinion (at 28 February 2023)

Audit	Comments
Joint Committees - Prosiect Gwyrdd	Work to support completion of Statement of Accounts, 2021/2022
Joint Committees - Port Health Authority	
Joint Committees - Glamorgan Archives	
Service and Process Consultancy – Homes for Ukraine Scheme and Welsh and Central Government grant schemes	Compliance, control, and counter-fraud guidance

Audit	Comments
Education Improvement Grant 2021/2022	Grant certification
CRSA - Purchases and Payments	Control Risk Self-Assessment completion exercises with clients
CRSA - Payroll and HR	

The position against the full Audit Plan is contained in agenda item 8.2 (annex 6) and is therefore not included as an appendix to this report to avoid duplication. However, the report status is shown in **Appendix A**.

## 2.2 Resources

The new Principal Auditor post that Committee was advised of in November 2022 has been successfully appointed to at 0.6 FTE. This post represents an additional member within the Audit Management Team and enhances a solid core of senior officers within the team. The post holder will commence in March.

The new Principal Auditor was an internal appointment, leaving a vacancy at the Senior Auditor level. There is a further vacancy at the Senior Auditor level, as the other post holder will be leaving the team after the year end for an opportunity within the Planning and Performance Team. Arrangements are being made to advertise the two Senior Auditor posts at the earliest opportunity.

Three CIPFA trainee posts have been advertised and, subject to successful appointments, there will be one CIPFA trainee on rotation within internal audit from quarter 3 2023/24 to support the delivery of the Audit Plan.

Committee has been advised of the impact of vacant posts on the progression of the Audit Plan in the year to date and, to support audit coverage in areas of IT and corporate governance this year, a contract has been awarded for the delivery of four audit engagements under the direction of the Audit Manager. At the time of reporting, the two IT audits have been completed to at least draft report stage, and the remaining two audits are in a position of active fieldwork. There have also been some instances of sickness which have had an impact on the available staff resources during quarter four to date.

As all operational auditors and the audit assistant record all actual time worked, there is useful management information available for planning, monitoring, and reporting purposes. Timesheet data contained 1,105 chargeable days up to 28 February 2023, against a pro-rata plan of 1,318 days. The lower number of chargeable days to planned are primarily attributed to the vacant senior auditor post, but also impacted by greater use of administrative and management time, and staff engagement in development and corporate wellbeing initiatives. There have been some instances of short-term sickness, although the impact of this on staff resources has been relatively minor.

Time is available for audit development purposes, and one Auditor has funding in place to study the Certified Information Systems Auditor (CISA) Qualification with ISACA.

### 2.3 Annual plan

The Audit Plan 2022/23 is set on an annual basis. It is adaptable and responsive and will be subject to ongoing risk assessment, prioritisation, and review throughout the year to maximise assurance and management support. In-year changes may be introduced where appropriate, to respond to emerging risks and issues as the year progresses.

For the information of the Committee, all audits that were at draft status at the end of 2022/23 are highlighted in 'grey' in order to enable the finalisation of these audits to be tracked, whilst providing a visible separation from the audit engagements contained within the Audit Plan 2022/23.

Delivery of the Audit Plan 2022/23 has been significantly lower than targeted in the year to date, as at 28 February 2023. This is attributed in part to a reduced level of staff resources as outlined in section 2.2. 'Resources', and to some isolated delays in receiving the information requested in order to conclude audit fieldwork. The quarter three position in delivering the Audit Plan, as reported to Committee in January, is shown in section 3.2 'performance'.

In January 2023, the Committee received details of the audits that were being prioritised for completion by the financial year-end. The audits were targeted to provide a sufficient spread of assurance, that mitigates any impairment to the annual opinion of the Audit Manager on the Council's control environment for 2022/23. Delivering what was referred to as priority 1 audits, would ensure all fundamental areas of the plan are delivered, that core areas of corporate

governance have been reviewed, and that there is sufficient coverage at the directorate level. Delivering these audits would achieve 52% of the Audit Plan against a target of 70%.

The position in respect of these audits is set out in the table below, as at 28 February 2023, whereby 20 audits remain ongoing and are all at audit fieldwork stages or beyond. It is intended to complete the majority of these audit to draft report stage by the end of March 2023, with remaining audits to be completed early in the financial year 2023/24.

**Figure 4.** Prioritised audits for quarter four

Audit	Status (as at 28.02.2023)
Waste Management Enforcement	Report Writing / Review
Disposal of Land and Buildings	Audit Fieldwork
Council Tax	
Pensions and Investments	
Ethics and Values	
Partnership / Arms-length Assurance	
In-year testing - Purchases and Payments	
In-year testing - Payroll and HR	
Complaints and Compliments	
Alarm Receiving Centre	
Performance Management – Economic Development	
Eastern High	
International White Water	
Harbour Authority	
Health and Safety – Education & LL	
National Fraud Initiative	
Fitzalan High School	
Baden Powell Primary school	
Norwegian Church Preservation Trust 2021/22	
Cardiff Further Education Trust Fund 2021/22	

The position against the full Audit Plan is contained in agenda item 8.2 (annex 6) and is therefore not included as an appendix to this report to avoid duplication. However, the report status is shown in **Appendix A**.

#### 2.4 Critical findings or emerging trends (Q4 (as at 28 February) 2022/23)

During quarter four, as at 28.02.2023, one draft report has been issued with an opinion of 'unsatisfactory', and another has been issued with an opinion of 'insufficient with major improvement needed'. Management consideration and discussion will follow before the reports are finalised, at which time the assurance ratings and recommendations will be confirmed.

An audit of 'Central Transport Service (CTS)' has provided an opinion of 'unsatisfactory'. From the outset of the audit, the Operational Manager (OM), who had recently been tasked with overseeing CTS alongside their substantive post duties, engaged positively with Internal Audit, and discussed matters that they considered needed to be addressed from their initial observations and reviews. This assisted the audit, and it is noted that the OM has already taken positive steps to enhance systems and governance in place at CTS, including commissioning external reviews in several areas including Operational Licences ("O" licences), Health & Safety (Coleridge Road) and performance reporting elements within Tranman (the Council database used for monitoring vehicles and scheduling work).

At a strategic level, a Fleet Strategy for the Council had not been finalised to support corporate priorities, the delivery of a sustainable fleet for the Council, and address current and future risks. A CTS Business Plan is required to define and set a sustainable business model with corporate and commercial aims and priorities for CTS, including charging and investment mechanisms. Further to this, a service area risk register was not in place and is considered necessary to escalate and manage risk. At an operational level, non-compliance was noted in contract controls and processes, although additional controls for spot hire contracts were promptly put in place in response during the audit. There was no complete and reconciled list of vehicles owned or leased by the Council for control, repair and maintenance assurance. Up to date and complete service level agreements were not available during the audit between CTS and service areas and require review and formalisation. Monitoring and oversight arrangements needed to be developed and enhanced in respect of CTS purchasing card use and authorisation, the system for taking vans home, the prompt raising of invoices, the monitoring of vehicle end of life, bunkered fuel processes and the alignment of overtime to business needs.

Once the management response has been received and the audit has been finalised, the Governance and Audit Committee will receive an executive summary report of the findings and actions for improvement in the following Committee meeting.

The audit, of Directorate Payment Card Industry - Data Security Standards (PCD DSS) Compliance has been issued in draft, with an opinion of 'insufficient with major improvement needed'. The audit has recognised that the Council has made a significant investment in improving its arrangements for complying with the PCI DSS standard in recent years including the creation of detailed policies, guidance and procedures for staff involved in payment processing. In particular, it is evident through the controls in place and feedback provided from audit site visits that the creation of the dedicated PCI DSS Compliance Officer role has been at the core of these improvements supported by the dedicated PCI DSS Working Group.

Testing during site visits sampled confirmed that all relevant staff, including their line managers, had completed the PCI DSS mandatory training. The Council is also taking an early proactive approach to compliance with PCI DSS v4, supported by informal comparisons made during the audit with other organisations. The majority of key mandatory changes require implementation by March 2025 and the PCI DSS Working Group and Compliance Officer are engaged with their PCI DSS Advisors to conduct a gap analysis workshop in March 2023. The risk of non-compliance has been captured and evaluated with mitigating actions identified.

The impaired audit opinion on directorate PCI compliance resulted from testing undertaken at St David's Hall, which identified that the venue has retained copies of cardholder receipts which contain the full unmasked 16-digit Primary Account Number (PAN) contrary to Requirement 3 of the PCI DSS Standard for protecting cardholder data. Whilst this isolated finding has resulted in an impaired audit opinion, management have confirmed that the receipts identified at St David's Hall with unmasked PANs have been securely destroyed, and communications have ramped up to mitigate any further non-conformance with the Council's governance arrangements on PCI compliance.

#### 2.5 Value for Money findings (Q4 (as at 28 February) 2022/23)

There were no value for money themed audits completed within the reporting period. 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.

### 3. AUDIT PERFORMANCE AND ADDED VALUE

#### 3.1 Added value

Relationship Manager meetings were held with Directors and their representatives during the development of the Audit Plan in quarter four 2021/22. Further meetings were then held quarterly during 2022/2023, with particular focus given to understanding the priorities and risks within each management team, and the changes to systems or processes planned or underway, in order to direct audit advice and inform the planning of audit engagements.

Feedback from audit clients has been positive in the year to date, with satisfaction rates at 100% from clients who have responded, 86% of whom advised that their audit 'added value'.

In the audit outputs issued to date (as at 28 February 2023), there have been 314 recommendations made, of which 153 have been agreed, and 161 are presently being considered by audit clients through draft audit outputs. These are summarised below:

**Figure 5.** Recommendations raised and agreed

Rating	Recommendations made	Recommendations agreed	Recommendations being considered
Red	4	0	4
Red / amber	123	55	68
Amber / green	177	92	85
Green	10	6	4
TOTAL	314	153	161

#### 3.2 Performance

As outlined in section 2.1 ('Current Activities'), the priorities and approach of the audit team were to deliver a combination of management support through consultation and engagement in high-risk areas, and to further progress the delivery of assurance engagements from the Audit Plan.

The performance position in respect of quarter three was provided to the Governance and Audit Committee in January 2023, with relevant commentary, and it is provided below for reference ahead of the quarter four statistics which will be collated following the financial year-end.

A core focus of the team during quarter four is to deliver the majority of the audit engagements listed in figure 4 to draft report stage. This will provide a good level of coverage for the annual opinion from the Audit Manager on the Council's control environment.

Alongside this work, focus is being given to finalising audits on a timely basis and the delivery of audit recommendations within the required timescales. The Audit Manager attended a Senior Management Team meeting on 21 February 2023 to provide relevant analysis, to discuss performance, and to emphasise the importance of continued management attention in these areas.

**Figure 6.** Performance against targets for 2022/23 (to date)

Performance Indicator	2021/22 Outcome	2022/23 Target	Q1 Outcome	Q2 Outcome	Q3 Outcome
The percentage of the Audit Plan completed	61%	70%	13%	25%	29%
The average number of audit productive days per FTE	147	150	37	68	103
The average number of finalised audits per FTE	7.4	9	1.43	3.13	4.82
The percentage of draft audit outputs delivered within four weeks	92%	90%	80%	84%	87%
The percentage of audit recommendations implemented within the agreed timescale	68%	80%	56%	71%	65%

### 3.3 Audit Plan Delivery

In addition to monitoring and managing the numbers of audits delivered, audit engagements are allocated in order to ensure that there is a breadth of assurance by the financial year-end, upon which to provide a complete Audit Manager annual opinion. Sections 2.1 – Current Activities and 2.3 – Audit Plan set out relevant details.

### 3.4 Recommendations

A summary of the open audit actions is included within **Appendix B**, to support the Governance and Audit Committee to monitor and review the management response to recommendations.

Full recommendation trackers on the recommendations open, and those completed since the last committee, are available for Governance and Audit Committee information and reference. This is in accordance with the decision made in the Committee meeting of 24 January 2023 that

the full recommendation trackers will be made available via a SharePoint site to Committee Members going forward, rather than being published as part of Committee papers.

The table below shows the instances where implementation dates have been revised typically by audit clients, for audits which are not recognised as fully addressed by management (as at 28.02.2023). The position against recommendations is reported, to monitor progress and target discussions on the effective management of risk, in relationship management meetings each quarter.

**Figure 7.** Revised recommendation implementation dates and status

Directorate / Audit Category	Number of recommendations with revised dates	Actions now implemented	Actions still open
Fundamental	20	17	3
Corporate	27	17	10
External and grants	13	13	0
Adult Services, Housing and Communities	37	21	16
Children' Services	25	18	7
Economic Development	39	24	15
Education and Lifelong Learning	81	57	24
Planning Transport and Environment	50	35	15
People and Communities	1	1	0
Resources	61	46	15
Governance and Legal Services	11	8	3
Waste Management	51	48	3
	416	305	111
Schools	201	153	48
TOTAL	617	458	159

**NB** - It should be noted that the table above represents the position as at 28 February 2023, whereas the recommendation tracker appendices show the detailed position against each recommendation at the closest possible date to each Committee meeting.

## 4. CONCLUSION

### 4.1 Summary

During quarter four, as at 28 February 2023, the priorities and approach of the audit team have continued to be the delivery of a combination of management support through consultation and engagement in high-risk areas, and delivery of assurance audit engagements from the Audit Plan.

The new Principal Auditor post that Committee were advised of in November 2022 has been successfully appointed to at 0.6 FTE. This post represents an additional member within the Audit Management Team and enhances a solid core of senior officers within the team. The post holder will commence in March.

The new Principal Auditor was an internal appointment, leaving a vacancy at the Senior Auditor level. There is a further vacancy at the Senior Auditor level, as the other post holder will be leaving the team after the year end for an opportunity within the Planning and Performance Team. Arrangements are being made to advertise the two Senior Auditor posts at the earliest opportunity.

Three CIPFA trainee posts have been advertised and, subject to successful appointments, there will be one CIPFA trainee on rotation within internal audit from quarter 3 2023/2024 to support the delivery of the Audit Plan.

Delivery of the Audit Plan 2022/2023 has been significantly lower than targeted in the year to date, as at 28 February 2023. This is attributed in part to a reduced level of staff resources as outlined in section 2.2. 'Resources', and to some isolated delays in receiving the information requested in order to conclude audit fieldwork.

In January 2023 the Committee received details of the audits that were being prioritised for completion by the financial year-end. The audits were targeted to provide a sufficient spread of assurance, that mitigates any impairment to the annual opinion of the Audit Manager on the Council's control environment for 2022/2023. Delivering what was referred to as priority 1 audits, would ensure all fundamental areas of the plan are delivered, that core areas of corporate governance have been reviewed, and that there is sufficient coverage at the directorate level.

As at 28 February 2023, 20 prioritised audits remain, and are at audit fieldwork stages or beyond. It is intended to complete the majority of these audit to draft report stage by the end of March 2023, with remaining audits to be completed early in the financial year 2023/2024. This will provide a good level of coverage for the annual opinion from the Audit Manager on the Council's control environment.

Alongside this work, focus is being given to finalising audits on a timely basis and the delivery of audit recommendations within the required timescales. The Audit Manager attended a Senior Management Team meeting on 21 February 2023 to provide relevant analysis, to discuss performance, and to emphasise the importance of continued management attention in these areas.

## Report Status (as at 28 February 2023)

Audit Opinion	Audit Area	High Risk Recommendations		Status (If not Final)
		Proposed	Agreed	
Fundamental / High				
Effective	Welsh Government Covid Grants - Assurance (2021/22)			Drafts
	School Asset Management - Thematic (Albany)			Issued
	People and Communities – Commissioning & Procurement (cf. 2021/22)			
	Main Accounting (cf. 2021/22)			
	Purchasing and Payments - in year testing (cf. 2021/22)			
	St Illtyd's – School Asset Management (cf. 2021/22)			
	Resources – Income and Debtors (cf. 2021/22)			
	Housing Benefit / Local Housing Allowance / Council Tax Reduction Scheme			
Effective with opportunity for improvement	Resources - Health and Safety (cf. 2021/22)			Drafts
	Whistleblowing Processes (cf. 2021/22)			Issued
	Payroll & HR – In Year-Testing (cf. 2021/22)			
	Asset Management (cf. 2021/22)			
	Income and Debtors			
	City Deal 2021/22			
	Cradle to grave audit (cf. 2021/22)			
	Purchasing Cards (cf. 2021/22)			
	Corporate Performance Management (cf. 2021/22)			
	The Hollies – School Asset Management (cf. 2021/22)			
	Herbert Thompson – School Asset Management (cf. 2021/22)			
	Allensbank - School Health and Safety (cf. 2021/22)			
	Information governance (cf. 2021/22)			
	Resources - Pre-Contract Assurance (cf. 2021/22)			
	St Mellons - School Health and Safety (cf. 2021/22)			
	Severn - School Health and Safety (cf. 2021/22)			
	Greenhill - School Health and Safety (cf. 2021/22)			
	Llanishen - School Health and Safety (cf. 2021/22)			
Social Services – Income and Debtors (cf. 2021/22)				

Audit Opinion	Audit Area	High Risk Recommendations		Status (If not Final)
		Proposed	Agreed	
	Directorate Recovery Planning (cf. 2021/22)			
	Value for money in Digital Initiatives (cf. 2021/22)			
	Risk Management Arrangements			
	Agency Staff Payments			
	Brindley Road Stores			
	Safeguarding			
	Adults, Housing and Communities - Pre-Contract Assurance (cf. 2021/22)			
	Procurement			
	Cyber Security Governance			
	Health and safety			
Insufficient with major improvement needed	St Patricks – School Asset Management (cf. 2021/22)	1		Drafts Issued
	Contract Variations	1		
	Directorate PCI - DSS Compliance	1		
	Children's Services - Pre-Contract Assurance(cf. 2021/22)	1	1	
	Mileage and Subsistence (cf. 2021/22)	1	1	
	Cloud Computing (cf. 2021/22)	1	1	
	PTE – Pre-Contract Assurance (cf. 2021/22)	1	1	
Medium				
Effective	Ysgol Bro Ederm (cf. 2021/22)			Draft
	Get me home service			
	ICF schemes (incl. Families First)			
Effective with opportunity for	Shared Regulatory Services in Cardiff			Drafts Issued
	Schools with Surplus Balances – Thematic			
	Catering in Opted out schools			
	Cardiff Dogs Home			
	Follow up - Cardiff West Community High School			
	Business Continuity and Incident Management (cf. 2021/22)			
	Telecare (cf. 2021/22)			
	Cantonian			
	Cardiff Caravan Park			
	Cardiff Riding School			

Audit Opinion	Audit Area	High Risk Recommendations		Status (If not Final)
		Proposed	Agreed	
	Leisure Contract Governance			
	Cardiff Organic Waste Treatment Contract			
	Glyncoed Primary			
Insufficient with Major improvement needed	Children's Placements (cf. 2021/22)	1	1	
	S106 Agreements (cf. 2021/22)	1	1	
Unsatisfactory	Central Transport Service	2		Draft
Grants / Accounts / External Bodies				
No assurance opinion given	Joint Committees - Prosiect Gwyrdd	Statement of Accounts Reviews / Certification / Support		
	Joint Committees - Port Health Authority			
	Joint Committees - Glamorgan Archives			
	Education Improvement Grant 2021/22			
Other assignments				
No assurance opinion given	Service and Process Consultancy	compliance, control and counter-fraud guidance		
	Purchasing Payments and Processing – Control Risk Self-Assessment (CRSA)	Review and engagement with client on their CRSA		
	Payroll & HR – Control Risk Self-Assessment (CRSA)			

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Recommendation Summary - ('Red' and 'Red / Amber' open recommendations)

8.1 Annex 1 - Appendix B

Directorate / Area	No. of Audits	No. of Red Recs	No. of Red/ Amber Recs	'open recommendations' - by audit assurance rating				'open recommendation' by			
				No. of Recs Effective	No. of Recs Effective with Opportunity for Improvement	No. of Recs Insufficient with major improvement needed	No. of Recs Unsatisfactory	No. of Recs N/A	No. of Recs with Amended Action Date	No. of Recs where action date has passed	Current target date not yet due
Economic Development	8	2	14		13	3			12	1	15
Education & Lifelong Learning - Schools	17	1	41		39	3			35	24	18
Education & Lifelong Learning	9	4	13		5	8		4	16	3	14
Corporate Governance (Resources)	5		5		4	1			1	1	4
External and Grants (Resources)											
Fundamental (Resources)	1		1		1				1	0	1
Other Assurance (Resources)	1	1	2			3			2	3	0
Resources	2	1	3		1	3			3	1	3
Governance & Legal Services	1		2					2	2	0	2
Planning, Transport & Environment	8	1	13		7	5		2	12	4	10
People and Communities	1		1		1				0	0	1
Children's Services	4	2	4			4		2	6	0	6
Adults Social Services, Communities & Housing	5	1	7	1	1	6			7	0	8
Social Services - General	2	1	2		1	2			3	0	3
<b>TOTALS</b>	<b>64</b>	<b>14</b>	<b>108</b>	<b>1</b>	<b>73</b>	<b>38</b>	<b>0</b>	<b>10</b>	<b>100</b>	<b>37</b>	<b>85</b>

1 - overdue action where the evidence is under review by Internal Audit.  
 7 - overdue actions for which evidence has been requested, in order to close actions.  
 12 - overdue actions for which an update has been requested.  
 4 - overdue actions where a revised action date has been requested.

3 - overdue actions for which evidence has been requested for 2 actions, and 1 action where an update is required.  
 4 - N/A actions related to instance where Directorate was sampled as part of a wider corporate report, and an opinion was not provided at a directorate level.

1 - overdue action for which an update has been requested.

3 - overdue actions for which an update has been requested.

1 - overdue action for which an update has been requested.

2 - N/A actions related to instance where Directorate was sampled as part of a wider corporate report, and an opinion was not provided at a directorate level.

2 - N/A actions related to instance where Directorate was sampled as part of a wider corporate report, and an opinion was not provided at a directorate level.  
 4 - overdue actions for which an update has been requested

2 - N/A actions related to instance where Directorate was sampled as part of a wider corporate report, and an opinion was not provided at a directorate level.

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# Resources Directorate Internal Audit Section

## Investigation Team Progress Report

(as at 28 February 2023)



2022/23

### Planning & Resources

Further to the high-level allocation of days reported to Committee on 25 January 2022, four hundred and forty-three chargeable days were available based on current resources, indicatively split between strategic (80 days) and operational activities (363 days), as summarised below:

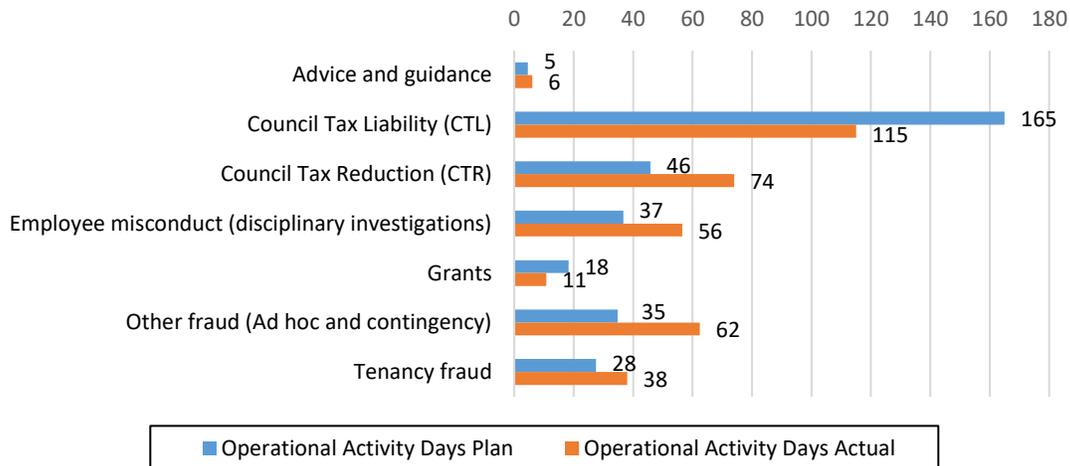
<b>Strategic</b>	Fraud awareness / reporting	25	Days
	Policy and procedure review / planning	25	
	Intelligence sharing / working groups / police liaison	10	
	National Fraud Initiative	10	
	Training development / delivery	10	
<b>Operational</b>	Council Tax Liability (CTL)	180	Days
	Council Tax Reduction (CTR)	50	
	Employee misconduct (disciplinary investigations)	40	
	Other fraud (Ad hoc and contingency)	38	
	Tenancy fraud	30	
	Grants	20	
	Advice and guidance	5	

*NB – Audit Manager time is not included within the above apportionment.*

### Activities



## Operational Activity Days



## Training and Awareness

**Mandatory Fraud Awareness training** continues to be delivered. More than 6,700 staff and school governors have completed the eLearning or attended a face-to-face session. The eLearning module that was created by the Corporate Fraud Investigation Team is currently under review in order for a refreshed module to be developed and published during 2023.

## National Fraud Initiative (NFI)

**The National Fraud Initiative (NFI)** is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud.

### Biennial - National Exercise

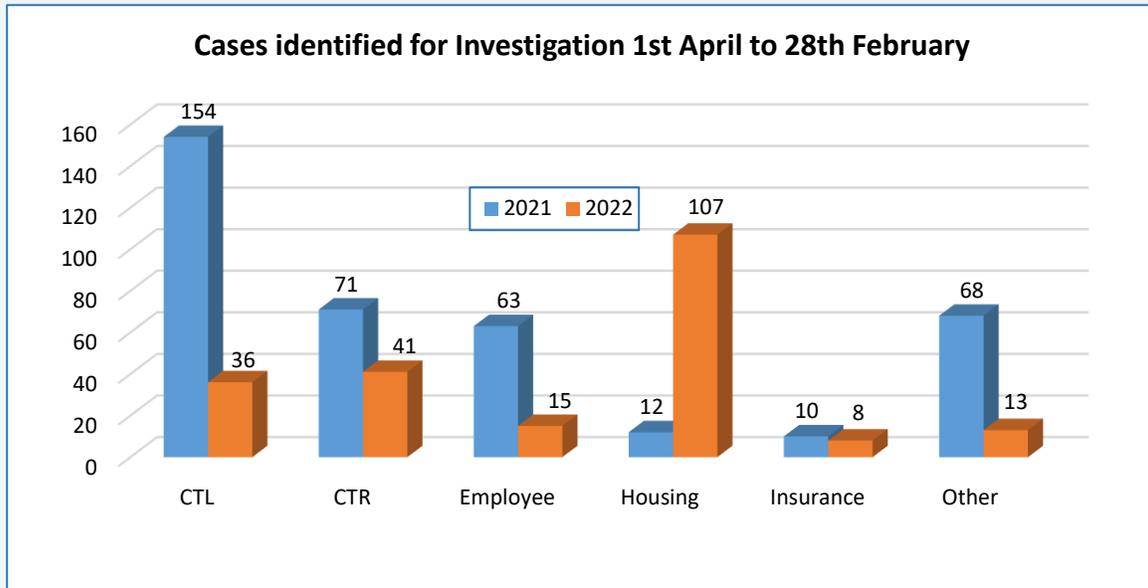
Output from the current exercise NFI 2022/23 has now been received and the Corporate Fraud Investigation Team is liaising with Directorates to ensure that resources are allocated and matches risk assessed and reviewed.

More than 12,000 matches have been generated relating to the following areas:

Dataset	Example activity area
Blue badge	Potential misuse of blue badge parking passes belonging to someone who has died or cases where individuals have claimed more than one blue badge
Council tax reduction scheme	Individuals claiming Council Tax reduction who failed to declare an income or change of circumstances
Housing benefit	Individuals claiming housing benefit who failed to declare an income or change of circumstances
Housing tenancy	Social housing tenants who were subletting or had multiple tenancies unlawfully
Housing waiting list	Social housing waiting list applicants who were not entitled to social housing
Payroll	Employees working for one organisation while being on long-term sick leave at another
Pensions	Individuals obtaining the pension payments of a dead person
Trade creditor	Traders who intentionally or unintentionally submitted duplicate invoices for payment
Procurement	To identify potential undeclared interests that have given a pecuniary advantage

## Cases Identified for Investigation

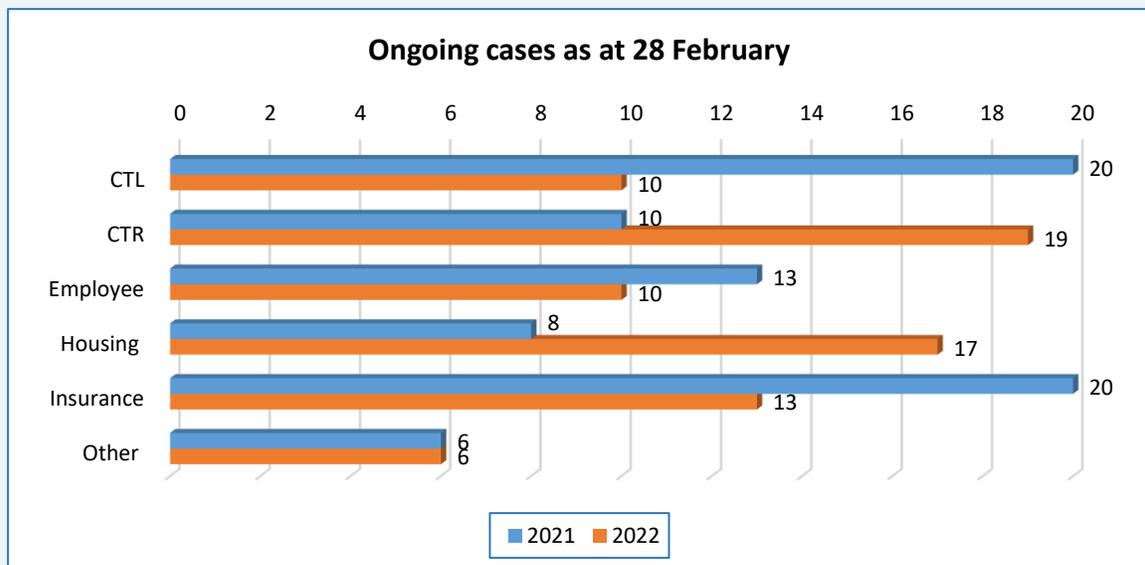
Excluding blue badge pilot work and outcomes as reported separately, 220 cases have been identified for investigation so far this year, compared to 378 for the same period last year:



The cases designated as other this year related to, 4 various grants, business rates, care provider, 2 concessionary travel, 2 insurance, pension fraud, scam attempt, a stolen / intercepted cheque.

## Ongoing Cases

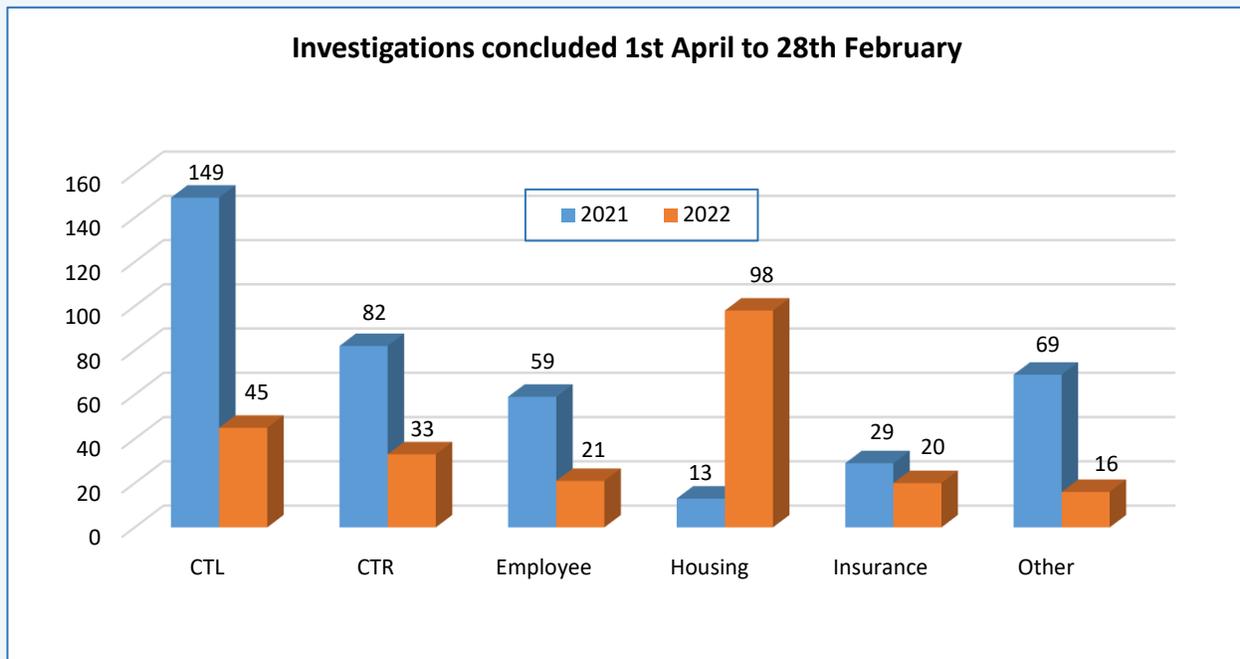
Excluding blue badge pilot work and outcomes as reported separately, there are currently 75 investigations ongoing, compared to 77 for the same period last year:



The cases designated as other this year related to, Business Grant, Concessionary Travel, Corruption, Domiciliary Care, Guardianship Order, and Concessionary travel.

## Concluded Cases

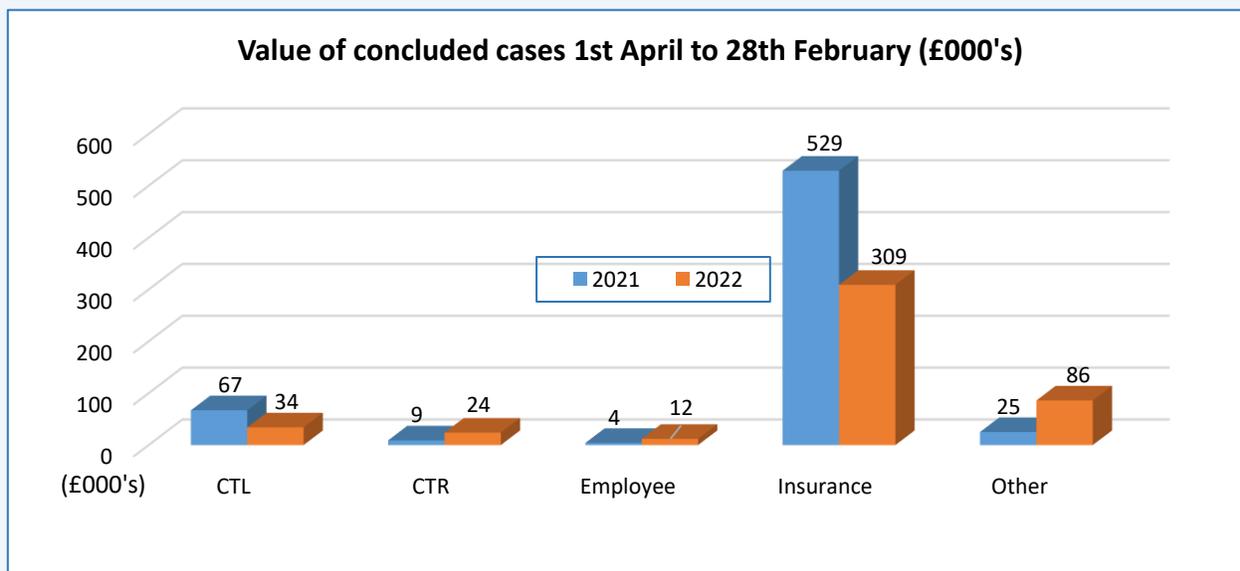
Excluding blue badge pilot work and outcomes as reported separately, 233 investigations have concluded so far this year, compared to 401 over the same period last year:



The cases designated as other this year related to, 7 various grants, Business Rates, Care Provider, Conflict of interest, Corruption, Insurance, a stolen / intercepted cheque, Pension, Concessionary Travel, and an attempted Scam.

## Financial Value

Excluding blue badge pilot work and outcomes as reported separately, £465,853 has been attributed to concluded cases in the 2022/23 year to date, compared to £633,757 for the same period last year:



- Insurance cases relate to contrived, exaggerated, fictitious misrepresented, and staged claims.
- Council Tax Liability investigations typically relate to cases of false information provided to receive a discount, or a failure to declare the occupation of a second adult, when in receipt of a single person discount.
- Council Tax Reduction investigations typically relate to those on low income, in receipt of a discount, failing to declare their income properly.
- The cases designated as other related to 1 Covid Grant, 1 Insurance claim, 1 stolen / intercepted cheque, 1 attempted Scam, and 1 Pension claim.

### **Blue Badge Update**

Further to the above activities, on-street enforcement activity continues, this year 67 badges were seized, 11 individuals have received fines. There are 19 cases ongoing which are at various stages of investigation, including being prepared for / due to go to Court.

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**GOVERNANCE & AUDIT COMMITTEE: 21 MARCH 2023**

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**INTERNAL AUDIT CHARTER AND AUDIT PLAN 2023/24****REPORT OF THE AUDIT MANAGER****AGENDA ITEM: 8.2**

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**Reason**

1. The Terms of Reference for the Governance and Audit Committee sets out its responsibility:
  - To approve the Internal Audit Charter.
  - To approve the risk-based Internal Audit Plan, containing internal audit's resource requirements, the approach to using other sources of assurances and any work required to place reliance upon those other sources.
2. The Governance and Audit Committee has a responsibility to review its Terms of Reference annually, and under the Public Sector Internal Audit Standards (PSIAS Standard 1110 – organisational independence), is required to approve the Internal Audit Charter and the risk based Internal Audit Plan.
3. This report has been prepared to provide Governance and Audit Committee Members with the Draft Internal Audit Charter for 2023/24 and appendices, including a draft Governance and Audit Committee Terms of Reference 2023/24.
4. The report also provides the Draft Audit Plan for 2023/24, and the Audit Strategy which sets out the strategic intentions of the Internal Audit Service for planning and delivery in accordance with PSIAS Standard 2010 (Planning).

**Background**

5. At its meeting on 24 January 2023, the Draft Internal Audit Charter and Summary Audit Plan 2023/24 were presented for Governance and Audit Committee to consider and provide comments. Accompanying the Charter is the Governance and Audit Committee's Terms of Reference 2023/24.
6. The Audit Plan has been further developed for approval by Governance and Audit Committee at this meeting. Discussions have been held with senior management in directorates to shape the Plan, which has been developed applying a risk-based methodology, to identify the planned activities of Internal Audit for 2023/24.

## Issues

### Audit Strategy

7. The Internal Audit Strategy is designed to contain the strategic intentions and approach of the audit service (**Annex 1**). It aims to provide a focus for the Audit Management Team in planning and delivering audit engagements, for auditors when performing individual audit engagements, and to communicate the objectives of the Internal Audit service, beyond the definitions of roles, responsibilities and authority within the Audit Charter. The Audit Strategy was last considered by the Governance and Audit Committee in its meeting of 15 March 2022.
8. The Audit Strategy is appended to this report as a statement of how the Internal Audit Service will be delivered and developed in accordance with the Audit Charter, and how it is linked to organisational objectives and priorities. The Audit Strategy sets out the aims and objectives for the Internal Audit Service as a whole, comprising the Internal Audit and Investigation Teams. This is to provide a co-ordinated delivery of audit and investigative services through the separate disciplines of risk-based and objective assurance, advice and insight and proactive and reactive work to prevent and detect fraud. There are no proposed changes to the Audit Strategy for the year ahead.

### Audit Charter

9. The Internal Audit Charter set out in **Annex 2** is a formal document which establishes the Internal Audit Service's position within the organisation and the Audit Manager's functional reporting relationship with the Committee. It also authorises audit access to records, personnel and physical properties relevant to the performance of engagements, and defines the scope of internal audit activities. Contained within the Draft Internal Audit Charter are six appendices, which detail the parameters within which Internal Audit and the Governance and Audit Committee operate.
10. The Governance and Audit Committee considered the Draft Audit Charter 2023/24 in its meeting on 24 January 2023, which is unchanged and appended to this report. Committee will be aware that most of the changes to the Draft Audit Charter considered in January, compared to the 2022/23 document, were in respect of Appendix D, the draft Terms of Reference for the Governance and Audit Committee. These updates were made to incorporate updated CIPFA guidance and Welsh Government statutory guidance, that was published relating to matters including Constitutions, Executives, Scrutiny, Overview and Scrutiny and Governance and Audit Committees.
  - Appendix A sets out the Code of Ethics for Internal Auditors and is focussed on the four key principles of Integrity, Objectivity, Confidentiality and Competence. This appendix is formally used in the quality assurance process as part of each audit, and as part of ongoing performance reviews.
  - Appendix B sets out the Core Principles which taken as a whole, articulate internal audit effectiveness. These Core Principles underpin the Mission of the Internal Audit service *'To enhance and protect organisational value by providing risk based and objective assurance, advice and insight'* in recognition of best practice from the IIA.
  - Appendix C sets out the staffing resources allocated to the Internal Audit function as well as outlining the reporting lines between the Audit Manager, the Section 151 Officer and the Governance and Audit Committee. This section also outlines the skill base of

the team and the commitment to developing staff further through Audit or Investigation qualifications.

- Appendix D suggests the Terms of Reference for the Governance and Audit Committee 2023/24.
- Appendix E sets out the Quality Assurance and Improvement Programme (standard 1300), which is designed to enable an evaluation of the Internal Audit section's conformance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and is used to identify and deliver opportunities for improvement. The QAIP is built around a performance management approach which involves 'setting expectations', 'reviewing performance', and 'reporting performance' at individual auditor and team levels.
- Appendix F contains the Audit Protocol, which represents an outline of the audit process from planning to reporting.

## **Audit Plan 2023/24**

11. The approach to developing the Audit Plan was outlined to the Governance and Audit Committee in its report of 24 January 2023, at which time a summary plan and indicative allocation of audit time was provided.
12. The Audit Plan included in **Annex 3** has taken into account a range of management and independent assurances to develop a plan of audits on a risk-based prioritisation for 2023/24.
13. Since the Governance and Audit Committee Meeting on 24 January 2023, work has been undertaken to further develop the Plan and identify the audits that will be undertaken, with the engagement of senior management. This has involved an assurance mapping process in respect of fundamental systems and core areas of governance, for which a summary is included in **Annex 4**. The same process applies for operational audits, but this area needs to be more dynamic and responsive to the ongoing relationship management approach with senior officers of the Council. The dynamic nature of audit planning is summarised in **Annex 5**.
14. In respect of the dynamic nature of Internal Audit, Members will note that 30 days have been set aside for important service / process consultancy, and 70 days are available for other work and to conclude carry forward audits. The time allocation enables Internal Audit to provide active advice, guidance and assurance work across the Council, as and when required.
15. The overall approach to developing the Audit Plan is designed to be risk-based and co-ordinated in application of the "three lines model". The process involves the application of three basic review principles as follows:  
  
**(a) Informed Inherent Risk** - The starting point is the development of an inherent audit need / risk score as a product of the nature of the potential audit area, and the results of Senior Management Assurance Statement (SMAS) responses from Directors. There are three broad audit categories, which are audited with an inherent frequency in the following priority order from highest to lowest (1) Fundamental systems, (2) Governance functions

(e.g. Risk Management, Health and Safety, Performance Management etc.) and (3) Operational audits, such as a school or standard system audit.

**(b) Coordination and Reliance** - After considering the inherent need for an audit, the Audit Plan is refined to account for the level of further sources of assurance and indicators of risk, in considering and accounting for the:

- Information on risk registers;
- Planned and programmed projects, scrutiny and management activities;
- Existing levels of internal audit assurance; and
- Planned and actual work and findings from wider audit, regulatory and consultancy activities.

**(c) Extensive and Appropriate Audit Coverage** - In consideration of the above two stages, audits will be programmed and typically delivered through a combination of Control Risk Self Assessment (CRSA), thematic and full audit engagements. As the information sources are being developed through relationship management mechanisms in directorates, there will be a greater scope to progress the approach to co-ordination and reliance in accordance with PSIAS Standard 2050.

16. Members will be aware that the Internal Audit resources are allocated over a number of broad categories of work:
  - (a) Fundamental audits
  - (b) Corporate Audit
  - (c) Service specific
17. Fundamental Audits relate to key financial systems, to provide the Section 151 Officer with assurance that appropriate controls are in place. The Audit Plan has been developed on the continued basis, as communicated with Governance and Audit Committee and the Council's external auditor, that fundamental systems are to be audited generally on a biennial basis. However, if there are any major system or operational changes during the year when it is planned not to undertake a full audit, an audit of that system will be added for that year (and the change reported to a meeting of this Committee). It is proposed to undertake fundamental audits of creditor payments and processing, payroll and HR, National Non-Domestic Rates (NNDR), Treasury Management, Main Accounting, Income and Debtors, Asset Management and Housing Rents.
18. The section of the Plan related to Corporate Audit includes a range of audit engagements covering areas of governance, risk management and control.
19. A large proportion of days has, as in previous years, been allocated to Service Specific audits. One proposed area for thematic review across directorates in 2023/24 is Directorate Performance Management which is a carry forward thematic audit, and the rest of the time allocated to service specific audits would be preserved for individual directorate systems and establishments. Separate audit themes have been developed for Schools this year and details are contained within the Audit Plan in Annex 3.
20. The Plan allows a small amount of flexibility to undertake unplanned work. Any such assignments will be reported to Committee as part of the regular progress updates.

## **Conclusion of Audit Plan 2022/23**

21. To further inform the Governance and Audit Committee in considering the Audit Plan 2023/24, **Annex 6** contains the current position in delivering the Audit Plan 2022/23. Against each audit, the position as at 28 February 2023 is recorded with an outline of those audits targeted for delivery by the financial year-end. Any targeted audit engagements not delivered by the year-end will conclude in 2023/24. A comment is also included, to outline how any audits not delivered in 2022/23 will be treated after the year-end.

## **Legal Implications**

22. The approval of the Internal Audit Charter and the Internal Audit Plan are matters delegated to the Governance and Audit Committee within its approved terms of reference.

## **Financial Implications**

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

## **Recommendations**

24. Governance and Audit Committee to:

- Note the Audit Strategy
- Approve the Internal Audit Charter 2023/24 (including the Governance and Audit Committee Terms of Reference 2023/24, ahead of a request for approval by Council)
- Approve the Internal Audit Plan, 2023/24

**CHRIS PYKE**  
**AUDIT MANAGER**

**Annex 1:** Internal Audit Strategy  
**Annex 2:** Internal Audit Charter 2023/24  
**Annex 3:** Internal Audit Plan 2023/24  
**Annex 4:** Summary Assurance Map  
**Annex 5:** Cyclical Audit Planning  
**Annex 6:** Conclusion of Audit Plan 2022/23

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## Internal Audit Strategy

*This following strategic statement seeks to inform those relying on the work and assurances of the Internal Audit Team. It references, but avoids duplicating the content of core documents, namely the Internal Audit Charter (and its appendices).*

### Strategic Intentions

The Strategic intentions of the Internal Audit Service are:

- Enhance and protect organisation value through risk based and objective assurance, advice and insight.
- Be recognised as a leading provider of audit and investigative services, based on achieving a high standard of professionalism and expertise in service delivery.
- Deliver audit services in accordance with the Public Sector Internal Audit Standards.
- Deliver a plan of assurance audit engagements, which are sufficient to publish an Audit Manager annual opinion on the Council's control environment.
- Deliver value by aligning the Audit Plan to the Council's strategies, objectives and risks, and through delivering robust audit assurance and support.
- Support managers to develop and maintain a culture in which fraud, bribery and corruption are understood across the organisation as unacceptable.
- Develop and maintain a strong knowledge, skills and expertise within Audit Teams.

### Vision and Mission

Our purpose is to enhance and protect organisation value by providing risk based and objective assurance, advice and insight. We aim to be recognised as a leading provider of audit and investigative services, based on achieving a high standard of professionalism and expertise in service delivery.

### Audit Charter

The Internal Audit Charter establishes the position of Internal Audit within the organisation, the Audit Manager's functional reporting relationship with the Governance and Audit Committee, rights of access, and the scope of our internal audit services.

It also states how we deliver audit services in accordance with the Public Sector Internal Audit Standards (PSIAS), encompassing the mandatory elements of the International Professional Practices Framework ('Definition of Internal Audit', 'Core Principles', 'Standards' and 'Code of Ethics').

## The Internal Audit Plan

### *Purpose*

A primary requirement of the Audit Team is to deliver a plan of assurance audit engagements, which are sufficient to publish an Audit Manager annual opinion on the Council's control environment, comprising governance, risk management and control. We also provide core assurance to the Section 151 Officer and the Governance and Audit Committee relevant to their respective responsibilities.

We also provide consulting or advisory services, generally at the request of Management for independent insight and guidance on areas of control during process development / change. We aim to deliver value by aligning the Audit Plan to the Council's strategies, objectives and risks, and through delivering robust audit assurance and support.

The Investigation Team performs a range of proactive and reactive work in order to prevent and detect fraud. We support managers to develop and maintain a culture in which fraud, bribery and corruption are understood across the organisation as unacceptable, for which firm action is and will be taken to prevent and detect fraud loss, bring fraudsters to account quickly and efficiently, and to recover any losses.

The first line of defence is the internal control environment within each directorate, in which there needs to be a culture of accountability, a zero tolerance to fraud, supported by a robust application of controls.

### *Process*

Our risk-based Internal Audit Plan is prepared annually and is subject to continual review throughout the year, and adjusted as necessary in response to changes in risks, programmes, systems and controls, and the work and findings of other assurance providers.

Our audit plan will align to the strategies, objectives and risks of the Council, with audit engagements prioritised for delivery through assurance mapping in application of the 'three lines of defence' model, and a process of co-ordination and reliance, to account for relevant wider sources of assurance in the timing and focus of planned audits.

We will obtain the information to develop our plan through:

- Regular engagement with the Chief Executive, Section 151 Officer and Directors.
- Audit Manager attendance at Assurance Senior Management Team meetings.
- Monitoring Council activity, strategy, risks, assurance / inspection / regulatory reports.
- Regular meetings with the Wales Audit Office to discuss and co-ordinate work.

We plan to undertake fundamental audits (of core financial systems) every other year. A fundamental audit may take place in an intervening year in response to audit intelligence / assurance. In order to continue to rely on the Council's assurance framework, we will plan to undertake an audit of Risk Management on an annual basis.

The investigation Team will gather best practice information and intelligence through networking, investigate referrals to an appropriate outcome, engage with the Wales Audit Office and Cabinet Office in undertaking data matching exercises to identify and review potential frauds and irregularities, and lead the Council's counter-fraud agenda. The Team

will offer support, advice and assistance on all matters of fraud risks including prevention, detection, money laundering, other criminal activity, deterrent measures, and policies and procedures.

### *Delivery*

The Audit Plan will be delivered by the Council's Internal Audit Service. The Audit Manager will use the audit resources available to deliver the Audit Plan and buy-in additional resources as required, as outlined in the Audit Charter.

The Counter-Fraud Plan will be delivered by the Investigation Team, and resources will be monitored and managed in order to deliver the targets and objectives set.

The Audit Manager will inform the Governance and Audit Committee and Section 151 Officer if there are insufficient resources available to effectively deliver the Internal Audit Service.

We will follow up all audit recommendations, with client evidence required to the satisfaction of the lead auditor, for the closure of any 'red' or 'red/amber' rated recommendations.

### **Internal Audit Development**

The quality assurance and improvement programme (QAIP) within the Audit Charter summarises our performance management approach, at individual auditor and team levels. This approach provides ongoing, annual review and 5-yearly external assessment for reporting ongoing conformance with the PSIAS.

The Audit Manager will continually monitor the knowledge skills and other attributes necessary to deliver the audit plan each year. All operational auditors will undertake a skills assessment annually and professional development and training will be allocated accordingly.

### **Oversight Reporting for Internal Audit Activity**

At least quarterly, the Audit Manager will report to the Governance and Audit Committee on Internal Audit Service performance and PSIAS conformance, and will provide critical information on the progress against the Internal Audit and Investigation Team Plans, and the core findings.

An executive summary of any unsatisfactory audit reports will be provided to the Governance and Audit Committee and the Portfolio Cabinet Member once the audit is finalised.

The Audit Manager will produce an Annual Report, which will principally include

- An annual opinion on the framework for governance, risk management and control.
- A summary of the Internal Audit work completed from which the opinion is derived.
- The results of an annual review of the performance of the Internal Audit Team against the QAIP and conformance with the PSIAS.

A separate Annual Report will be prepared for the Investigation Team, outlining the work completed, its impact, the progress against the work plan, and actions for the next year.

**Chris Pyke - Audit Manager, Cardiff Council.**

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**CORPORATE RESOURCES  
INTERNAL AUDIT SECTION**

**Cardiff Council**

# **INTERNAL AUDIT CHARTER 2023/24**

## ***Mission Statement***

*To enhance and protect organisational value by providing risk based and objective assurance, advice and insight*



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

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## **INTERNAL AUDIT CHARTER**

### **Definition, Objective and Scope of Internal Audit**

1. Internal Audit is an independent and objective assurance and consulting activity that is guided by its mission to enhance and protect organisational value by providing risk based and objective assurance, advice and insight.
2. It assists Cardiff Council in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation's full control environment in respect of risk management, control and governance processes.

### **Role and Professionalism**

3. The internal audit activity is established by the Governance and Audit Committee. The internal audit activity's responsibilities are defined by the Governance and Audit Committee as part of their oversight role.
4. A professional, independent and objective Internal Audit service is one of the key elements of good governance in Local Government. Cardiff Council's Internal Audit Section seeks to be compliant with the Public Sector Internal Audit Standards and the Local Government Application Note (LGAN), which forms a foundation for an effective Internal Audit service and encompasses the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF). Through compliance with these standards, all members of the section adhere to the Code of Ethics stipulated within the Standards. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.
5. The Code of Ethics is set out in further detail in Appendix A and works in alignment with the Council's code of professional conduct. The internal audit activity will adhere to Cardiff Council's relevant policies and procedures, and the internal audit activity's protocol. The Core Principles through which the Internal Audit service is delivered are included in Appendix B which, taken as a whole, articulate internal audit effectiveness.

### **Authority**

6. The internal audit activity with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the organisation's records, physical properties, and personnel pertinent to carrying out an engagement. All employees are

required to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the Governance and Audit Committee.

## **Organisation**

7. The Audit Manager will report functionally to the Governance and Audit Committee and administratively to the Head of Finance (Deputy Section 151 Officer).
8. The Governance and Audit Committee will receive and consider reports regarding the performance evaluation of the Internal Audit function.
9. The Governance and Audit Committee will approve the internal Audit Charter, the risk based internal audit plan and receive communications from the Audit Manager on the internal audit activity's performance relative to its plan and other matters. The Audit Manager is delegated the authority to make in-year changes to the internal audit plan and approve audit engagements of no more than 10 planned audit days without seeking approval from the Governance and Audit Committee. The Audit Manager will use the audit resources available to deliver the audit plan and buy-in additional resources as required.
10. Management will notify the Audit Manager immediately, in accordance with the Council's Financial Procedure Rules and related policies, of suspected breach, theft or loss of Council assets, and any suspected or detected fraud, corruption or impropriety.
11. The resources allocated to the Internal Audit activity are outlined in Appendix C, in conjunction with the reporting arrangements.

## **Independence and Objectivity**

12. The internal audit activity will remain free from interference by any element in the organisation including matters of audit selection, scope, procedures, frequency, timing, or report content, to permit maintenance of a necessary, independent, and objective mental attitude.
13. The Audit Manager oversees the Investigation and Internal Audit teams. In any case where the Audit Manager has, or is expected to have, roles and / or responsibilities that fall outside of internal auditing, safeguards will be established to maintain independence and objectivity.
14. Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records or engage in any other activity that may impair internal auditor's judgement.

15. Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgements.
16. Auditors will complete, on an annual basis, a Declaration of Interests form and submit it to the Audit Manager for review and authorisation. Any declarations will be used to ensure that there are no conflicts of interest in the audits allocated and to demonstrate transparency. The Group Auditor will not allocate audits to officers where potential conflicts have been identified.
17. The Audit Manager will confirm to the Governance and Audit Committee at least annually the organisational independence of the internal audit activity.

## **Responsibility**

18. The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management and internal control processes in relation to the organisation's defined goals and objectives. Internal control objectives considered by internal audit include:
  - Consistency of operations or programmes with established objectives and goals and effective performance
  - Effectiveness and efficiency of operations and employment of resources
  - Compliance with significant policies, plans, procedures, laws and regulations
  - Reliability and integrity of management and financial information processes including the means to identify, measure, classify and report such information
  - Safeguarding of assets.
19. Internal Audit is responsible for evaluating all processes of the Council, including governance processes and risk management processes. It also assists the Governance and Audit Committee in evaluating the quality of performance of external auditors and maintains a proper degree of coordination with external audit.

20. Internal audit may perform consulting and advisory services related to governance, risk management and control, as appropriate for the Council. It may also evaluate specific operations at the request of Governance and Audit Committee or management as appropriate.
21. When notified of suspected fraud, corruption or impropriety, the Audit Manager will take appropriate actions in line with the Council's Fraud, Bribery and Corruption Policy for the matter to be properly investigated.
22. Based on its activity, Internal Audit is responsible for reporting significant risk exposures and control issues identified to the Governance and Audit Committee and senior management including fraud risks, governance issues and other matters needed or required.
23. The Governance and Audit Committee has a Terms of Reference, which defines the area in which it operates, and this is set out in Appendix D. The Terms of Reference are reviewed on a periodic basis.

### **Internal Audit Plan**

24. At least annually, the Audit Manager will submit to the Governance and Audit Committee an internal audit plan for review and approval including risk assessment criteria. The internal audit plan will include resource requirements for the next financial year. The Audit Manager will communicate the impact of resource limitations and significant interim changes to senior management and the Governance and Audit Committee.
25. The internal audit plan will be developed based on a prioritisation of all auditable areas using a risk-based methodology including input of senior management and Governance and Audit Committee. Prior to submission to the Governance and Audit Committee for approval, the plan may be discussed with appropriate senior management. Any significant deviation from the approved internal audit plan will be communicated through the periodic activity reporting process.

### **Reporting and Monitoring**

26. An audit output will be prepared and issued by the Audit Manager following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will be communicated to the Governance and Audit Committee in accordance with the Audit Protocol, and on a basis which reflects the significance of findings.
27. The audit output may include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response, whether included within the original audit output or provided thereafter by management of the audited area will include

a timetable for anticipate completion of action to be taken and an explanation for any corrective action that will not be implemented.

28. The internal audit activity will be responsible for appropriate follow up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

### **Quality Assurance and Improvement Programme - QAIP**

29. The internal audit activity will maintain a Quality Assurance and Improvement Programme that covers all aspects of the internal audit activity. The programme will include an evaluation of the internal audit activity's conformance with the Public Sector Internal Audit standards, encompassing all mandatory elements of the IPPF, including an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency of the internal audit activity and identifies opportunities for improvement.

30. The Audit Manager is responsible upholding the Audit Charter, for ongoing assurance to senior management and Governance and Audit Committee on conformance with the Code of Ethics and the Standards, and for reporting audit performance, critical findings and trends in respect of the audit plan.

31. The Audit Manager will communicate to senior management and Governance and Audit Committee on the internal audit activity's quality assurance and improvement programme, comprising the results of:

- ongoing internal quality assurance reviews,
- annual assessments against the Local Government Application Note,
- external assessments conducted at least every five years.

32. Action taken to ensure that the Quality Assurance and Improvement Programme is effective is set out in Appendix E. It is supplemented by the Audit Protocol, which provides an outline of the audit process from planning to reporting, as contained in Appendix F.

## **CODE OF ETHICS**

### **Public Sector Requirement**

Internal Auditors in UK public sector organisations must conform to the Code of Ethics as set out below. If individual Internal Auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.

The purpose of the Institute's Code of Ethics is to promote an ethical culture in the profession of Internal Auditing. A code of ethics is necessary and appropriate for the profession of Internal Auditing, founded as it is on the trust placed in its objective assurance about risk management, control and governance.

The Institute's Code of Ethics extends beyond the definition of Internal Auditing to include two essential components:

- 1. Principles that are relevant to the profession and practice of Internal Auditing;

and

- 2. Rules of Conduct that describe behaviour norms expected of Internal Auditors.

These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of Internal Auditors.

The Code of Ethics provides guidance to Internal Auditors serving others. 'Internal Auditors' refers to Institute members and those who provide Internal Auditing services within the definition of Internal Auditing.

### **Applicability and Enforcement**

This Code of Ethics applies to both individuals and entities that provide Internal Auditing services. For Institute members, breaches of the Code of Ethics will be evaluated and administered according to the Institute's Disciplinary Procedures. The fact that a particular conduct is not mentioned in the Rules of Conduct does not prevent it from being unacceptable or discreditable and, therefore, the member liable to disciplinary action.

### **Public Sector Interpretation**

The 'Institute' here refers to the Institute of Internal Auditors. Disciplinary procedures of other professional bodies and employing organisations may apply to breaches of this Code of Ethics.

## **1. Integrity**

### *Principle*

The integrity of Internal Auditors establishes trust and thus provides the basis for reliance on their judgement.

### **Rules of Conduct**

Internal Auditors:

- 1.1 Shall perform their work with honesty, diligence and responsibility.
- 1.2 Shall observe the law and make disclosures expected by the law and the profession.
- 1.3 Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of Internal Auditing or to the organisation.
- 1.4 Shall respect and contribute to the legitimate and ethical objectives of the organisation.

## **2. Objectivity**

### *Principle*

Internal Auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined.

Internal Auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests, or by others, in forming judgements.

### **Rules of Conduct**

Internal Auditors:

- 2.1 Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation.
- 2.2 Shall not accept anything that may impair or be presumed to impair their professional judgement.
- 2.3 Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

### **3. Confidentiality**

#### *Principle*

Internal Auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority, unless there is a legal or professional obligation to do so.

#### **Rules of Conduct**

Internal Auditors:

- 3.1 Shall be prudent in the use and protection of information acquired in the course of their duties.
- 3.2 Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

### **4. Competency**

#### *Principle*

Internal Auditors apply the knowledge, skills and experience needed in the performance of Internal Auditing services.

#### **Rules of Conduct**

Internal Auditors:

- 4.1 Shall engage only in those services for which they have the necessary knowledge, skills and experience.

- 4.2 Shall perform Internal Auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing.
- 4.3 Shall continually improve their proficiency, effectiveness and quality of their services.

Internal auditors must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life, information on which can be found at [www.public-standards.gov.uk](http://www.public-standards.gov.uk)

## **CORE PRINCIPLES**

### **FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING**

The Internal Audit service is delivered through application of ten Core Principles, which taken as a whole, articulate internal audit effectiveness.

The following Core Principles underpin the mission of the Internal Audit service.

*'To enhance and protect organisational value by providing risk based and objective assurance, advice and insight'.*

1. Demonstrates integrity
2. Demonstrates competence and due professional care
3. Is objective and free from undue influence (independent)
4. Aligns with the strategies, objectives, and risks of the organisation
5. Is appropriately positioned and adequately resourced
6. Demonstrates quality and continuous improvement
7. Communicates effectively
8. Provides risk-based assurance
9. Is insightful, proactive, and future-focused
10. Promotes organisational improvement

## AUDIT ACTIVITY & RESOURCES

### Resources

1. **Audit Manager** -1 FTE - responsible for leading and managing the audit and investigation teams in delivering their roles, as set out within the Public Sector Internal Audit Standards (PSIAS), and other professional Codes of Practice.
2. **Audit Team** - 7.82 FTE - who undertake system based audits, financial audits, provide advice and guidance to clients on a wide range of matters, and undertake work around efficiency and value for money, supported by an Audit Assistant.
3. **Investigation Team** - 2.42 FTE - dedicated to the prevention, detection and investigation of suspected fraud or financial impropriety.
4. All audit staff are required to maintain the highest standards of professional practice, and comply with professional Codes of Practice. The Public Sector Internal Audit Standards are followed in all aspects of internal audit work undertaken.
5. For the purpose of the Public Sector Internal Audit Standards, the Governance and Audit Committee acts as the “Board”, members of the Senior Management Team represent ‘Senior Management’, and the Corporate Director of Resources & Section 151 Officer is the Senior Manager overseeing the Internal Audit Function. The Audit Manager is the Chief Audit Executive.
6. All auditors and investigators are suitably qualified and collectively offer a wide range of skills, experience and knowledge.
  - In the Audit team, there are two qualified Accountants, one Chartered Internal Auditor, two Certified Internal Auditors and most other auditors are qualified Accounting Technicians. A further member is studying for a Certified Information Systems Auditor (CISA) qualification.
  - The Investigation team is led by a Group Auditor who has the CIPFA Certificate in Investigative Practice, and investigators are professionally trained. Two members are professionally qualified counter fraud officer’s, accredited with Portsmouth University, with the third team member being a former police officer with many years of professional expertise.
7. Ongoing development and training of auditors is fundamental to the delivery of an effective and professional audit and Investigation services. The Council’s Personal Review Scheme is fully adopted and the teams assess themselves against the skills required for their respective roles. This assists in the identification of team and individual development and training opportunities within a robust performance management framework.

**GOVERNANCE AND AUDIT COMMITTEE  
TERMS OF REFERENCE**

**Governance**

The Governance and Audit Committee is one of the Council's Governance Committees. It discharges the following duties in accordance with its statement of purpose, and reports to full Council.

**Statement of Purpose**

The committee's purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements, and the performance assessment of the Council. Its role in ensuring there is sufficient assurance over governance, risk and control gives greater confidence to all those charged with governance that those arrangements are effective. The committee has oversight of both internal and external audit, together with the financial and governance reports, helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.

The committee is to seek assurance that the budgetary control systems (as an internal control) of the council are operating effectively. The scrutiny of spend falls within the remit of the Council's Scrutiny Committees

**Governance, Performance, Risk & Control**

- To review the Council's corporate governance arrangements against the good governance framework, including the ethical framework, and consider the Code of Corporate Governance.
- To review the Council's draft annual Self-Assessment Report, and make any appropriate recommendations for changes.
- To review the Council's draft response to the Panel Performance Assessment Report, and make any appropriate recommendations for changes.
- To review the Council's draft response to any Auditor General's recommendations arising from a 'special inspection' in respect of the Council's performance requirements, and to make any appropriate recommendations for changes.
- To review and assess the authority's ability to handle complaints effectively, and make any associated reports and recommendations.
- To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's Financial Management Code.
- To monitor the effective development and operation of risk management in the Council.
- To monitor progress in addressing risk-related issues reported to the Committee.
- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

- To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
- To monitor the Counter-fraud strategy, actions and resources.
- To review the governance and assurance arrangements for significant partnerships or collaborations.

## **Financial and governance reporting**

### **Governance reporting**

- To review the Annual Governance Statement (AGS) prior to approval and consider whether it properly reflects the risk environment and supporting assurances, including the Audit Manager's internal audit's annual opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control.
- To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives.

### **Financial Reporting**

- To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
- To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
- To seek assurances on the arrangements for the management of the authority's financial affairs.

### **Treasury Management**

- To seek assurances that the Council has complied with the Treasury Management Strategy and Practices by demonstrating effective control of the associated risks and pursuing optimum performance consistent with those risks.
- To review the treasury management policy and procedures to be satisfied that controls are satisfactory.
- To review the treasury risk profile and adequacy of treasury risk management processes.
- To review assurances on treasury management (for example, an internal audit report, external audit or other review).
- To develop awareness and understanding of treasury matters, and to receive regular reports on activities, issues and trends to support the committee's understanding of treasury management activities. *(The committee is not responsible for the regular monitoring of treasury management policies and practices, which are the responsibility of the Cabinet, under the Council's Scheme of*

*Delegations (Section 2, paragraph 10), the approved Treasury Management Policy Statement and the Third Clause of Treasury Management, as set out therein).*'

### **Arrangements for audit and assurance**

- To consider the Council's framework of assurance and ensure that it adequately addresses the risk and priorities of the Council.

### **External Audit**

- To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- To consider specific reports as agreed with the external auditors.
- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To consider commissioning additional work from internal and external audit.
- To advise and make recommendations on the effectiveness of relationships between external and internal audit and other inspector agencies or relevant bodies.
- To provide auditors with free and unfettered access to the Governance and Audit Committee Chair and the opportunity for a private meeting with the Committee.

### **Internal Audit**

- To approve the Internal Audit Charter.
- To review proposals in relation to the appointment of external providers of internal audit services and to make recommendations.
- To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurances and any work required to place reliance upon those other sources.
- To approve significant interim changes to the risk based internal audit plan and resource requirements.
- To make appropriate enquiries of both management and the Audit Manager to determine if there are any inappropriate scope or resource limitations.
- To consider any impairments to independence or objectivity of the Audit Manager arising from additional roles or responsibilities outside of internal auditing and to approve and periodically review safeguards to limit such impairments.
- To consider reports from the Audit Manager on Internal Audit's performance during the year
  - including the performance of external providers of internal audit services. These will include:
  - Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work
  - Regular reports on the results of the Quality Assurance and Improvement Programme (QAIP)

- Reports on instances where the internal audit function does not conform to the PSIAS and Local Government Application Note (LGAN) considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.
- To consider the Audit Manager's annual report:
  - The statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement (these will indicate the reliability of the conclusions of Internal audit)
  - The opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control together with a summary of the work supporting the opinion (these will assist the Committee in reviewing the Annual Governance Statement).
- To consider summaries of specific internal audit reports as requested.
- To receive reports outlining the action taken where the Audit Manager has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- To contribute to the Quality Assurance and Improvement Programme and in particular the external quality assessment of internal audit that takes place at least once every five years.
- To consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations.
- To provide free and unfettered access to the Governance and Audit Committee Chair for the Audit Manager, including the opportunity for a private meeting with the Committee.

### **Accountability Arrangements**

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

### **Training & Development**

- To attend relevant training sessions in accordance with the Member Development Programme including specialist training tailored for Members of the Governance and Audit Committee

## **QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (QAIP)**

A Quality Assurance and Improvement Programme (standard 1300) is designed to enable an evaluation of the Internal Audit section's conformance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics.

The programme also assesses the efficiency and effectiveness of the internal audit activity and is used to identify and deliver opportunities for improvement.

Key principles of the QAIP:

- The Audit Manager has established a system of ongoing monitoring of conformance with the standards and the Code of Ethics as part of each audit engagement, and a system of periodic review and reporting.
- Regular periodic reports and an Annual Internal Audit Report are presented to the Section 151 Officer and to the Governance and Audit Committee.
- There is a commitment to undergoing an external inspection on conformance to PSIAS every five years.

To support the delivery of an efficient and effective service:

- Each Directorate has a relationship manager with whom they hold regular meetings to discuss risks and emerging issues, progress against and development of the audit plan, and audit outcomes and feedback.
- The Audit Manager has regular contact with the Governance and Audit Committee Chair, Audit Wales, Senior Managers including the Chief Executive and the Section 151 Officer, and peers within Welsh Local Authorities and the Core UK Cities.
- Benchmarking exercises are undertaken in order to assess performance against other comparable organisations and report on significant variances, with action plans developed and implemented where appropriate.
- Annual personal reviews include auditor assessments against a skills and competency framework, leading to development goals and targets.
- Quality assurance is delivered through monitoring and review processes at key stages within the audit, to ensure all relevant Codes of Practice and Standards are adhered to.
- All Auditors are required to comply with the Code of Ethics, any other professional standards for the associations to which they belong and the Council's Codes of Conduct.

## QAIP - OPERATIONAL APPROACH

The QAIP is built around a performance management approach, which involves 'setting expectations', 'reviewing performance', and 'reporting performance' at individual auditor and team levels. The application of these control stages are summarised as follows.

### 1. Setting expectations - With clear expectations in place, auditors can focus on delivery.

- ✓ **Audit Allocation** - Each auditor has a quarterly allocation of work, which is stretching but achievable. Auditors are responsible for delivering their allocation effectively and on time.
- ✓ **Scoping and Objectives** – Each auditor has clear and documented objectives for each audit engagement, that they are responsible for delivering.
- ✓ **Audit 'Pit Stop'** - When half of the audit time is used, a senior team member completes a short and sharp review of progress against the audit objectives. This can either result in assurance that the audit is being delivered effectively, or it leads to expectations being re-set, with actions developed for the auditor to conclude a high quality audit engagement on time.
- ✓ **Personal Reviews** – Each year delivery, training and development goals and objectives are established for each auditor, in recognition of the individual and collective skills needed to deliver the risk-based plan effectively in the current and medium term.

### 2. Reviewing Performance - Expectations are revisited in quality assurance and control reviews.

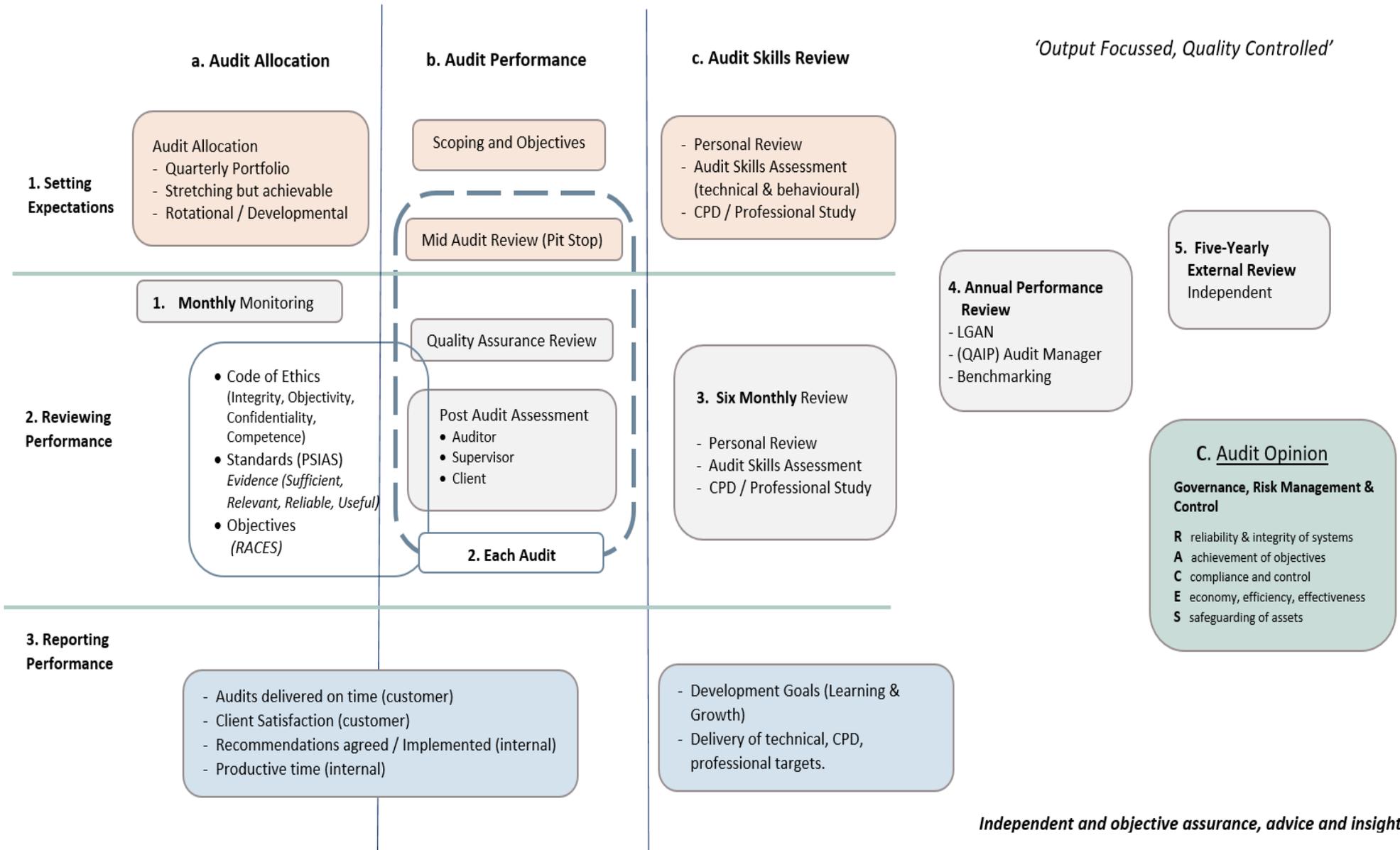
- ✓ **Monitoring** - Each auditor attends a monthly monitoring meeting, through which the delivery of their 'Audit Allocation' is reviewed, issues are identified and addressed.
- ✓ **Quality Assurance Review** - Each audit is subject to a quality assurance review by a member of the audit management team, to ensure high quality delivery in accordance with the Code of Ethics and the Standards. The review considers the quality of evidence to support the audit 'Objectives', and the delivery of actions resulting from the audit 'Pit Stop'.
- ✓ **Post Audit Assessment** – Upon conclusion of each audit, the auditor, and a senior team member review the auditor's performance against best practice technical and behavioural qualities. A client satisfaction survey is also used to identify the audit delivery and value from the client's perspective. Any development needs are identified and progressed.
- ✓ **Six Monthly Personal Review** – Progress is measured against the objectives and targets in each Auditor's 'Personal Review', taking account of the findings and outcomes from the activities in the 'Reviewing Performance' control stage. It can lead to new objectives, targets and support.

### 3. Reporting Performance - A range of performance measures are used for reporting and review.

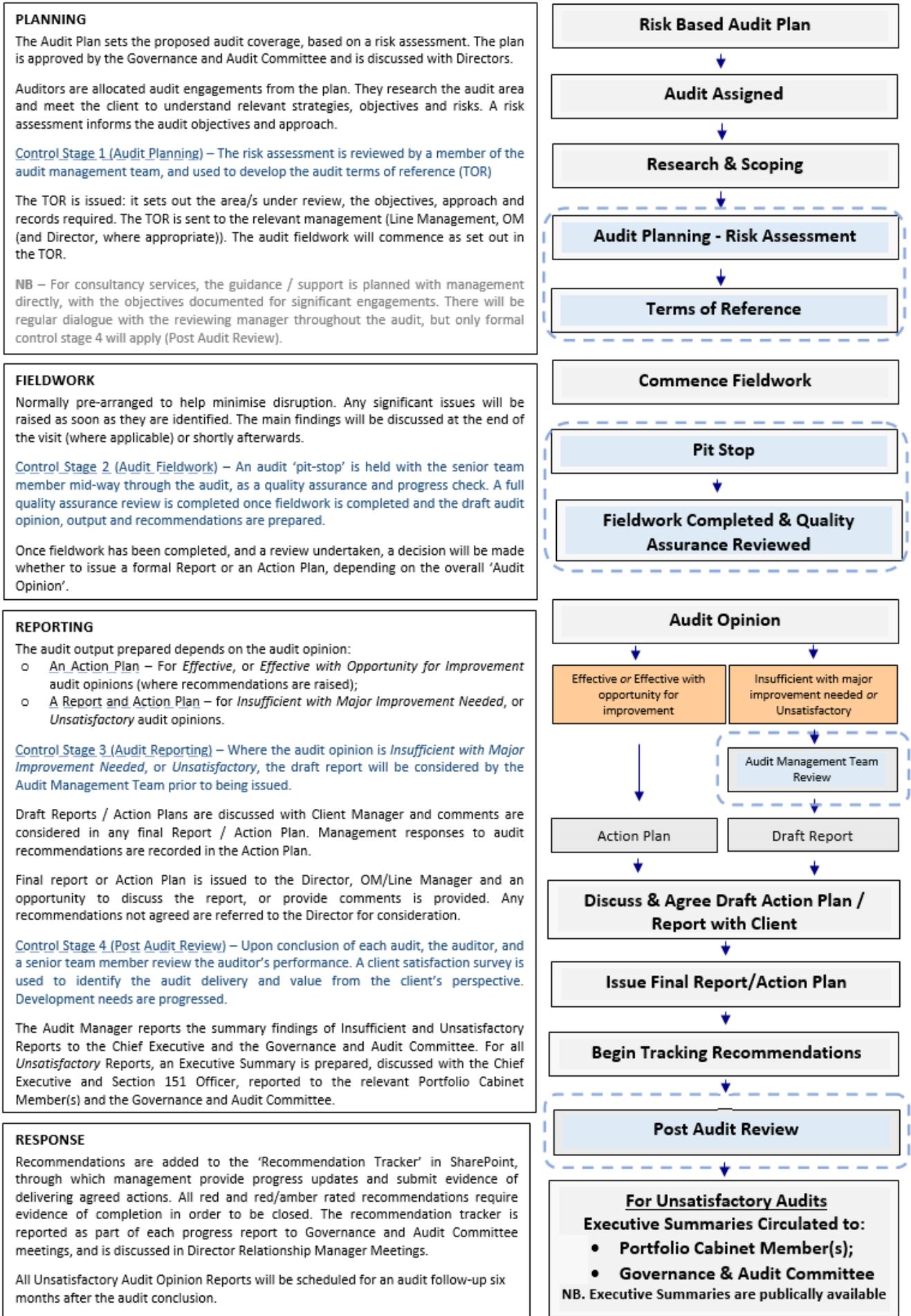
- Core performance measures relate to the audits delivered on time, client satisfaction, recommendations agreed / implemented, productivity and the delivery of personal objectives.
- Performance information is regularly monitored by the Audit Manager and is considered by the Finance Management Team and the Governance and Audit Committee on a quarterly basis.
- On an annual basis, the Audit Manager reviews and reports on the application and findings of the performance management Framework that underpins the QAIP to the Governance and Audit Committee. An external assessment of conformance with the PSIAS is completed and reported at least every five years.

## QAIP – OPERATIONAL APPROACH (DIAGRAM)

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The Audit Protocol provides an outline of the audit process from planning to reporting.



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DRAFT AUDIT PLAN 2023/24

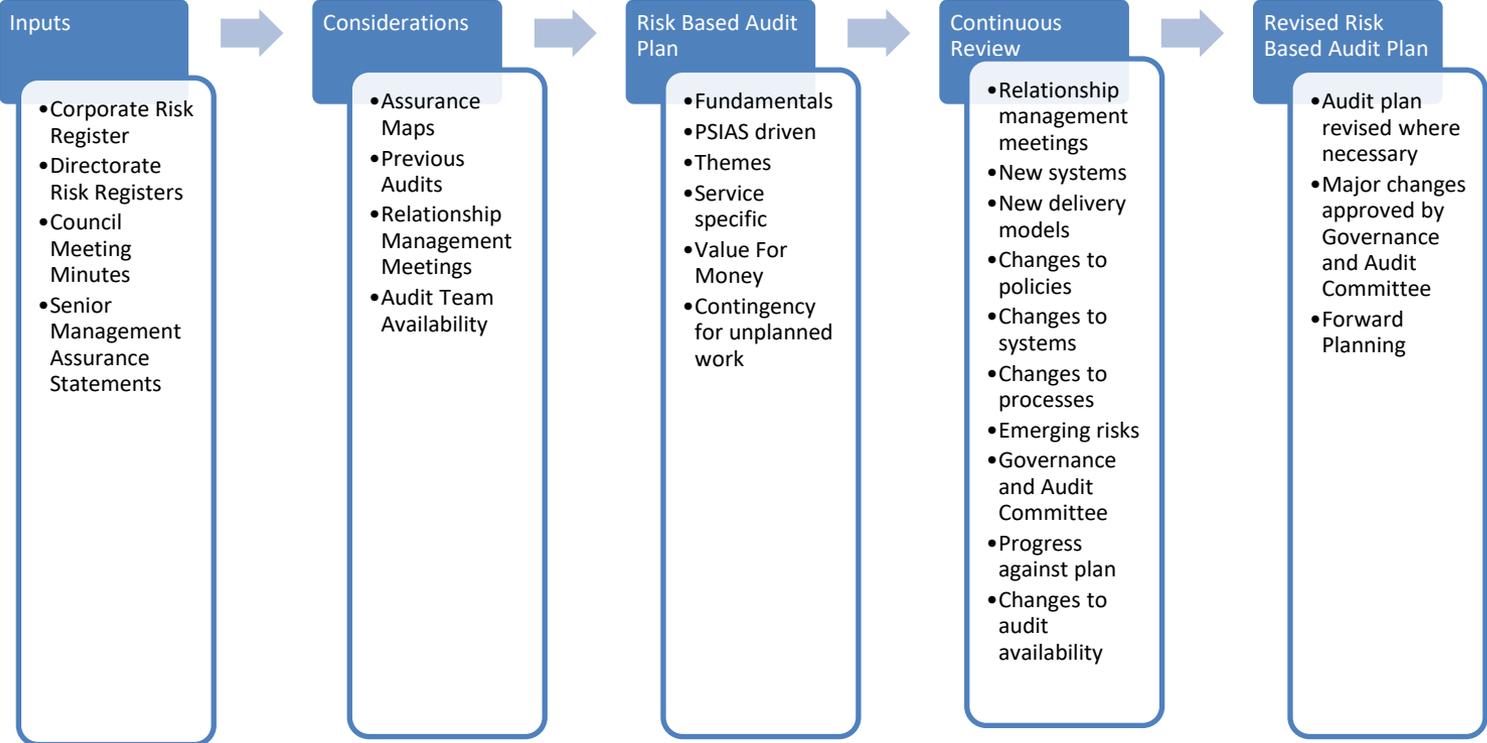
Audit Category	Risk	Engagement Type	CPFA Classification	Audit Plan, 2022/23	Original Audit Plan 2023/24	Assignment	Days	Audit Scope	National Issue
<b>Fundamental Audits - S151 Assurance</b>									
Purchasing Payments and Processing	High	Assurance	Chargeable	50	50	CRSA	5	Purchases and Payments are compliant, authorised, accurate and timely	
						In-year Testing	25		
						Purchasing Cards	20		
Payroll & HR				50	50	CRSA	5	Recruitment processes are transparent and robust, leave processes are well governed, only bona fide, authorised and accurate payments are made, with effective prevention, detection and recovery of errors	
						In-year Testing	25		
						Time Recording	20		
Income and Debtors				3	30	Income and Debtors	20	Operation of appropriate arrangements to record, monitor and recover sundry debtors.	
INDR				0	20	INDR	20	Business rate collection and control is working effectively and efficiently	
Treasury Management				0	20	Treasury Management	20	Effective treasury management strategy, governance, risk management and monitoring framework	
Main Accounting				0	20	Main Accounting	20	The main accounting system and processes are well controlled and operating effectively	
Asset Management				0	20	Asset Management	20	Effective recording, monitoring, management and control of physical assets	
Housing Rents				0	10	Housing Rents	10	Effective control processes are in place for managing and recovering housing rents	
Council Tax				20	0				
FB / LHA / CTB				20	0				
<b>Total</b>				<b>149</b>	<b>210</b>		<b>210</b>		
<b>Corporate Audit</b>									
				Original audit plan 2022/23	Original audit plan 2023/24	Assignment	Days		
Risk Management	High	Assurance	Chargeable	15	15	Climate Change Risk Management	15	Risk management arrangements are effective and operated consistently	
Contract Audit				40	40	Cradle to Grave Audit	20	Effective contract compliance, control and delivery of objectives	
						Framework Agreements	20		
Taxation				20	20	Taxation	20	Effective compliance and control	
Procurement				20	20	Procurement	20	Effective and compliance commissioning and procurement compliance and control arrangements	
Mileage & Subsistence				15	15	Mileage & Subsistence	15	Accurate claiming and authorisation for reasonable expenditure.	
Fleet Management				0	20	Fleet Management	20	Effective governance, risk management and control	
ICT Audit				30	30	Backup and Data Recovery	15	Effective governance, risk management and control	
						Cyber Security (Schools) – ICT Managed Technology	15	Effective governance, risk management and control	
National Fraud Initiative		Participation		10	10	National Fraud Initiative	10	Data matching counter-fraud exercise	
Value for Money studies		Assurance		30	30	Value for money in use of Council Vehicles	15	Assurance on value for money in use of Council vehicles	
						Value for money in use of Overtime	15	Value for money in use of overtime	
Stores				10	10	Lambey Way Stores	10	Effective and efficient stores management, and stock / equipment control	
Education - SGP				20	20	Education - SGP	20	Delivery of objectives, with effective compliance and control	
Governance Arrangements				20	20	Governance Arrangements TBC	20	Audit of the application of good corporate governance arrangements	
Programmes and Projects				20	20	Programmes and Projects	20	Effective, clear and consistent project governance arrangements.	
System Development				30	30	Provision for System Development	30	Consultation or assurance services, as relevant.	
Wellbeing of Future Generations				0	20	Wellbeing of Future Generations	20	Effective application of Wellbeing of Future Generations requirements.	
Business Continuity				0	20	Business Continuity	20	Effective business recovery and incident management systems.	
Information governance				0	20	Information Governance	20	Effective mechanisms and systems operated in accordance with the data protection act 2018	
Delegation and decision making				20	20	Delegation and decision making	20	Effective application of delegated authority and decision making	
Other areas				20	0				
Welsh Government Covid Grants				20	0				
Complaints and Compliments				20	0				
Partnership / Arms length Assurance				20	0				
Health and safety				5	0				
Self-guarding				4	0				
Welsh Government Covid Grants - Assurance				20	0				
<b>Total</b>				<b>409</b>	<b>380</b>		<b>380</b>		
<b>Service Specific Audits</b>									
				Original audit plan 2022/23	Original audit plan 2023/24	Assignment	Days		
Service / Process Consultancy	High	Consultancy	Chargeable	40	30	Provision for Service / Process Consultancy	30	Consultancy support across the Council, as appropriate	
Resources	High	Assurance		60	40	Performance Management	15	Performance management arrangements are effective, and operated consistently.	
	Medium					Insurance	15	Delivery of service objectives with effective compliance and control	
						FDL/DW LP - Central Transport Service	10		
Governance and Legal Services	High	Assurance		45	40	Performance Management	10	Performance management arrangements are effective, and operated consistently.	
	Medium					Electoral Services	20	Delivery of service objectives with effective compliance and control	
						Land Charges	10		
People and Communities	High	Assurance		40	30	Performance Management	15	Performance management arrangements are effective, and operated consistently.	
	Medium					Community Safety	15	Assurance on compliance with statutory requirements	
Adults, Housing & Communities	High	Assurance		154	125	Performance Management	15	Performance management arrangements are effective, and operated consistently.	
	Medium					Hubs	10	Assurance on payroll, asset management, information governance, payment and income systems	
						Mental Health Day Services	15	Delivery of service objectives with effective compliance and control	
						Residential Care	15		
						Emergency Duty Team	15		
						Allocations, lettings and voids	20		
						Home Care	15		
Children's Services	High	Assurance		40	40	Performance Management	15	Performance management arrangements are effective, and operated consistently.	
	Medium					Direct Payments - Children's and Adults	15	Delivery of service objectives with effective compliance and control	
Economic Development	High	Assurance		100	35	Statutory Compliance	8	Assurance on statutory compliance systems and controls	
	Medium					Event Management (Cardiff Castle)	7	Delivery of service objectives with effective compliance and control	
						Pest Control	5		
						Commercial Waste	5		
						Facilities Management	10		
Economic Development (Waste Management)				67	30	Waste Management Overtime	15		
						Street Cleaning	15		
Education and Lifelong Learning	High	Assurance		182	150	Performance Management	15	Performance management arrangements are effective, and operated consistently.	
	Medium					School Admissions	15	Effective and well governed arrangements for school admissions	
						Secondary school audits * 4	30	Audits of systems of governance and internal control within individual schools	
						Primary school audits * 3	15		
						Schools VAT Assurance	15	Effective compliance and control	
						Castles catering in secondary schools	15		
						Governer Services	15		
						Schools Information Management	20		
						Youth Service	10		
Planning, Transportation and Environment	High	Assurance		55	45	Performance Management	15	Performance management arrangements are effective, and operated consistently.	
	Medium					Highways Maintenance	15		
						Planning	15		
<b>Total</b>				<b>783</b>	<b>565</b>		<b>565</b>		
<b>External</b>									
				Original audit plan 2022/23	Original audit plan 2023/24	Assignment	Days		
External clients	High	Assurance Certification	Chargeable	25	35	City Deal 2022/23	10	Scope as per rolling SIA	Y
	Low					Cardiff Further Education Trust Fund 2021/22 & 2022/23 - tbc	2	Grant certification / statement of accounts work	
						Horwagell Church Preservation Trust 2022/23 - tbc	2		
						Joint Committees	6		
						Education Improvement Grant 2022/23 - tbc	15		
<b>Total</b>				<b>25</b>	<b>35</b>		<b>35</b>		
<b>Contingencies</b>									
				Original audit plan 2022/23	Original audit plan 2023/24	Assignment	Days		
General Audit	TBC	TBC	Chargeable	10	70	General Audit (provision for carried forward audits / other work)	70	General Audit (provision for carried forward audits / other work)	
<b>Total</b>				<b>10</b>	<b>70</b>		<b>70</b>		
<b>Management</b>									
				Original audit plan 2022/23	Original audit plan 2023/24	Assignment	Days		
Corporate work – Audit Committee, Audit Wales etc.	Medium	Management	Chargeable	50	50	Corporate work – Audit Committee, Audit Wales etc.	50	Internal Audit management, planning, guidance and support activities.	
Assurance mapping		Management	Chargeable	15	20	Assurance mapping	20		
CRSA development		Management	Chargeable	10	10	CRSA development	10		
Process development		Management	Chargeable	15	15	Process development	15		
Work for Audit Manager		Management	Chargeable	15	30	Work for Audit Manager	30		
Planning, monitoring & reporting		Management	Chargeable	30	30	Planning, monitoring & reporting	30		
Review of financial rules etc.		Management	Chargeable	40	60	Review of financial rules etc.	60		
General advice and guidance		Management	Chargeable	10	20	General advice and guidance	20		
<b>Total</b>				<b>185</b>	<b>215</b>		<b>215</b>		
<b>Total chargeable days</b>				<b>1,555</b>	<b>1,495</b>		<b>1,495</b>		

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# Cyclical Audit Planning



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## **GOVERNANCE & AUDIT COMMITTEE: 21 MARCH 2023**

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### **PUBLIC SECTOR INTERNAL AUDIT STANDARDS – PEER / EXTERNAL QUALITY ASSESSMENT REVIEW**

#### **REPORT OF THE AUDIT MANAGER**

#### **AGENDA ITEM: 8.3**

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#### **Reason for the Report**

1. The Terms of Reference for the Governance and Audit Committee sets out its responsibility:
  - To contribute to the Quality Assurance and Improvement Programme and in particular the external quality assessment of internal audit that takes place at least once every five years.
2. The Public Sector Internal Audit Standards (PSIAS) require (in Standard 1312) that “external assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.”
3. The external assessment of Cardiff Council’s Internal Audit Section has been carried out through a peer assessment approach, led by the Chief Auditor in Monmouthshire / Newport Council (Andrew Wathan) who was allocated to undertake the assessment.
4. This report has been prepared to provide Governance and Audit Committee Members with details the outcome of the assessment, and an opportunity to discuss the approach and report with the assessor.

#### **Background**

5. The Public Sector Internal Audit Standards (PSIAS) are mandatory for all internal auditors working in that area. They are based upon the Institute of Internal Auditors (IIA) International Professional Practices Framework and have been adopted by the Relevant Internal Audit Standard Setters (RIASS). The purpose of the PSIAS is to define the nature of internal auditing within the UK public sector and to create a framework and principles of good practice.
6. This is the second external assessment that has been carried out in respect of Cardiff Council’s Internal Audit section following the publication of the PSIAS in 2013. The self-assessment approach has followed the framework established for the previous assessment, whereby the Audit Manager completed a self-assessment that was subject to validation by another Welsh Local Authority. The process is designed to be a

supportive process that identifies opportunities for development which ultimately help to enhance the value of the audit function to the authority.

7. The last peer assessment was reported to the Committee (then named Audit Committee) in March 2018. It contained four recommendations and reported no significant deviations from the Standards.
8. Following the last peer assessment, at regular intervals the Audit Manager has considered and reported to the Committee on the PSIAS Action Plan and progress. On an annual basis the Audit Manager has completed a self-assessment against the Local Government Application Note, which provides a breakdown of the requirements of the PSIAS. The overall position has been reported to Committee within Internal Audit Annual Reports.
9. All recommendations arising from the last peer assessment and subsequent annual internal assessments by the Audit Manager have been reported to Committee as addressed. Completion was reported within the Internal Audit Annual Report 2019/20, as reported to Committee on 28 July 2020.
10. The approach to this peer assessment has been discussed with the Governance and Audit Committee Chairperson, and details have been provided to Governance and Audit Committee in July and November 2022 and January 2023.

## **Issues**

11. The external peer assessment has been undertaken during the period November 2022 to February 2023 by the Chief Internal Auditor and Audit Manager at Newport City Council, both qualified via CIPFA with extensive internal audit management experience within local government.
12. The assessment has reported no partial or non-conformance with the requirements of the PSIAS. The Internal Audit Service of Cardiff Council has been assessed as conforming to 304 of the requirements (includes those not applicable).
13. The Cardiff Council Internal Audit Service is assessed as generally conforming with the Standards in all significant areas and operating independently and objectively. One optional action was proposed and has been implemented, relating to the communication of the audit scope and objectives along with the risk, within audit outputs.
14. The full assessment is contained within **Appendix A** for Governance and Audit Committee consideration and comment.

## **Legal Implications**

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

## **Financial Implications**

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

## **Recommendations**

17. To consider and make any relevant contributions to the external quality assessment of internal audit in Cardiff Council.

**CHRIS PYKE**  
**AUDIT MANAGER**

The following are attached:

**Appendix A:** External Assessment of Cardiff City Council's Internal Audit Service

## **Background Papers**

- Public Sector Internal Audit Standards [Public sector internal audit standards PSIAS | CIPFA](#)
- 2018 PSIAS external quality assessment report to the Audit Committee - [Agenda item - Public Sector Internal Audit Standards : Cardiff Council \(moderngov.co.uk\)](#)

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Newport City Council  
Internal Audit Report

**Public Sector Internal Audit Standards (PSIAS)**

**External Assessment of  
Cardiff City Council's Internal Audit Service**

**Welsh Chief Internal Auditor Group**

**WCIAG**

Date of Assessment Fieldwork	November 2022 to February 2023
Date of Report Issue	6 <sup>th</sup> March 2023
Report Status	Final
Report Author	A Wathan CPFA, Chief Internal Auditor, Newport City Council D Palmer CPFA, Audit Manager, Newport City Council
Issued to	Chris Pyke, Audit Manager, Cardiff City Council

## **1. Introduction**

- 1.1 The Public Sector Internal Audit Standard (PSIAS) became effective from 1<sup>st</sup> April 2013 (updated 2017) and introduced a requirement for an external assessment of all internal audit services, which must be conducted at least once every five years by a qualified, independent reviewer from outside of the organisation.
- 1.2 The two possible approaches to external assessments outlined in the standards included either a full external assessment or an internal self-assessment which is validated by an external reviewer.
- 1.3 Members of the Welsh Chief Internal Auditor Group (WCIAG) elected to adopt the self-assessment approach, with another member of the WCIAG undertaking the validation.

## **2. Purpose**

- 2.1 The purpose of the external assessment is to help improve delivery of the audit service to an organisation. The assessment is designed to be a supportive process that identifies opportunities for development which ultimately help to enhance the value of the audit function to the authority.

## **3. Results**

- 3.1 The assessment involved a validation of a self-assessment of conformance against the PSIAS undertaken by the Chief Internal Auditor and Audit Manager at Newport City Council.
- 3.2 The assessment comprised a desktop review of the self-assessment and supporting evidence and discussions were held with the Audit Manager (Cardiff City Council) to gain insight and views on the operation of the Internal Audit Team and adherence to the Standards.
- 3.3 In summary, there are 304 best practice lines within the PSIAS. A review of conformance against the PSIAS was undertaken during the period November 2022 and February 2023 by the Chief Internal Auditor and Audit Manager at Newport City Council, both qualified via CIPFA with extensive internal audit management experience within local government. The Internal Audit Service of Cardiff City Council is currently conforming to 304 of the requirements (includes those not applicable), with no partial conformance or non-conformance.

3.4 The table below summarises the outcome of the assessment.

Standard	Conformance			Total
	Yes	Partly	No	
1. Mission of Internal Audit	1			1
2. Definition of Audit Risk	2			2
3. Core Principles	10			10
4. Code of Ethics	13			13
5. Attribute Standards				
Purpose, Authority and Responsibility	20			20
Objectivity and Independence	29			29
Proficiency and Due Professional Care	21			21
Quality Assurance and Improvement Programme	24			24
6. Performance Standards				
Managing the Internal Audit Activity	37			37
Nature of Work	28			28
Engagement Planning	52			52
Performing the Engagement	15			15
Communicating Results	46			46
Monitoring Progress	4			4
Communicating the Acceptance of Risks	2			2
<b>Total</b>	<b>304</b>	<b>0</b>	<b>0</b>	<b>304</b>

3.5 This report contains three appendices as follows:

<b>Appendix A</b>	Action Plan to address non / partial conformance areas
<b>Appendix B</b>	Enhancing proposals for areas where conformance is already achieved
<b>Appendix C</b>	Completed checklist for assessing conformance with the PSIAS and Local Government Application Note (LGAN)

3.6 There were no areas of partial conformance or non-conformance. There was one area for consideration which would further enhance conformance with the PSIAS, although this is not a significant concern:

- 2410 Communicating Results (Criteria for Communicating) – consider including objectives and scope (or terms of reference) within all draft and final reports along with the risk of the control weakness identified either within the main body of the report or via an attachment or link.

#### **Impact of non-compliance and steps to be taken to ensure compliance**

3.6.1 Any non-conformance with the Standards and the impact must be disclosed to senior management and the Governance and Audit Committee.

3.6.2 In terms of the review that has been undertaken, the impact of the non-conformance is not relevant, such that the Internal Audit Service of Cardiff City Council generally conforms with the Standards in all significant areas and operates independently and objectively.

3.6.3 No Action Plan is required. The Audit Manager has agreed to consider the proposals suggested to further enhance conformance in areas already conforming and share this information with the Governance and Audit Committee.

**Action Plan to address non / partial conformance areas**

Standard	Action to address non / partial conformance	Who is responsible for implementing the action	Timescale
<i>No areas of non / partial conformance identified</i>			

**Further Action Plan – Enhancing proposals for areas where conformance is already achieved**

Ref Attribute / Performance Standard	Compliant, but enhancing recommendation proposed.	Who is responsible for implementing the action	Timescale
2410 (253 – 254)	Consider including objectives & scope (or terms of reference) in all draft & final reports along with the risk of the control weakness identified either within the body of the report or via an attachment or link.		

**CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS  
AND THE LOCAL GOVERNMENT APPLICATION NOTE (LGAN)**

Glossary	
<b>GC</b>	<b>Generally Conforms with PSIAS</b> - The relevant structures, policies and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of individual Standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual Standards or elements of the Code of Ethics, and at least partial conformance to the others, within the section / category. General conformance does not require complete / perfect conformance, the ideal situation, successful practice, etc.
<b>PC</b>	<b>Partially Conforms with PSIAS</b> - The activity is making good-faith efforts to comply with the requirements of the individual Standard or element of the Code of Ethics, section or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the Standards or Code of Ethics and / or achieving their objectives.
<b>DNC</b>	<b>Does Not Conform with PSIAS</b> - The activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many / all of the objectives of the individual Standard or element of the Code of Ethics, section, or major category. These deficiencies will usually have a significant negative impact on the activity's effectiveness and its potential to add value to the organisation. These may also represent significant opportunities for improvement, including actions by senior management or the board.
<b>N/A</b>	<b>Not Applicable</b> - The sections marked N/A do not apply to this assessment. Any n/a answers should be treated as generally conforming with the PSIAS.
<b>CAE</b>	<b>Chief Audit Executive (CAE)</b> - A generic title used to describe the person responsible for managing the internal audit activity. In Cardiff Council, it is the Audit Manager.

Y – external assessment confirms compliance

	SUMMARY OF RESULTS	GC	PC	DNC	N/A
1	Mission of Internal Audit 1	1	0	0	0
2	Definition of Internal Auditing 2-3	2	0	0	0
3	Core Principles for the Professional Practice of Internal Auditing 4-13	10	0	0	0
4	Code of Ethics 14-26	13	0	0	0
5	Attribute / Performance Standards	271	0	0	7
<b>Ref</b>	<b>Attribute / Performance Standards</b>				
1000	Purpose, Authority and Responsibility (The sum of <i>Standards</i> 1000-1010) 27-46	19	0	0	1
1100	Independence and Objectivity 47-54	8	0	0	0
1110	Organisational Independence 55-60	6	0	0	0
1111	Direct Interaction with the Board 61	1	0	0	0
1112	Chief Audit Executive Roles Beyond Internal Auditing 62-63	2	0	0	0
1120	Individual Objectivity 64-65	2	0	0	0
1130	Impairments to Independence or Objectivity 66-75	7	0	0	3
1200	Proficiency and Due Professional Care				
1210	Proficiency 76-84	9	0	0	0
1220	Due Professional Care 85-92	8	0	0	0
1230	Continuing Professional Development 93-96	4	0	0	0
1300	Quality Assurance and Improvement Programme 97-100	4	0	0	0
1310	Requirements of the Quality Assurance and Improvement Programme 101	1	0	0	0
1311	Internal Assessments 102-111	10	0	0	0
1312	External Assessments 112-115	4	0	0	0
1320	Reporting on the Quality Assurance and Improvement Programme 116-117	2	0	0	0
1321	Use of Conforms with the International Standards for the Professional Practice of Internal Auditing 118	1	0	0	0
1322	Disclosure of Non-conformance 119-120	0	0	0	2
2000	Managing the Internal Audit Activity				
2010	Planning 121-144	24	0	0	0
2020	Communication and Approval 145-147	3	0	0	0
2030	Resource Management 148-150	3	0	0	0
2040	Policies and Procedures 151-152	2	0	0	0

2050	Coordination 153	1	0	0	0
2060	Reporting to Senior Management and the Board 154-156	3	0	0	0

	<b>SUMMARY OF RESULTS</b>	<b>GC</b>	<b>PC</b>	<b>DNC</b>	<b>N/A</b>
2070	External service Provider and Organisational Responsibility for Internal Audit 157	0	0	0	1
2100	Nature of Work				
2110	Governance 158-165	8	0	0	0
2120	Risk Management 166-179	14	0	0	0
2130	Control 180-185	6	0	0	0
2200	Engagement Planning 186-205	20	0	0	0
2210	Engagement Objectives 206-218	13	0	0	0
2220	Engagement Scope 219-227	9	0	0	0
2230	Engagement Resource Allocation 228-230	3	0	0	0
2240	Engagement Work Programme 231-237	7	0	0	0
2300	Performing the Engagement				
2310	Identifying Information 238	1	0	0	0
2320	Analysis and Evaluation 239-244	6	0	0	0
2330	Documenting Information 245-250	6	0	0	0
2340	Engagement Supervision 251-252	2	0	0	0
2400	Communicating Results				
2410	Criteria for Communicating 253-265	13	0	0	0
2420	Quality of Communications 266	1	0	0	0
2421	Errors and Omissions 267	1	0	0	0
2430	Use of 'conducted in conformance with the International Standards for the Professional Practice of Internal Auditing'. 268	1	0	0	0
2431	Engagement Disclosure of Non-conformance 269-271	3	0	0	0
2440	Disseminating Results 272-277	6	0	0	0
2450	Overall Opinions 278-298	21	0	0	0
2500	Monitoring Progress 299-302	4	0	0	0
2600	Resolution of Senior Managements Acceptance of Risks 303-304	2	0	0	0
	<b>OVERALL CONCLUSION – CONFORMANCE WITH PSIAS</b>	<b>297</b>	<b>0</b>	<b>0</b>	<b>7</b>

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
A	Mission of Internal Audit				
1	Based on your review of conformance with other requirements of the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN), does the internal audit activity aspire to accomplish the Mission of Internal Audit as set out in the PSIAS? <i>To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.</i>	X Y			In place.  The Mission has been formally adopted by the Internal Audit Team and is included within the Charter. It provides a focus for the activities planned and delivered, and within the Internal Audit Annual Report through which delivery and conformance is outlined.  <a href="#">Link to Strategy, Charter, Annual Report and Audit Progress Reports</a>  <b>Note</b> – Throughout this assessment, representing the review of conformance looking back at the financial year 2021/22 (as at April 2022) the Board is referred to as the Governance and Audit Committee.
	Mission of Internal Audit				
B	Definition of Internal Auditing				
2	Based on your review of conformance with other requirements of the PSIAS and LGAN, is the internal audit activity independent and objective?	X Y			In place.  The Audit Manager is only responsible for managing the Internal Audit and Investigation Teams. Disclosures are made of all personal and business interests for all audit staff, through which conflicts are avoided in the allocation of work. All activities are performed with a quality assurance and improvement programme (QAIP) which is designed to mitigate any further risks to independence or objectivity in the delivery of audit engagements.
3	Based on your review of conformance with other requirements of the PSIAS and LGAN, does the internal audit activity use a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the organisation?	X Y			In place.  The QAIP process outlines the quality assurance and performance management framework through which this is achieved, supported by an audit protocol (appended within the Audit Charter) to further support the operational process.
	Definition of Internal Audit Conclusion				
C	Core Principles for the Professional Practice of Internal Auditing				
4	Having regard to your review of conformance with the Code of Ethics (Integrity, Seven Principles of Public Life), do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by demonstrating integrity?	X Y			In place.  All auditors are required to adhere to this as reinforced and are supported to ensure this is fully delivered through the QAIP process at the points of audit allocation, supervision and review.
5	Having regard to your review of conformance with the Code of Ethics (Competence, Confidentiality, Seven Principles of Public Life) and any other evidence from the review of conformance with Standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by demonstrating competence and due professional care?	X Y			In place.  All auditors are required to adhere to this as reinforced and are supported to ensure this is fully delivered through the QAIP process at the points of audit allocation, supervision and review.
6	Having regard to your review of conformance with the Code of Ethics (Objectivity, Seven Principles of Public Life) and any other evidence from the review of conformance with standards, do you consider that the internal audit	X Y			In place.  All auditors are required to adhere to this as reinforced and are supported to ensure this is fully delivered through the QAIP process at the points of audit allocation,

	activity fully conforms with the PSIAS and LGAN by being objective and free from undue influence (independent)?				<p>supervision and review.</p> <p>The audit manager has unfettered access to the Chief Executive, and functional reporting to the Governance and Audit Committee in addition to the Head of Finance administratively, which would mitigate any potential independence risk.</p>
7-13	<p>Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by</p> <p>a) Being aligned with the strategies, objectives, and risks of the organisation by?</p> <p>b) Being appropriately positioned and adequately resourced?</p> <p>c) Demonstrating quality and continuous improvement?</p> <p>d) Communicating effectively?</p> <p>e) Providing risk-based assurance, based on adequate risk assessment?</p> <p>f) Being insightful, proactive, and future-focused?</p> <p>g) Promoting organisational improvement?</p>	X Y			<p>a) In place.</p> <p>There is a robust risk-based planning process supported by an assurance map and an embedded relationship management role with each director to ensure the audit plan is aligned to the Council’s strategies, objectives and risks.</p> <p>b) In place.</p> <p>The Internal Audit Team has the resources necessary to deliver a comprehensive audit plan. In the event of significant staff absence, arrangements would be made to buy-in additional temporary resource as necessary. At the financial year end, there was a small restructure to increase the audit team size by 0.4 FTE (inclusive of reducing the auditor headcount by 0.6 FTE and increasing the senior auditor headcount by 1 FTE).</p> <p>c) In place.</p> <p>The QAIP process is designed around a commitment to continuous improvement underpinned by robust conformance with the PSIAS and the LGAN.</p> <p>d) In place.</p> <p>The client surveys provide ongoing assurance that the internal audit team has communicated effectively. In instances where the Governance and Audit Committee has requested further information in the reports it receives from the Audit Manager, this detail has been provided to the satisfaction of the Committee. A recent example was that a confidential meeting was held with an Elected Member, the Chair, Vice Chair and Audit Manager on the work of internal audit in respect of waste management assurance.</p> <p>e) In place.</p> <p>A documented risk assessment underpins the audit planning process using assurance mapping methodology and all audits are undertaken using a risk-based approach in accordance with the standards.</p> <p>f) In place.</p> <p>The mission of the audit team includes the responsibility to provide insight, and the QAIP process ensures audits are scoped and delivered to meet objectives and strategies i.e., being future focused. Auditors are challenged where required to include strategic insight through the audit review process, and reports are developed and delivered with this objective.</p> <p>g) In place.</p> <p>The audit team is asked at times to provide consultancy services, which indicates that senior managers value the insight, advice and guidance of the team when developing processes or systems. In assurance engagements, recommendations have been made and agreed in respect of process developments and service reviews where relevant.</p>

	Core Principles for the Professional Practice of Internal Auditing				
D	Code of Ethics				
14-17	<p>Integrity</p> <p>Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display integrity by:</p> <p>a) Performing their work with honesty, diligence and responsibility?</p> <p>b) Observing the law and making disclosures expected by the law and the profession?</p> <p>c) Not knowingly partaking in any illegal activity nor engaging in acts that are discreditable to the profession of internal auditing or to the organisation?</p> <p>d) Respecting and contributing to the legitimate and ethical objectives of the organisation?</p>	X Y			<p>In place.</p> <p>All members of the Audit Team follow the Code of Ethics, and many are also members of the IIA or other professional bodies through which additional standards are adhered to.</p> <p>All team members make an annual declaration of personal interests and secondary employment, which they are required to update promptly in light of any changes to be documented.</p> <p>All members of the team also follow the Council's Code of Conduct.</p> <p>All Internal Auditors have also completed the IIA Professional Competency Framework, through which they have self-assessed conformance with all areas of the Standards, to include the Code of Ethics.</p>
18-20	<p>Objectivity</p> <p>Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display objectivity by:</p> <p>a) Not taking part in any activity or relationship that may impair or be presumed to impair their unbiased assessment?</p> <p>b) Not accepting anything that may impair or be presumed to impair their professional judgement?</p> <p>c) Disclosing all material facts known to them that, if not disclosed, may distort the reporting of activities under review?</p>	X Y			<p>In place.</p> <p>As above, standards are reinforced through completion of the IIA professional Competency Framework annually by all auditors, and conformance with the Code of Ethics.</p> <p>All staff are also required to adhere to the corporate policy on gifts and hospitality and, as a rule, would not accept gifts and hospitality (other than basic hospitality e.g. tea and biscuits).</p> <p>The audit review process provides a secondary check and challenge on the completeness of the audit and the audit insight and information for appropriate reporting and disclosure.</p>
21-22	<p>Confidentiality</p> <p>Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display due respect and care by:</p> <p>a) Acting prudently when using information acquired in the course of their duties and protecting that information?</p> <p>b) Not using information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation?</p>	X Y			<p>In place.</p> <p>As above, this is a core requirement of the Code of Ethics, assessed through the annual IIA competency Framework review by each Auditor, and monitored through each audit review.</p>
23-25	<p>Competency</p> <p>Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display competence by:</p> <p>a) Only carrying out services for which they have the necessary knowledge, skills and experience?</p> <p>b) Performing services in accordance with the PSIAS?</p> <p>c) Continually improving their proficiency and effectiveness and quality of their services, for example through CPD schemes?</p>	X Y			<p>In place.</p> <p>Auditors are only allocated audits for which they have the knowledge skills and experience, and the level of supervision they will receive is based on their level of capability. The process of ongoing review and supervision of all auditors means that their capability to deliver different categories of audit and the supervision and support required is well understood by audit managers when allocating work.</p> <p>All audits are performed in accordance with the PSIAS, as supported by the ongoing monitoring through the PSIAS and the Audit Manager's annual review of conformance as outlined in the Internal Audit Annual Report.</p> <p>There have been auditors funded in recent years for CIA and CISA professional study. For all team members, measures are in place to support CPD through the</p>

					availability of a combination of in-house training opportunities via the Academy and wider seminars and events, as appropriate.
26	<p>Seven Principles of Public Life</p> <p>Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors, whether consciously or through conformance with organisational procedures and norms, have due regard to the Committee on Standards of Public Life's <i>Seven Principles of Public Life</i>?</p>	X Y			<p>In place.</p> <p>The importance of upholding high standards of behaviour and conduct (encompassing the Seven Principles of Public Life) and regularly reinforced to the members of the team. Indeed, every audit is subject to a review by the auditor, their supervisor and the audit client with any adverse comment (which are rare) followed up in full to reinforce the commitment to delivering high quality conduct and performance.</p>
	Code of Ethics Conclusion				
	Standards				
E	Attribute Standards				
	1000 Purpose, Authority and Responsibility				
27-29	<p>Does the internal audit charter conform with the PSIAS by including a formal definition of:</p> <p>a) the purpose</p> <p>b) the authority, and</p> <p>c) the responsibility</p> <p>of the internal audit activity consistent with the Public Sector Internal Audit Standards (PSIAS)?</p>	X Y			<p>In place.</p> <ul style="list-style-type: none"> <li>Purpose is included in the '<i>Definition, Objective and Scope of Internal Audit</i>' section</li> <li>Authority is included in the '<i>Authority</i>' section</li> <li>Responsibility is included in the '<i>Responsibility</i>' section.</li> </ul> <p>Wording and definitions are consistent with the PSIAS.</p>
30	<p>Does the internal audit charter conform with the PSIAS by clearly and appropriately defining the terms 'board' and 'senior management' for the purposes of the internal audit activity?</p> <p>Note that it is expected that the audit committee will fulfil the role of the board in the majority of instances.</p>	X Y			<p>In place.</p> <ul style="list-style-type: none"> <li>In the '<i>Responsibility</i>' section, the role of the Board is stated as being delivered by the Governance and Audit Committee.</li> <li>In the same paragraph as a point of additional clarity 'senior management' is defined as representing members of the Senior Management Team.</li> </ul>
31-45	<p>Does the internal audit charter also:</p> <p>a) Set out the internal audit activity's position within the organisation?</p> <p>b) Establish the chief audit executive's (CAE) functional reporting relationship with the board?</p> <p>c) Establish the accountability, reporting line and relationship between the CAE and those to whom the CAE may report administratively? Where applicable, this will need to encompass shared service or external providers of internal audit, and the role of the contract manager.</p> <p>d) Establish the responsibility of the board and also the role of the statutory officers (such as the CFO, the monitoring officer and the head of paid service) with regards to internal audit?</p> <p>e) Establish internal audit's right of access to all records, assets, personnel and premises and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities?</p> <p>f) Define the scope of internal audit activities?</p>	X Y Y Y Y Y			<p>In place.</p> <p>a) Internal Audit reports to the Head of Finance (Deputy Section 151 Officer), as defined in the section on '<i>Organisation</i>'.</p> <p>b) The Internal Audit functional reporting to the Governance and Audit Committee is included in the section of '<i>Organisation</i>'.</p> <p>c) As above, the administrative reporting line from Internal Audit to the Head of Finance is established. Accountability is in line with standard HR Council processes. Specific Audit Manager responsibilities are included throughout the Audit Charter in meeting the requirements of the PSIAS.</p> <p>d) The Governance and Audit Committee (Board) has a clear terms of reference. The Corporate Director Resources (Section 151 Officer) is the senior officer responsible for overseeing the Internal Audit Team, as included in the section on '<i>Resources</i>'.</p>

	<p>g) Recognise that internal audit's remit extends to the entire control environment of the organisation?</p> <p>h) Establish the organisational independence of internal audit?</p> <p>i) Cover the arrangements for appropriate resourcing?</p> <p>j) Define the role of internal audit in any fraud-related work</p> <p>k) Set out the existing arrangements within the organisation's anti-fraud and anti-corruption policies, requiring the CAE to be notified of all suspected or detected fraud, corruption or impropriety?</p> <p>l) Include arrangements for avoiding conflicts of interest if internal audit or the CAE undertakes non-audit activities?</p> <p>m) Define the nature of assurance services provided to the organisation, as well as assurances provided to parties external to the organisation?</p> <p>n) Define the nature of consulting services?</p> <p>o) Recognise the mandatory nature of the PSIAS?</p>	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>N/A</p> <p>Y</p> <p>Y</p> <p>Y</p>			<p>e) Rights of access are included in the section on '<i>Authority</i>'.</p> <p>f) Included in the section on 'Definition, Objective and Scope'.</p> <p>g) The section on 'Definition, Objective and Scope' has been expanded to include this explicit statement.</p> <p>h) This is included in the section on '<i>Independence and Objectivity</i>'.</p> <p>i) Included with particular reference in the section on '<i>Internal Audit Plan</i>', the '<i>Core Principles</i>'. Supported by the Governance and Audit Committee Terms of Reference.</p> <p>j) The section on 'Responsibility' was expanded for '19/20 to reference specific role and retained thereafter.</p> <p>k) The section on 'Organisation' has been expanded for '19/20 to reference this and retained thereafter.</p> <p>l) Not applicable. The Audit Manager is not responsible for managing any functions other than the Internal Audit and Investigation Teams.</p> <p>m) The nature of services is defined in the 'responsibility' section.</p> <p>n) Consulting services are defined as 'advisory' in line with the PSIAS definition.</p> <p>o) This is included in the section on '<i>Role and Professionalism</i>'.</p>
46	Does the CAE periodically review the internal audit charter and present it to senior management and the board for approval?	X Y			<p>In place.</p> <ul style="list-style-type: none"> <li>The Audit Charter is reviewed on at least an annual basis, shared and discussed with Senior Management, and approved by Governance and Audit Committee.</li> <li>The Audit Plan and Charter for 2022/23 were discussed with SMT on 24 February and approved by the Governance and Audit Committee on 15 March 2022.</li> </ul> <p> Audit Papers - SMT.msg</p>
	1000 Conclusion				
	1100 Independence and Objectivity				
47	Does the CAE have direct and unrestricted access to senior management and the board?	X Y			<p>In place.</p> <p>Mandated through the Audit Charter.</p>
48	Does the CAE have free and unfettered access to, as well as communicate effectively with, the chief executive or equivalent and the chair of the audit committee?	X Y			<p>The Audit Manager has regular meetings with, and unfettered access to, the Chair of the Governance and Audit Committee and the Chief Executive.</p>
49	Does the CAE attend audit committee meetings?	X Y			<p>In Place.</p>
50	Does the CAE contribute to audit committee agendas?	X Y			<p>Audit Manager attendance and contribution at each Governance and Audit Committee meeting. The Audit Manager contributes to developing each committee agenda with the Chair.</p>

51-54	Are threats to objectivity identified and managed at the following levels: a) Individual auditor? b) Engagement? c) Functional? d) Organisation?	X Y  Y Y Y			In Place.  Individual personal declarations maintained for all auditors and kept up to date – these are used to mitigate any individual independence risks in allocating audit work.  Within audits, there is close supervision and monitoring as well as a quality assurance review through which any potential or perceived independence risks will be mitigated.  The Audit Manager reports functionally to the Governance and Audit Committee, as outlined in the Audit Charter.  The Audit Manager reports administratively to the Head of Finance, and has unfettered access to the Chief Executive, with whom regular meetings are in place. The Audit Manager also attends SMT meetings to present and to observe relevant assurance items
	1100 Conclusion				
	<i>1110 organisational Independence</i>				
55	Does the CAE report to an organisational level equal or higher to the corporate management team?	X Y			In place.  The Audit Manager reports to the Head of Finance, who is a senior manager within the Council.
56	Does the CAE report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities?	X Y			The Audit Manager has regular meetings with the Chief Executive and, through a Relationship Manager role, regular meetings are held with each Director.  The Audit Manager has access to the Chair of the Governance and Audit Committee
57-58	Does the CAE's position in the management structure: a) Provide the CAE with sufficient status to ensure that audit plans, reports and action plans are discussed effectively with the board? b) Ensure that he or she is sufficiently senior and independent to be able to provide credibly constructive challenge to senior management?	X Y  Y			In place.  The Audit Manager provides a quarterly progress report to the Governance and Audit Committee meetings, and the Governance and Audit Committee approves the Audit Plan and the Audit Charter.  The Audit Manager reports administratively to the Head of Finance and functionally to the Governance and Audit Committee.  The Audit Manager manages the Internal Audit and Investigation Teams only.
59	Does the CAE confirm to the board, at least annually, that the internal audit activity is organisationally independent?	X Y			In place.  Ongoing independence and objectivity is reported to the Governance and Audit Committee in each progress report (within each Governance and Audit Committee meeting) and within the Internal Audit Annual Report.
60	Is the organisational independence of internal audit realised by functional reporting by the CAE to the board?  <i>The 'Interpretation' to PSIAS 1110 provides examples of factors which may indicate that the CAE reports functionally to the Board, which</i>	X			In place.  The Audit Manager reports functionally to the Governance and Audit Committee that:

	<p>include where the board:</p> <p>a) approves the internal audit charter</p> <p>b) approves the risk-based audit plan</p> <p>c) approves the internal audit budget and resource plan</p> <p>d) receives communications from the CAE on the activity's performance (in relation to the plan, for example)</p> <p>e) approves decisions relating to the appointment and removal of the CAE</p> <p>f) approves the remuneration of the CAE</p> <p>g) seeks reassurance from management and the CAE as to whether there are any inappropriate scope or resource limitations.</p>	<p>Y</p> <p>Y</p> <p>N/A</p> <p>Y</p> <p>N/A</p> <p>N/A</p> <p>Y</p>			<ul style="list-style-type: none"> <li>Approves the Audit Charter</li> <li>Approves the risk-based audit plan and receives quarterly progress reports on performance</li> <li>Receives information on the audit budget and resource plan</li> <li>Would be advised by the Audit Manager of scope or resource limitations and are able to seek assurance as necessary.</li> </ul> <p>The Governance and Audit Committee has full information on staff resource within the audit team and would be appraised of any decisions to appoint or remove the Audit Manager but, as is typical in local authorities, these areas are not approved by the Governance and Audit Committee nor is the Audit Manager's remuneration. The External Assessor within 2017/18 as part of the EQA was content that appropriate safeguards and practices were in place in respect of functional independence, which have been maintained.</p>
	1110 Conclusion				
	1111 Direct Interaction with the Board				
61	Does the CAE communicate and interact directly with the board?	X Y			<p>In place.</p> <p>The Audit Manager communicates individually with the Chair in particular and has the opportunity to communicate with all Governance and Audit Committee members individually as necessary.</p>
	1111 Conclusion				
	1112 Chief Audit Executive Roles Beyond Internal Auditing				
62	Where the CAE has roles or responsibilities that fall outside of internal auditing, are adequate safeguards in place to limit impairments to independence or objectivity?	X Y			<p>In place.</p> <p>The Audit Manager is not responsible for any teams other than the Internal Audit and Investigations Teams</p>
63	Does the board periodically review these safeguards?	X Y			<p>The Audit Manager completes a personal interest declaration at least annually, which is updated promptly in the event of any changes.</p>
	1112 Conclusion				
	1120 Individual Objectivity				
64	Do internal auditors have an impartial, unbiased attitude?	X Y			<p>In place.</p> <p>Monitored and managed through quality assurance processes.</p>
65	Do internal auditors avoid any conflict of interest, whether apparent or actual?	X Y			<p>In place.</p> <p>Via personal interest declarations, careful work allocation and quality assurance processes.</p>
	1120 Conclusion				

	1130 Impairment to Independence or Objectivity				
66	If there has been any real or apparent impairment of independence or objectivity, has this been disclosed to appropriate parties (depending on the nature of the impairment and the relationship between the CAE and senior management/the board as set out in the internal audit charter)?	X Y			Not applicable. There has been no impairment of independence or objectivity.
67	Does review indicate that work allocations have operated so that internal auditors have not assessed specific operations for which they have been responsible within the previous year?	X Y			In place. This has been achieved through declaration and work allocation processes
68	If there have been any assurance engagements in areas over which the CAE also has operational responsibility, have these engagements been overseen by someone outside of the internal audit activity?	X Y			In place. The Audit Manager does not manage any teams other than the Audit and Investigation teams. The Audit Manager has not overseen assurance audits relating to COVID grants, whistleblowing procedures, investigation processes and disciplinary procedures. The Audit Manager identified an operational manager within Accountancy to oversee these audits. <ul style="list-style-type: none"><li>• In respect of the COVID grants, the Audit Manager provided guidance on control and counter fraud measures for scheme administration;</li><li>• in respect of the other areas, the Audit Manager can have some operational involvement in respect of cases / matters of financial impropriety / fraud; and</li><li>• counter-fraud procedures are overseen by the Audit Manager.</li></ul>
69	Is the risk of over-familiarity or complacency managed effectively: for example by rotating assignments for ongoing assurance engagements and other audit responsibilities periodically within the internal audit team?	X Y			In place. Auditors are rotated to avoid risks of over-familiarity and to support continuous development.
70	Have internal auditors declared interests in accordance with organisational requirements?	X Y			In place. All auditors have declared their interests in accordance with corporate policy.
71	Where any internal auditor has accepted any gifts, hospitality, inducements or other benefits from employees, clients, suppliers or other third parties (other than as may be allowed by the organisation's own policies), has this been declared and investigated fully?	X Y			Not applicable. All auditors are aware of the requirement to adhere to the corporate policy and to work in accordance with the Code of Ethics and the standards. The team has received no gifts / hospitality this year for declaration.
72	Does review indicate that no instances have been identified where an internal auditor has used information obtained during the course of duties for personal gain?	X Y			In place. There has been no evidence of this risk, which is mitigated through the declarations made of the standards upheld and monitoring arrangements.
73	Have internal auditors disclosed all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice, subject to any confidentiality agreements?	X Y			In place. Each audit is reviewed to ensure that all material facts are appropriately disclosed.
74	If there has been any real or apparent impairment of independence or objectivity relating to a proposed consulting services engagement, was this disclosed to the engagement client before the engagement was accepted?	X Y			Not applicable. No consulting engagements have presented a potential or actual risk to independence or objectivity.

75	Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the board before the engagement was accepted?	X Y			In place. The Audit Charter authorises the Audit Manager to make in-year changes to the audit plan and approve audit engagements of no more than 10 days, with the approval of the Governance and Audit Committee. The Governance and Audit Committee has approved all additions to the audit plan for audit engagements requiring more than 10 days.
	1130 Conclusion				
	1200 Proficiency and Due Professional Care				
	1210 Proficiency				
76	Does the CAE hold a professional qualification, such as CMIIA/CCAB or equivalent?	X Y			In place. The Audit Manager is an experienced audit practitioner and manager and is both CMIIA qualified and a member of CCAB.
77	Is the CAE suitably experienced?	X Y			
78	Is the CAE responsible for recruiting appropriate internal audit staff, in accordance with the organisation's human resources processes?	X Y			In place. The Audit Manager has led on all recruitments since commencing post, as Chair of the interview panel.
79	Does the CAE ensure that up-to-date job descriptions exist that reflect roles and responsibilities and that person specifications define the required qualifications, competencies, skills, experience and personal attributes?	X Y			In place. Up to date job descriptions are held.
80	Having regard to the answers to the other questions in this section and other matters, does the internal audit activity collectively possess or obtain the skills, knowledge and other competencies required to perform its responsibilities?	X Y			In place. The requirement is reinforced through the IIA Competency Framework against which all auditors are assessed annually, and from which relevant development areas can be built into the following year's objectives as part of the personal review, against which auditors are measured as part of the Council's performance management framework.
81	Where the internal audit activity does not possess the skills, knowledge and other competencies required to perform its responsibilities, does the CAE obtain competent advice and assistance?	X Y			In place. The Audit Manager has the authority in the Audit Charter to buy-in any services where necessary due to staff turnover and gaps in skills or capacity for certain areas of the audit plan. During 2021/22, the Audit Manager commissioned two audits, one of which was of a more specialist area of the plan (cloud computing).
82	Do internal auditors have sufficient knowledge to evaluate the risk of fraud and anti-fraud arrangements in the organisation?	X Y			In place. Fraud control and risk information has been shared with the team and advice is available from the investigation team where required by auditors. A training session was provided to the internal audit team on this area in 2021.
83	Do internal auditors have sufficient knowledge of key information technology risks and controls?	X Y			In place.

					All auditors have undertaken corporate cyber security training and three have the CIA qualification with the IIA, in which IT controls and risks are included. A member of the team has received funding to study CISA with ISACA. Information and learning is shared through good team communication.
84	Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques?	X Y			In place.  All auditors have a good level of IT skill and knowledge. The team has some members who have higher IT proficiency and are available to provide support / guidance as and when required.
	1210 Conclusion				
	1220 Due Professional Care				
85-89	Do internal auditors exercise due professional care by considering the: a) Extent of work needed to achieve the engagement's objectives? b) Relative complexity, materiality or significance of matters to which assurance procedures are applied? c) Adequacy and effectiveness of governance, risk management and control processes? d) Probability of significant errors, fraud, or non-compliance? e) Cost of assurance in relation to potential benefits?	X Y			In place.  <ul style="list-style-type: none"> <li>The extent of supervision in scoping audits depends on experience and skills</li> <li>All auditors are required to consider the materiality and risk in undertaking their audits, and are supervised according to their skills</li> <li>All audit pit stops and reviews will involve considering the adequacy and effectiveness of governance risk management and control processes, and the possibility of errors, fraud, or non-compliance.</li> <li>Each audit is allocated a number of days to reflect the costs of assurance and the benefits, and auditors are monitored to manage audits accordingly.</li> <li>The use of IT applications to maximise assurance and reduce audit time is advocated, and auditors are supported by colleagues to develop IT audit skills.</li> </ul>
90-92	Do internal auditors exercise due professional care during a consulting engagement by considering the a) Needs and expectations of clients, including the nature, timing and communication of engagement results? b) Relative complexity and extent of work needed to achieve the engagement's objectives? c) Cost of the consulting engagement in relation to potential benefits?	X Y			In place.  Controls as above, with time allocated in accordance with the cost of the audit compared to the benefits, and the output expectations are set in accordance with the requirements of the consulting engagement to ensure value is added to management.
	1220 Conclusion				
	1230 Continuing Professional Development				
93	Has the CAE defined the skills and competencies for each level of auditor?	X Y			In place.
94	Does the CAE periodically assess individual auditors against the predetermined skills and competencies?	X Y			The CAE has adopted the IIA Competency framework, in which the three categories of auditor are assessed as follows:  Audit Manager – Assessed against CAE standards

					Group Auditor / Principal Auditor* – Assessed against Management Standards Senior Auditors / Auditors – Assessed against Auditor Standards. * Principal Auditor commenced post during 2022/23, and will transfer to the management standards assessment for 2022/23 year end assessment.
95	Do internal auditors undertake a programme of continuing professional development?	X Y			In place.
96	Do internal auditors maintain a record of their professional development and training activities?	X Y			<ul style="list-style-type: none"> <li>Auditors have a Personal review designed to contain targets and relevant development objectives each year</li> <li>All auditors are responsible for maintaining their record of professional development.</li> </ul>
	1230 Conclusion				
	1300 Quality Assurance and Improvement Programme				
97	Has the CAE developed a QAIP that covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated?	X Y			In place. A comprehensive QAIP is maintained and included within the Audit Charter, which is subject to annual review by the Senior Management Team, and approval by the Governance and Audit Committee each year. There is an external assessment every 5 years.
98	Does the QAIP assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement?	X Y			
99	Does the CAE maintain the QAIP?	X Y			
100	Are any statutory requirements for review of the internal audit activity satisfied?	X Y			
	1300 Conclusion				
	1310 Requirements of the Quality Assurance and Improvement Programme				
101	Does the QAIP include both internal and external assessments?	X Y			Yes.
	1310 Conclusion				
	1311 Internal Assessments				
102	Does the CAE ensure that audit work is allocated to staff with the appropriate skills, experience and competence?	X Y			In place. Yes – work is allocated based on knowledge, skills and experience, with appropriate supervision in place as required.
103-104	Do internal assessments include ongoing monitoring of the internal audit activity such as: a) Routine quality monitoring processes? b) Periodic assessments for evaluating conformance with the PSIAS?	X Y Y			In place. Each audit requires supervision and a quality review of conformance with the PSIAS. The Audit Manager undertakes annual reviews of conformance with the PSIAS. There is an EQA completed at least every 5 years.
105	Does ongoing performance monitoring contribute to quality improvement through the effective use of performance targets?	X Y			In place.

106	Is there a set of comprehensive targets which between them encompass all significant internal audit activities?	X Y			A comprehensive set of performance indicators is in place. The performance indicators are measured, monitored and reported to the Governance and Audit Committee.  Client feedback is requested for each audit engagement, which is also monitored, followed up where relevant, and reported to the Governance and Audit Committee.
107	Are the performance targets developed in consultation with appropriate parties and included in any service level agreement?	X Y			
108	Does the CAE measure, monitor and report on progress against these targets?	X Y			
109	Does ongoing performance monitoring include obtaining stakeholder feedback?	X Y			
110	Are the periodic self-assessments or assessments carried out by people external to the internal audit activity undertaken by those with a sufficient knowledge of internal audit practices? Sufficiency would require knowledge of the PSIAS and the wider guidance available such as the Local Government Application Note and/or IIA practice advisories, etc.	Y			In place.  EQA completed at least every 5 years by an independent and suitably qualified and experienced assessor.
111	Does the periodic assessment include a review of the activity against the risk-based plan and the achievement of its aims and objectives?	X Y			In place.  The outturn position of the audit plan is monitored on an ongoing basis by the audit manager, reported to the Governance and Audit Committee quarterly and as part of the annual report and audit opinion.
	1311 Conclusion				
	1312 External Assessments				
112	Has an external assessment been carried out, or is one planned to be carried out, at least once every five years?	X Y			In place.  EQA completed at least every 5 years, and the approach is reported to the Governance and Audit Committee.
113	Has the CAE discussed the alternative approaches to external assessment with the board? <i>This should reflect the relative costs of the different approaches, the potential advantages of an external viewpoint, and whether there are factors which might be considered to warrant a demonstrably independent assessment.</i>	X Y			The approach has been discussed with the Chair of the Governance and Audit Committee, and reported to the Governance and Audit Committee for consideration and comment in July 2022.
114	Has the CAE properly discussed the qualifications and independence of the assessor or assessment team with the board? <i>In doing this, the CAE should consider whether the assessor or assessment team has demonstrated its competence in both the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through both experience and theoretical learning. Experience of similar organisations or sectors is more valuable than less relevant experience. In the case of an assessment team, not all members need to have all the competencies – it is the team as a whole that is qualified.  If the capability of the assessor or assessment team is not immediately obvious, the CAE should document how they used professional judgement to decide whether this is sufficient to carry out the external assessment.</i>	X Y			In place.  The last external assessment was in 2017/18, for which there were no risks to independence or assessor competence. The full position was reported to the Governance and Audit Committee (named the Audit Committee at the time), which was satisfied with the approach followed for external assurance.  Relevant details have been discussed with the Chair of the Governance and Audit Committee, and reported to the Governance and Audit Committee for consideration and comment in July 2022.

	<i>If the assessor or assessment team has any real or apparent conflicts of interest with the organisation, this should be clearly explained to the board, and safeguards should be put in place to minimise the effect of this on the conduct of the external assessment.</i> <i>Conflict of interest may include, but is not limited to, being a part of or under the control of the organisation to which the internal audit activity belongs.</i>				
115	Has the CAE agreed the scope of the external assessment with an appropriate sponsor, such as the chair of the audit committee, the CFO or the chief executive? <i>The CAE should also agree this scope with the external assessor or assessment team.</i>	X Y			In place. As above, scope of EQA agreed with the Governance and Audit Committee. The CAE also agreed the scope of the EQA and approach with the external assessor.
	1312 Conclusion				
	1320 Reporting on the Quality Assurance and Improvement Programme				
116	Has the CAE reported the results of the QAIP to senior management and the board? <i>Note that:</i> <i>a) the results of both external and periodic internal assessment must be communicated upon completion</i> <i>b) the results of ongoing monitoring must be communicated at least annually</i> <i>c) the results must include the assessor's or assessment team's evaluation with regards to the degree of the internal audit activity's conformance with the PSIAS.</i>	X Y			In place. The results of the QAIP are reported to the Governance and Audit Committee annually and to senior management, through relationship management meetings with the Chief Executive and each Director.
117	Has the CAE included the results of the QAIP and progress against any improvement plans in the annual report?	X Y			In place. The action plan contains improvement areas arising from the QAIP review.
	1320 Conclusion				
	1321 Use of 'Conforms with the International Standards for the Professional Practice of Internal Auditing'				
118	Has the CAE stated that the internal audit activity conforms with the PSIAS only if the results of the QAIP support this?	X Y			In place. Conformance is supported by the results of the QAIP.
	1321 Conclusion				
	1322 Disclosure of Non-conformance				
119	Has the CAE reported any instances of non-conformance with the PSIAS to the board?	X Y			N/A
120	If appropriate, has the CAE considered including any significant deviations from the PSIAS in the governance statement and has this been evidenced?	X Y			N/A
	1322 Conclusion				

F	Performance Standards				
	2000 Managing the Internal Audit Activity				
	<i>2010 Planning</i>				
121	Has the CAE determined the priorities of the internal audit activity in a risk-based plan and are these priorities consistent with the organisation's goals?	X Y			In place.
122	Does the risk-based plan take into account the requirement to produce an annual internal audit opinion?	X Y			There is a clear risk-based planning process in place, designed to support a comprehensive audit opinion.
123-125	Does the risk-based plan incorporate or is it linked to a strategic or high-level statement of: a) How the internal audit service will be delivered? b) How the internal audit service will be developed in accordance with the internal audit charter? c) How the internal audit service links to organisational objectives and priorities?	X Y Y Y			The CAE has also developed an Audit Strategy to address <ul style="list-style-type: none"> <li>- how the service will be delivered</li> <li>- how the service will be developed in accordance with the charter</li> <li>- how the service links to organizational objectives and priorities</li> </ul>
126	Does the risk-based plan set out how internal audit's work will identify and address local and national issues and risks?	X Y			In place.
127	In developing the risk-based plan, has the CAE taken into account the organisation's risk management framework and relative risk maturity of the organisation?	X Y			The audit plan addressed both local and national issues, such as service specific priorities, to national priorities, such as future generation considerations.  An audit of risk management arrangements is undertaken most years through which the maturity of risk management is considered, which in turn informs the extent to which risk registers can be used to inform the risk-based audit plan.
128	If such a risk management framework does not exist, has the CAE used their judgement of risks after input from senior management and the board and evidenced this?	X Y			
129-131	Does the risk-based plan set out the: a) Audit work to be carried out? b) Respective priorities of those pieces of audit work? c) Estimated resources needed for the work?	X Y Y Y			In place.  The audit plan sets out the audits to be delivered categorised as core financial system audits, governance and operational (in the inherent priority order as listed). Audits are also allocated an individual inherent risk / priority rating. A number of indicative audit days is allocated to each audit.
132	Does the risk-based plan differentiate between audit and other types of work?	X Y			The audit plan categorises audit engagements between assurance and consultancy work, and the plan is responsive to risk through assurance mapping and relationship management meetings.
133	Is the risk-based plan sufficiently flexible to reflect the changing risks and priorities of the organisation?	X Y			
134	Does the CAE review the plan on a regular basis and has he or she adjusted the plan when necessary in response to changes in the organisation's business, risks, operations, programmes, systems and controls?	Y			In place.  The audit plan categorises audit engagements between assurance and consultancy work, and the plan is responsive to risk through assurance mapping and relationship management meetings. In-year changes to the Audit Plan are communicated and discussed with the Governance and Audit Committee, and approved as required in accordance with the Audit Charter.
135	Is the internal audit activity's plan of engagements based on a documented risk assessment?	X Y			In place.
136	Is the risk assessment used to develop the plan of engagements undertaken at least annually?	X Y			A full assurance map is in place for all core systems and governance audits, and all service specific audits are planned in co-ordination with Directors on a risk basis. Risk registers and assurance statements are used to inform the audit plan, as well as reports from wider assurance providers.

137-140	In developing the risk-based plan, has the CAE also given sufficient consideration to: a) Any declarations of interest (for the avoidance for conflicts of interest)? b) The requirement to use specialists, eg IT or contract and procurement auditors? c) Allowing contingency time to undertake ad hoc reviews or fraud investigations as necessary? d) The time required to carry out the audit planning process effectively as well as regular reporting to and attendance of the board, the development of the annual report and the CAE opinion?	X Y Y Y			In place.  - Declarations are maintained for all auditors and conflicts avoided in allocating work  - Audit resources are bought in where required to deliver the Audit Plan  - Audit plans are adjusted and responsive to allegations of fraud and emerging risks  - The audit management team devotes sufficient time to robust planning, monitoring and reporting.
141	In developing the risk-based plan, has the CAE consulted with senior management and the board to obtain an understanding of the organisation's strategies, key business objectives, associated risks and risk management processes?	X Y			In place.  - Quarterly relationship management meetings are held with Directors and bi-monthly meetings with the Chief Executive in order to seek awareness of strategies, objectives and risks.
142	Does the CAE identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinion and any other conclusions?	X Y			- The CAE takes account of the assurance requirements of the senior management team and the Governance and Audit Committee in audit planning, providing the internal audit opinion, and reporting.
143	Does the CAE take into consideration any proposed consulting engagement's potential to improve the management of risks, to add value and to improve the organisation's operations before accepting them?	X Y			In place.  All requests for consultation engagements are considered in terms of their merits and the added value they could bring before they are accepted, added to the plan, and arranged by the CAE.
144	Are consulting engagements that have been accepted included in the risk-based plan?	X Y			
	2010 Conclusion				
	<i>2020 Communication and Approval</i>				
145	Has the CAE communicated the internal audit activity's plans and resource requirements to senior management and the board for review and approval?	X Y			In place.  After a period of engagement at director level, the full Audit Plan is presented by the Audit Manager to SMT for agreement, prior to approval being sought from the Governance and Audit Committee. The Plan contains resource requirements.
146	Has the CAE communicated any significant interim changes to the plan and/or resource requirements to senior management and the board for review and approval, where such changes have arisen?	X Y			In place.  The Audit Charter clearly documents how changes to the audit plan are to be communicated and approved, and this is adhered to.  Within the Annual Charter, the audit resources for each year are communicated to the Governance and Audit Committee. The CAE reports on the delivery of the audit plan to Governance and Audit Committee quarterly to include reporting on any resource issues or related matters.
147	Has the CAE communicated the impact of any resource limitations to senior management and the board?	X Y			In place.  In the event of resource limitations in the first instance the Section 151 Officer and then the Governance and Audit Committee are to be informed.

	2020 Conclusion				
	<i>2030 Resource Management</i>				
148	Does the risk-based plan explain how internal audit's resource requirements have been assessed?	X Y			In place. There is a full reconciliation between the available productive days and the itemised days allocated to audits within the plan.
149	Has the CAE planned the deployment of resources, especially the timing of engagements, in conjunction with management to minimise disruption to the functions being audited, subject to the requirement to obtain sufficient assurance?	X Y			In place. This is achieved through discussion and agreement with Directors within Relationship Management meetings.
150	If the CAE believes that the level of agreed resources will impact adversely on the provision of the internal audit opinion, has he or she brought these consequences to the attention of the board?	X Y			In place. In the event of any material impairment to the delivery of the audit plan, this would be reported to the Governance and Audit Committee and the consequences highlighted. The Governance and Audit Committee receives a full disclosure of progress against the audit plan on a quarterly basis.
	2030 Conclusion				
	<i>2040 Policies and Procedures</i>				
151	Has the CAE developed and put into place policies and procedures to guide the internal audit activity?	X Y			In place.
152	Are the policies and procedures regularly reviewed and updated to reflect changes in working practices and standards?	X Y			The Audit Manager has clear policies and procedures in place to guide the audit team in accordance with the PSIAS and the Audit Strategy, notably the QAIP and associated processes, and the audit protocol.
	2040 Conclusion				
	<i>2050 Coordination</i>				
153	Does the risk-based plan include an adequately developed approach to using other sources of assurance and any work that may be required to place reliance upon those sources?	X Y			In place. Through Relationship Management meetings, directorates are asked to inform the audit team of initiatives, projects and wider assurance and regulatory reports, to allow appropriate reliance and insight to be given to these areas in informing the audit plan. The CAE has regular meetings with Audit Wales to discuss audit planning and outcomes. The contents of risk registers and senior management assurance statements are used as part of assurance mapping.
	2050 Conclusion				
	<i>2060 Reporting to Senior Management and the Board</i>				
154	Does the CAE report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan?	X Y			In place. The CAE provides the Audit Charter to the senior management team upon annual

155	Does the periodic reporting also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board?	X Y			review. The Charter is counter-signed by the Chief Executive as endorsement.  The Audit Charter is approved by the Governance and Audit Committee annually, and progress against the plan and a documentation of critical findings and emerging trends are included within each audit progress report.
156	Is the frequency and content of such reporting determined in discussion with senior management and the board and are they dependent on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management or the board?	X Y			The CAE reports to SMT periodically on audit progress, findings and assurance levels periodically. The frequency of reporting is determined through consideration and discussion by the Audit Manager and Chief Executive, with the urgency of communications considered.
	2060 Conclusion				
	<i>2070 External Service Provider and Organisational Responsibility for Internal Auditing</i>				
157	Where an external internal audit service provider acts as the internal audit activity, does that provider ensure that the organisation is aware that the responsibility for maintaining and effective internal audit activity remains with the organisation?	X Y			N/A – In-house provision in place.
	2070 Conclusion				
	2100 Nature of Work				
	<i>2110 Governance</i>				
158-163	Does the internal audit activity assess and make appropriate recommendations to improve the organisation's governance processes for: a) Making strategic and operational decisions? b) Overseeing risk management and control? c) Promoting appropriate ethics and values within the organisation? d) Ensuring effective organisational performance management and accountability? e) Communicating risk and control information to appropriate areas of the organisation? f) Coordinating the activities of and communicating information among the board, external and internal auditors and management?	X Y			In place.  This is in place and reinforced through auditor use of the IIA competency framework for skills assessment purposes, through the quality assurance process and at a strategic level through the CAE and wider management team communication with Directors and the Governance and Audit Committee.

164	Has the internal audit activity evaluated the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities? This is an area where the CAE may be able to use other sources of assurance.	X Y			In place. Ethics related audits are completed each year.
165	Has the internal audit activity assessed whether the organisation's information technology governance supports the organisation's strategies and objectives? This is an area where the CAE may be able to use other sources of assurance.	X Y			In place. IT Governance has been subject to audit within the Council, and there is an IT section within the annual Audit Plan.
	2110 Conclusion				
	2120 Risk Management				
166-169	Has the internal audit activity evaluated the effectiveness of the organisation's risk management processes by determining that: a) Organisational objectives support and align with the organisation's mission? b) Significant risks are identified and assessed? c) Appropriate risk responses are selected that align risks with the organisation's risk appetite? d) Relevant risk information is captured and communicated in a timely manner across the organisation, thus enabling the staff, management and the board to carry out their responsibilities?	X Y			In place. An audit of risk management arrangements is generally completed on an annual basis.
170-174	Has the internal audit activity evaluated the risks relating to the organisation's governance, operations and information systems regarding the: a) Achievement of the organisation's strategic objectives? b) Reliability and integrity of financial and operational information? c) Effectiveness and efficiency of operations and programmes? d) Safeguarding of assets? e) Compliance with laws, regulations, policies, procedures and contracts?	X Y			In place. The audit plan is designed to sufficiently address each of these areas each year and inform the audit opinion.
175	Has the internal audit activity evaluated the potential for fraud and also how the organisation itself manages fraud risk?	X Y			In place. The audit team works closely with the investigation team and considered fraud risks and fraud risk management controls routinely through its work. The team are aware of the CIPFA documentation, as well as wider publications in respect of fraud risk management.
176	Do internal auditors address risk during consulting engagements consistently with the objectives of the engagement?	X Y			In place. Auditors are supported through their supervisor in these areas to appropriately assess and take account of risks identified through consultancy engagements.
177	Are internal auditors alert to other significant risks when undertaking consulting engagements?	X Y			The knowledge gained from any audit is incorporated into the overall view and evaluation of risk management.
178	Do internal auditors incorporate knowledge of risks gained from consulting engagements into their evaluation of the organisation's risk management processes?	X Y			
179	Do internal auditors successfully avoid managing risks themselves, which would in effect lead to taking on management responsibility, when assisting management in establishing or improving risk management processes?	X Y			In place. Auditors provide advice, guidance and recommendations and do not cross over into managing risks or take on any responsibility for doing so when assisting management.

	2120 Conclusion				
	2130 Control				
180-184	Has the internal audit activity evaluated the adequacy and effectiveness of controls in the organisation's governance, operations and information systems regarding the: a) Achievement of the organisation's strategic objectives? b) Reliability and integrity of financial and operational information? c) Effectiveness and efficiency of operations and programmes? d) Safeguarding of assets? e) Compliance with laws, regulations, policies, procedures and contracts?	X Y			In place.  The audit plan is designed to sufficiently address each of these areas each year and inform the audit opinion. These areas are targeted as appropriate in the objectives of individual audit engagements.
185	Do internal auditors utilise knowledge of controls gained during consulting engagements when evaluating the organisation's control processes?	X Y			In place.  Auditors utilise knowledge of controls gained during consulting engagements when evaluating the Council's control processes.
	2130 Conclusion				
	2200 Engagement Planning				
186	Do internal auditors develop and document a plan for each engagement?	X Y			In place.
187-190	Does the engagement plan include the engagement's: a) Objectives? b) Scope? c) Timing? d) Resource allocations?	X Y			The objective, scope, timing and resource allocations are established for each audit.
191-198	Do internal auditors consider the following in planning an engagement, and is this documented: a) The objectives of the activity being reviewed? b) The means by which the activity controls its performance? c) The significant risks to the activity being audited? d) The activity's resources? e) The activity's operations? f) The means by which the potential impact of risk is kept to an acceptable level? g) The adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model? h) The opportunities for making significant improvements to the activity's governance, risk management and control processes?	X Y			In place.  The process has been in place for a number of years. A planning pro forma is used to document this information for each audit engagement.
199-201	Where an engagement plan has been drawn up for an audit to a party outside of the organisation, have the internal auditors established a written understanding with that party about the following: a) Objectives? b) Scope? c) The respective responsibilities and other expectations of the internal auditors and the outside party (including restrictions on distribution of the results of the engagement and access to engagement records)?	X Y			In place.  This has been documented as appropriate. An example is the work of the Internal Audit Team auditing the CCR City Deal, for which a clear engagement document / SLA has been established.

202-204	For consulting engagements, have internal auditors established an understanding with the engagement clients about the following: a) Objectives? b) Scope? c) The respective responsibilities of the internal auditors and the client and other client expectations?	X Y			In place.  The objectives, scope and responsibilities for all consulting engagements are clearly communicated and documented to the extent necessary, and relevant to the scale of the work. In respect of significant consulting work, i.e. the consulting engagements included on the audit plan, a proforma document is completed to document the understanding.
205	For significant consulting engagements, has this understanding been documented?	X Y			
	2200 Conclusion				
	<i>2210 Engagement Objectives</i>				
206	Have objectives been agreed for each engagement?	X Y			In place
207	Have internal auditors carried out a preliminary risk assessment of the activity under review?	X Y			All audits have objectives set, and risk assessments are carried out at the outset of each audit during the audit planning stage – via the planning proforma completed.
208	Do the engagement objectives reflect the results of the preliminary risk assessment that has been carried out?	X Y			Auditors consider the risk of significant errors, fraud, non-compliance and wider risks relevant to the objectives of each audit.
209-212	Have internal auditors considered the probability of the following, when developing the engagement objectives: a) Significant errors? b) Fraud? c) Non-compliance? d) Any other risks?	X Y			
213	Have internal auditors ascertained whether management and/or the board have established adequate criteria to evaluate and determine whether organisational objectives and goals have been accomplished?	X Y			In place.  The majority of audits will interrogate the basis of which objectives are measured and monitored. Recommendations are raised where there is scope for improvement.
214	If the criteria has been deemed adequate, have the internal auditors used the criteria in their evaluation of governance, risk management and controls?	X Y			
215	If the criteria has been deemed inadequate, have the internal auditors worked with management and/or the board to develop appropriate evaluation criteria?	X Y			In place.  Where applicable, this would be the practice followed.
216	If the value for money criteria has been referred to, has the use of all the organisation's main types of resources been considered, including money, people and assets?	X Y			
217	Do the objectives set for consulting engagements address governance, risk management and control processes as agreed with the client?	X Y			In place.  All consulting engagements are set up with objectives to address or support matters of governance, risk management and control processes. Objectives are aligned to and consistent with the organisation's values, strategies and objectives.
218	Are the objectives set for consulting engagements consistent with the organisation's own values, strategies and objectives?	X Y			
	2210 Conclusion				
	<i>2220 Engagement Scope</i>				
219	Is the scope that is established for each engagement generally sufficient to satisfy the engagement's objectives?	X Y			In place.  The scope of each audit engagement is carefully considered to target and achieve the full objectives set, with records, systems, personnel, properties and areas
220	Does the scope for each engagement include consideration of relevant systems, records, personnel and physical properties?	X Y			

221	Does this consideration include areas under the control of outside parties, where appropriate?	X Y			considered as necessary to appropriately achieve the audit objectives. This would include those under the control of outside parties as appropriate.
222	Where significant consulting opportunities have arisen during an assurance engagement, was a specific written understanding as to the objectives, scope, respective responsibilities and other expectations drawn up?	X Y			In place.  For all significant consulting engagements, the objectives are clearly set with relevant management. The results of consulting engagement are communicated in accordance with the consulting standards.
223	Where significant consulting opportunities have arisen during an assurance engagement, were the results of the subsequent engagement communicated in accordance with the relevant consulting standards?	X Y			
224	For each consulting engagement, was the scope of the engagement generally sufficient to address any agreed-upon objectives?	X Y			In place.  The scope of all consulting engagements is clearly designed to meet the objectives set.
225	If the internal auditors developed any reservations about the scope of a consulting engagement while undertaking that engagement, did they discuss those reservations with the client and therefore determine whether or not to continue with the engagement?	Y			All audit engagements are subject to oversight by an audit reviewer to ensure that conversations are held throughout the audit, where discussions of any scope reservations or limitations would be made. The reviewer provides assurance that the controls have been adequately assessed by the auditor, and that objectives are met.
226	During consulting engagements, did internal auditors address the controls that are consistent with the objectives of those engagements?	X Y			
227	During consulting engagements, were internal auditors alert to any significant control issues?	X Y			
	2220 Conclusion				
	2230 Engagement Resource Allocation				
228-230	Have internal auditors decided upon the appropriate and sufficient level of resources required to achieve the objectives of the engagement based on: a) The nature and complexity of each individual engagement? b) Any time constraints? c) The resources available?	X Y			In place.  The resources are clearly allocated and targets set for delivery in accordance with a consideration of the complexity and nature of the engagement, time constraints and resources available.
	2230 Conclusion				
	2240 Engagement Work Programme				
231	Have internal auditors developed and documented work programmes that achieve the engagement objectives?	X Y			In place.  A work programme is established for each audit engagement at its outset to achieve the objectives of the audit. Work programmes are agreed with the supervising officer, following review and amendment where necessary. The expectations for identifying, analysing, evaluating and documenting information and evidence are made clear to each auditor. Any considered adjustments to work programmes would come through audit pit stop meetings with the reviewer, which are documented.
232-235	Do the engagement work programmes include the following procedures for: a) Identifying information? b) Analysing information? c) Evaluating information? d) Documenting information?	X Y			
236	Were work programmes approved prior to implementation for each engagement?	X Y			
237	Were any adjustments required to work programmes approved promptly?	X Y			
	2240 Conclusion				
	2300 Performing the Engagement				
	2310 Identifying Information				
238	Do internal auditors generally identify (sufficient, reliable, relevant and useful) information which supports engagement results and conclusions?	X Y			In place.

					This is tested as part of the quality assurance review, before reports are issued.
	2310 Conclusion				
	<i>2320 Analysis and Evaluation</i>				
239	Have internal auditors generally based their conclusions and engagement results on appropriate analyses and evaluations?	X Y			In place.  This assertion is tested as part of the quality assurance review.
240-244	Have internal auditors generally remained alert to the possibility of the following when performing their individual audits, and has this been documented: a) Intentional wrongdoing? b) Errors and omissions? c) Poor value for money? d) Failure to comply with management policy? e) Conflicts of interest?	X Y			In place.  These assertions are tested as part of the quality assurance review.
	2320 Conclusion				
	<i>2330 Documenting Information</i>				
245	Have internal auditors documented the relevant information required to support engagement conclusions and results?	X Y			In place.  These assertions are tested as part of the quality assurance review.
246	Are working papers sufficiently complete and detailed to enable another experienced internal auditor with no previous connection with the audit to ascertain what work was performed, to re-perform it if necessary and to support the conclusions reached?	X Y			
247	Does the CAE control access to engagement records?	X Y			In place.
248	Has the CAE obtained the approval of senior management and/or legal counsel as appropriate before releasing such records to external parties?	X Y			The Audit Manager controls access to engagement records.
249	Has the CAE developed and implemented retention requirements for all types of engagement records?	X Y			No information would be released without appropriate approval and advice. The starting point for such advice would be Council professional officers in the Information Governance team.  There is a corporate retention policy in place which includes Audit documentation and records.
250	Are the retention requirements for engagement records consistent with the organisation's own guidelines as well as any relevant regulatory or other requirements?	X Y			In place.  As above.
	2330 Conclusion				
	<i>2340 Engagement Supervision</i>				
251	Are all engagements properly supervised to ensure that objectives are achieved, quality is assured and that staff are developed?	X Y			In place.
252	Is appropriate evidence of supervision documented and retained for each engagement?	X Y			Supervision is in place based on the skills, experience and other competences necessary to deliver audit engagements. Quality assurance reviews provide assurance on the quality and sufficiency of evidence retained on file.
	2340 Conclusion				
	2400 Communicating Results				
	<i>2410 Criteria for Communicating</i>				

253-256	Do the communications of engagement results include the following: a) The engagement's objectives? b) The scope of the engagement? c) Applicable conclusions? d) Recommendations and action plans, if appropriate?	X Y			In place.  A more detailed report is provided in the event of audit opinions of 'insufficient with major improvement needed' or 'unsatisfactory'. 'Effective' audit engagements have a more condensed action plan style of reporting. All assurance audit engagements have a terms of reference and an explanation of the audit and risk definitions and their meaning.  <i>[consider including objectives &amp; scope (or terms of reference) in all draft &amp; final reports along with the risk of the control weakness identified either within the body of the report or via an attachment or link]</i>
257	Do internal auditors generally discuss the contents of the draft final reports with the appropriate levels of management to confirm factual accuracy, seek comments and confirm the agreed management actions?	X Y			In place.  A draft report is issued for management comment, and to address any matters of accuracy prior to the final report being issued.
258	If recommendations and an action plan have been included, are recommendations prioritised according to risk?	X Y			In place.  All recommendations are risk-based. The final action plan includes the management response, responsible officer and the timeframe within which the recommendation will be delivered. Any disagreement in relation to recommendations raised is included in the management response to the recommendation.
259	If recommendations and an action plan have been included, does the communication also state agreements already reached with management, together with appropriate timescales?	X Y			
260	If there are any areas of disagreement between the internal auditor and management, which cannot be resolved by discussion, are these recorded in the action plan and the residual risk highlighted?	X Y			
261	Subject to confidentiality requirements and other limitations on reporting, do communications disclose all material facts known to them in their audit reports which, if not disclosed, could distort their reports or conceal unlawful practice?	X Y			In place.  All material facts in support of the audit opinion and findings are appropriately disclosed. The opinion considers and reflects the expectations of senior management, the board and wider stakeholders as appropriate.
262	When an opinion or conclusion is issued, are the expectations of senior management, the board and other stakeholders taken into account?	X Y			
263	Where appropriate, do engagement communications acknowledge satisfactory performance of the activity in question?	X Y			In place.  This requirement is included within the checks made as part of the quality assurance review for each audit.
264	When engagement results have been released to parties outside of the organisation, does the communication include limitations on the distribution and use of the results?	X Y			In place.  This would be clearly set out for communication of this nature.
265	Where the CAE has been required to provide assurance to other partnership organisations, or arm's length bodies such as trading companies, have the risks of doing so been managed effectively, having regard to the CAE's primary responsibility to the management of the organisation for which they are engaged to provide internal audit services?	X Y			In place.  The risks associated with audits of arm's length and trading companies are carefully considered and appropriately addressed.
	2410 Conclusion				
	2420 Quality of Communications				

266	Are internal audit communications generally accurate, objective, clear, concise, constructive, complete and timely?	X Y			In place.  Quality control and monitoring measures are in place to ensure there are strong quality of communications in place.
	2420 Conclusion				
	2421 Errors and Omissions				
267	If a final communication has contained a significant error or omission, did the CAE communicate the corrected information to all parties who received the original communication?	X Y			In place.  Any significant errors or gaps in audit testing would be clarified and communicated to all those who received the original communication.
	2421 Conclusion				
	2430 Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'				
268	Do internal auditors report that engagements are 'conducted in conformance with the PSIAS' only if the results of the QAIP support such a statement?	X Y			In place.  The ongoing monitoring, annual review and 5-yearly external assessment provides ongoing assurance on compliance with the PSIAS, and is the basis for being able to report conformance with the PSIAS through the work of internal audit.
	2430 Conclusion				
	2431 Engagement Disclosure of Non conformance				
269-271	Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following: a) The principle or rule of conduct of the <i>Code of Ethics</i> or <i>Standard(s)</i> with which full conformance was not achieved? b) The reason(s) for non-conformance? c) The impact of non-conformance on the engagement and the engagement results?	X Y			In place.  This would be the practice for disclosure in the event of non-conformance.
	2431 Conclusion				
	2440 Disseminating Results				
272	Has the CAE determined the circulation of audit reports within the organisation, bearing in mind confidentiality and legislative requirements?	X Y			In place.  There is a clear protocol for circulating audit reports to the audit client, which is done so legally and in consideration of confidentiality.
273	Has the CAE communicated engagement results to all appropriate parties?	X Y			In place.  A protocol is followed for consistent reporting of engagement results and is contained in the audit charter.
274-276	Before releasing engagement results to parties outside the organisation, did the CAE: a) Assess the potential risk to the organisation? b) Consult with senior management and/or legal counsel as appropriate? c) Control dissemination by restricting the use of the results?	X Y			In place.  Where appropriate, prior to releasing any engagement documents to parties outside, advice would be sought from Legal Services. Information is shared with Audit Wales as the Council's external auditor.
277	Where any significant governance, risk management and control issues were identified during consulting engagements, were these communicated to senior management and the board?	X Y			In place.  All significant findings are reported to the Governance and Audit Committee, and senior management are appropriately informed.

	2440 Conclusion				
	2450 Overall Opinion				
278	Has the CAE delivered an annual internal audit opinion?	X Y			In place.
279	Does the annual internal audit opinion conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control?	X Y			The CAE delivers an annual audit opinion on the adequacy of the Council's framework for governance, risk management and control. The opinion takes into account the expectations of a range of stakeholders and is supported by a sufficient, relevant, reliable and useful information.
280	Does the annual internal audit opinion take into account the expectations of senior management, the board and other stakeholders?	X Y			
281	Is the annual internal audit opinion supported by sufficient, reliable, relevant and useful information (having regard to the answers to questions on PSIAS 2300)?	X Y			
282-285	Does the communication identify the following: a) The scope of the opinion, including the time period to which the opinion relates? b) Any scope limitations? c) The consideration of all related projects including the reliance on other assurance providers? d) The risk or control framework or other criteria used as a basis for the overall opinion?	X Y			In place.  The audit opinion covers all requirements. It is contained within an annual report and the opinion is included within the annual governance statement.
286	Where a qualified or unfavourable annual internal audit opinion is given, are the reasons for that opinion stated?	X Y			
287	Has the CAE delivered an annual report that can be used by the organisation to inform its governance statement?	X Y			
288-298	Does the annual report incorporate the following: a) The annual internal audit opinion? b) A summary of the work that supports the opinion? c) A disclosure of any qualifications to the opinion? d) The reasons for any qualifications to the opinion? e) A disclosure of any impairments or restriction in scope? f) A comparison or work actually carried out with the work planned? g) A statement on conformance with the PSIAS? h) The results of the QAIP? i) Progress against any improvement plans resulting from the QAIP? j) A summary of the performance of the internal audit activity against its performance measures and targets? k) Any other issues that the CAE judges is relevant to the preparation of the governance statement?	X Y			In place.  The annual report addresses all requirements.
	2450 Conclusion				
	2500 Monitoring Progress				
299	Has the CAE established a process to monitor and follow up management actions to ensure that agreed actions have been effectively implemented or that senior management have accepted the risk of not taking action?	X Y			In place.  The CAE has a recommendation tracker through which all recommendations raised are followed up until satisfactory conclusion. Any significant delays in completing recommendations may result in an audit area being revisited to understand the reasons for delay, through which a new audit opinion would be allocated.
300	Where issues have arisen during the follow-up process (for example, where agreed actions have not been implemented), has the CAE considered revising the internal audit opinion?	X Y			

301	Do the results of monitoring management actions inform the risk- based planning of future audit work?	X Y			Each Director has access to full information on the status of their directorate recommendations outstanding, and the Governance and Audit Committee receives and monitors the full recommendation tracker. The recommendation tracker is one source of information which informs the risk-based planning process.
302	Does the internal audit activity monitor the results of consulting engagements as agreed with the client?	X Y			In place. All consulting engagements are recorded, monitored and reported in the same way as assurance engagements.
	2500 Conclusion				
	2600 Communicating the Acceptance of Risks				
303	If the CAE has concluded that management has accepted a level of risk that may be unacceptable to the organisation, has he or she discussed the matter with senior management?	X Y			In place. The process as set out in the standard is followed, as necessary.
304	If, after discussion with senior management, the CAE continues to conclude that the level of risk may be unacceptable to the organisation, has he or she communicated the situation to the board?	X Y			
	2600 Conclusion				

**GOVERNANCE & AUDIT COMMITTEE: 21 MARCH 2023**

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**ADULTS, HOUSING & COMMUNITIES CONTROL ENVIRONMENT  
UPDATE****AGENDA ITEM: 5****REPORT OF THE DIRECTOR OF ADULTS, HOUSING & COMMUNITIES**

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**Appendix B, C and D 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. This report has been produced in response to the Governance and Audit Committee's request for an update on the Adults, Housing and Communities control environment.
2. The Governance 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 framework of assurance and ensure that it adequately addresses the risk and priorities of the Council.
  - 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.
  - Review the governance and assurance arrangements for significant partnerships or collaborations.
  - Review and assess the authority's ability to handle complaints effectively and make any associated reports and recommendations.

## Background

### Directorate Overview

3. The Adults Housing and Communities Directorate covers a wide range of functions, including both statutory and non-statutory services. A summary of these is set out below:

#### Housing and Communities

- **Housing Services** - management and responsive maintenance of 13,800 council homes. Also includes housing benefit and council tax reduction assessment.
- **Building Improvement Service** – planned maintenance of council homes, commissioning and contract management and statutory compliance for council homes.
- **Homelessness Services** – homeless information, advice and prevention services and the provision of temporary accommodation.
- **Community Hubs and Older Persons Day Centres** – 24 buildings across the city offering a wide range of council and partner services, activities and events.
- **Advice Services** - including money advice and into work advice.
- **Early Help for Families and Children** - advice and preventative services, flying start childcare provision access to a range of support services.
- **Specialist Accommodation and Support Services** – direct delivery of hostel, supported accommodation and community living schemes and delivery of support services such as Housing First, Homeless Multidisciplinary Team and Outreach Services.
- **Partnerships and Joint Commissioning** - grant management and commissioning of both internal and external services across a wide range of client groups and need.

#### Adult Services, including:

- Independent Living Services – Information, advice, assistance and preventative services.
- Community & Hospital Social (Older People and Physical Disabilities)
- Mental Health Services
- Learning Disability Services
- Care Commissioning
- Direct delivered services - Internal Supported Living and CRT Homecare
- Adult Safeguarding

The Directorate as a whole includes 2,921 FTE staff.

## Governance

4. The Director Adults, Housing and Communities has strategic oversight of the whole directorate and is responsible for the management of Adult Services.
5. The Assistant Director, Housing and Communities is responsible for the management of the Housing and Communities Service area.
6. Operational Management – a strong tier of operational managers is in place to oversee the delivery of the services and manage both performance and risk on a day-to-day basis.
7. Together the Director, Assistant Director assisted by the Operational Managers provide governance for the directorate; ensuring a comprehensive approach to risk management, escalating these where necessary and ensure that internal controls are in place and work effectively.
8. The following key meetings form an important part of the governance arrangements for the directorate.

<b>Title</b>	<b>Purpose / Activities</b>	<b>Chair</b>
Housing Development and Capital Delivery Board	Oversight of major capital programmes / spend and commissioning arrangements within the Housing Revenue Account (HRA)	Shared Chair - Corporate Director People and Communities & Corporate Director Resources
Adults Senior Management Team Meeting	Performance, budget and risk management, reviewing complaints – oversight of statutory compliance and all major change programmes and key services issues.	Director Adults Housing and Communities
Housing and Communities Senior Management Team Meeting	Performance, budget and risk management, reviewing complaints – oversight of all major change programmes or service issues.	Assistant Director Housing and Communities
Housing Management and Maintenance Board	Oversight of: <ul style="list-style-type: none"> <li>• Statutory compliance</li> <li>• Major planned works</li> <li>• Key projects</li> <li>• Major service issues / risks.</li> </ul>	Director Adults Housing and Communities
Homelessness and Housing Need Board	Oversight of:	Director Adults Housing and Communities

	<ul style="list-style-type: none"> <li>• Key service delivery indicators, service development projects</li> <li>• Significant risks and issues and responses to these</li> </ul>	
Compliance Meeting (Building Safety)	<ul style="list-style-type: none"> <li>• Detailed review of statutory compliance relating to building / fire safety</li> </ul>	Director Adults Housing and Communities
Care Capacity Meeting	<ul style="list-style-type: none"> <li>• Detailed review of capacity and issues affecting care provision.</li> <li>• Oversight of care quality and risk in care provision</li> </ul>	Director Adults Housing and Communities

## Performance Management

9. Strong performance management arrangements are in place across the directorate. Quarterly reports are produced covering delivery against Key Performance Indicators (KPI) and Corporate Plan and Directorate Delivery Plan objectives. Monthly core data sets are produced and for areas of greatest risk weekly and even daily performance / service delivery information is produced and circulated. Power Bi is increasingly being used across the directorate to provide dashboards of information which managers can drill down into to see more detailed data. This information is reviewed at regular meetings as detailed above. Quarterly monitoring is reviewed by various Scrutiny Committees and where appropriate is made available to outside organisations such as Care Inspectorate Wales (CIW). Performance against KPI and Corporate Plan objectives are monitored by the Chief Executive through SMT and directorate assurance meetings.
10. Individual performance is monitored through PPDRs, these also provide a line of sight to the Corporate and Directorate Delivery Plan. The directorate takes a robust approach to ensuring that PPDRs are undertaken, monitoring this carefully and escalating to Director / Assistant Director level where there are any issues with compliance.
11. Further work is needed to ensure the accuracy and availability of data in some areas of the directorate, in particular for some data within Adult Services' Care First and Com Care Systems and where the service uses the Health system, Paris. A project has commenced to improve the availability and accuracy of Adult Services' monitoring information.

## **Risk Management**

12. A thorough approach to risk management is taken by the directorate, risks are identified and managed as a continuous day to day process. The meetings as set out in paragraph 9 above are used to oversee functions where there is an inherent risk, such as building statutory compliance, and also to identify and monitor other significant risks that may arise. Where appropriate these risks are recorded on the Directorate Risk Register / Corporate Risk Register and reported on formally each quarter. Escalated Directorate and Corporate Risks are reviewed by the Council's Senior Management Team and subsequently reported to Cabinet and Governance and Audit Committee.

Copies of the Directorate's risk registers can be found as follows:

- Corporate Risks (see Appendix A)
- Escalated Directorate Risks (see Appendix B) not for publication.
- Directorate Risks (see Appendix C) not for publication.

## **Key issues / areas of risk**

### **Corporate Risks**

#### **Safeguarding**

13. Managers throughout the directorate have a good understanding of their safeguarding responsibilities for both adults and children and report cases appropriately.
14. The statutory responsibility for Adult Safeguarding is managed within the Directorate. The Adult Safeguarding Team receive referrals from within the Council and from external organisations and individuals. The time taken to review these referrals is monitored and a KPI is included and reported as part of the Corporate Plan KPIs. The Director meets weekly with the Adult Safeguarding Lead Manager and performance and significant cases are reviewed.
15. Quality of care is recognised as a key safeguarding risk and clear multi-agency processes are in place to address any issues that arise. Escalating concerns meetings include council operational managers responsible for commissioning, safeguarding officers, representatives from Care Inspectorate Wales (CIW), University Health Board (UHB), Police and other organisations as appropriate. The aim is to work with care providers to improve quality of care, but where required it may be necessary to close a service, processes are in place to ensure that this is achieved with minimum impact on service users.

#### **Welfare Reform**

16. The directorate oversees the response to Welfare Reform and more recently the cost-of-living crisis, co-ordinating internal and external partnerships and maximising the use of grant funding, to mitigate the impact on citizens and on

the Council, for example by working to prevent an increase in rent arrears and potential homelessness. The cost-of-living crisis is also included in more detail in the directorate risks.

### **Key Directorate Risks- Adult Services**

17. In addition to Adult Safeguarding, Adult Services has two key functions: the assessment of care and support needs and the provision of care and support, which is largely provided by externally commissioned care providers. Nationally, Social Services have come under considerable pressure both during and following the pandemic with increased demand for care, higher level of care needs in the individuals presenting and a lack of social care staff. This remains a significant issue.
18. There are two escalated risks for Adult Services:
  - Recruitment and retention of sufficient care workers
  - Recruitment and retention of sufficient social workers and occupational therapists
19. The impact of these risks is a potential failure to assess needs and put care in place in a timely manner, with consequent safeguarding risks for vulnerable adults in the community and delayed discharge for those in hospital. In addition to the impacts on the individual this could result in a failure to meet legislative requirements and reputational risk to the Council.
20. A wide range of actions have been undertaken to help address this risk and they are set out in the risk register. While more recently, concerns about availability of care provision has reduced, the care market remains fragile and operational managers meet regularly with care providers to help ensure that service and senior managers are informed of any issues and can react accordingly.
21. Concerns about recruitment of social workers and occupational therapists remain and an increased market supplement has recently been agreed for qualified staff to help improve this situation. A full review of the workforce plan is currently underway to include a range of initiatives to improve recruitment.
22. Due to the high level of risk that remains in this area, reports are produced and circulated weekly, and in some cases daily, to ensure that up to date information is available. Weekly care capacity meetings are held chaired by the Director, these meetings review care availability, care provider issues/concerns and any delays in social work assessment and hospital discharge. The risk registers are updated as appropriate following these meetings.
23. There are a number of other risks that are managed through the Directorate Risk Register, and mitigating actions are set out. These are reviewed and updated regularly by the appropriate operational managers. Current and emerging risks are considered monthly in Senior Management Team Meetings.

## **Key Directorate Risks - Housing Services**

### **Building Safety**

24. A number of issues relating to building safety are included in the Directorate Risk Register. The Directorate is responsible for the management and maintenance of 13,800 homes including 800 blocks of flats (of which 9 are high rise blocks) homeless hostels and sheltered housing complexes.
25. The service operates a responsive repairs service, carrying out emergency repairs to keep homes safe on a 24/7 basis. More than 70,000 repairs are completed each year with set targets for completion depending on priority. The target to respond to emergency repairs is 2 hours. A backlog of repairs that accrued during the pandemic has recently been cleared, although the impact of this is still being felt through increased complaints and members enquiries.
26. Performance information on meeting targets with regard to responsive repairs is reviewed regularly by the Assistant Director as part of a core data set and issues and risks are considered regularly at Housing and Communities SMT. Any significant issues are escalated to the Housing Maintenance and Management Board chaired by the Director.
27. As a landlord the Council has a responsibility to carry out a number of statutory compliance checks including annual gas servicing, 5 yearly electrical testing, provision and testing of smoke alarms and fire risk assessments in blocks of flats.
28. Fire Safety Arrangements are included as an escalated risk, with particular reference to high rise blocks. Following the tragic event at Grenfell Tower the Council removed the cladding from a number of blocks and where this remains in place a 24/7 waking watch has been put in place. A programme of improvements including the replacement of cladding, and installation of sprinklers is ongoing.
29. Performance, at meeting statutory obligations such as gas services and electrical testing are monitored regularly against targets as are regular fire safety audits including any audits undertaken by the Fire Service. Reports are produced regularly and considered in detail at the Compliance Meetings and at the Housing Maintenance and Management Board, both of which are chaired by the Director.

### **Homelessness and Housing Need**

30. A number of issues related to homelessness are included in the directorate risk registers.
31. 385 people are assisted by the Housing Options Service each month with 160 requiring temporary accommodation. Meeting this need is becoming

increasingly challenging both in terms of the very high number of the clients presenting for assistance and the complexity of their support needs.

32. Information is circulated daily on availability of temporary accommodation, and this is copied to both Assistant Director and Director. Weekly information is provided relating to rough sleeping and trend reports on all aspects of homelessness are produced monthly. Due to the fast pace of change in Temporary Accommodation provision, the Assistant Director currently reviews performance at the bi-weekly Temporary Accommodation Availability meetings. This pulls together teams from across the service area to work collectively to help meet the demands on Temporary Accommodation. In addition, there are weekly Homelessness Prevention and Assessment meetings and Private Rented Sector meetings are held every 3 weeks, both of which are chaired by the Assistant Director. These meetings provide opportunities to understand and address housing need and demand. The Director chairs the Homelessness and Housing Need Board which oversees the issue at a strategic level.

### **Gypsy and Traveller sites**

33. The lack of gypsy and traveller pitches within the city, and the consequent overcrowding in the Council operated sites, particularly at Rover Way is recorded in the Directorate's escalated risks. The overcrowding has fire safety implications and while these have been mitigated, the need to increase pitches is pressing. The Chief Executive chairs a regular meeting dedicated to overseeing Gypsy and Traveller issues with a particular focus on finding additional sites so that pitch numbers can be increased and the risk issues can be addressed.

## **(a) Internal Audit Engagement and Response**

### **Internal Audit Assurance**

34. The Director and Assistant Director meet regularly with representatives from Internal Audit to ensure a robust programme of audits are in place and that actions arising are understood and any outstanding issues are addressed. Internal Audit are also advised of any major service change work that is underway that they may need to be aware of or advise on.
35. Over the period from April 2020 to date, 15 audits have been undertaken of which 12 have been effective or effective with opportunity for improvement. 3 have been insufficient with major improvement needed.
36. The directorate currently has 9 audits with open recommendations, 18 outstanding actions (2 red, 9 red/amber, 6 amber green and 1 green).
37. The table below summaries the position with respect to internal audit recommendations and paragraph 40 to 43 provide some narrative commentary.

38. Adults, Housing and Communities was also part of contract monitoring, a corporate audit that took place across directorates due to this an assurance rating of n/a was applied.
39. The Adults, Housing and Communities directorate has faced unprecedented challenges throughout 2022/23 due to the post pandemic recovery, a surge in demand and problems recruiting and retraining staff both for our internal services and also for our commissioned services and partners. This has impacted on services and led to some delays in the actioning of audit recommendations.

Audit	Report Status	Assurance Rating	Total Actions	Completed Actions	Outstanding Actions	Implementation Status
2022/23 (to date)						
Housing Benefit -Local Housing Allowance -Council Tax Reduction Scheme	Final	Effective	3	1	2	1 actions due for completion 31.05.2023 1 action due for completion 31.10.23
Agency Payments	Final	Effective with opportunity for improvement	1	1	0	All actions completed
Get Me Home Service	Final	Effective	0	0	0	All actions completed
Income and Debtors	Final	Effective with opportunity for improvement	4	4	0	All actions completed
ICF Schemes	Final	Effective	2	2	0	All actions completed
2021/22						
Libraries and Hubs	Final	Effective with opportunity for improvement	11	11	0	All actions completed
Pre-Contract Assurance - Adults, Housing & Communities	Final	Effective with opportunity for improvement	2	2	0	All actions completed
Contract Monitoring and Management - Adults, Housing & Communities	Final	N/A - sampled as part of corporate audit	3	3	0	All actions completed
Homelessness (Temporary Accommodation)	Final	Effective with opportunity for improvement	1	1	0	All actions completed
Joint Equipment Service	Final	Insufficient with major improvement needed	8	6	2	1 action due for completion 01.06.2023 1 action due for completion 01.07.2023
2020/21						
Housing Benefit -Local Housing Allowance -Council Tax Reduction Scheme	Final	Effective with opportunity for improvement	4	4	0	All actions completed
Risk Based Verification	Final	Effective	2	2	0	All actions completed

Income and Debtors - People and Communities	Final	Effective with opportunity for improvement	6	5	1	1 action due for completion 31.03.23
Income & Debtors - Social Services	Final	Effective with opportunity for improvement	3	2	1	1 action due for completion 30.05.2023
Commissioning and Procurement - Social Services	Final	Insufficient with major improvement needed	5	5	0	All actions completed
Communities - Asset Management	Final	Effective with opportunity for improvement	3	3	0	All actions completed
<b>Older – Longstanding Recommendations</b>						
Social Services - Health and Safety	Final	Effective with opportunity for improvement	5	4	1	1 action due for completion 31.03.23
Domiciliary Care	Final	Insufficient with major improvement needed	8	3	5	Full review required - see below/Appendix D.
Deprivation of Liberty Safeguards	Final	Insufficient with major improvement needed	3	1	2	Subject to legislative change – full review required. See Appendix D.
Direct Payments Support Service	Final	Insufficient with major improvement needed	6	4	2	2 actions for completion 31.3.23
Learning Disabilities	Final	Effective with opportunity for improvement	2	0	2	2 actions for completion 31 July 2023

## **Audit Actions Progression – Key issues**

### **Joint Equipment Services**

40. Of the 8 recommendations, 2 remain outstanding.

#### **Outstanding Recommendation 1**

A draft Section 33 Agreement should be finalised and signed off by all partners, the University Health Board, the Vale of Glamorgan Council and Cardiff Council.

While the Council has drafted a revised Section 33 Agreement and this has been circulated to partners, it is not possible to complete this without outstanding financial information which has been requested from the University Health Board. It is anticipated that this information will be received by the 31<sup>st</sup> of March 2023. Following this a final draft can be submitted to partners. This will then

need to go through each partners legal process. It is estimated this will be completed by the 1<sup>st</sup> of July 2023.

### **Outstanding Recommendation 2**

Expired cleaning and maintenance contracts should be reviewed.

An existing framework has been identified to take this forward. In order to utilise this framework, the existing contractor will need to be given three months' notice. Due to this it is estimated that this will be in place by the 1<sup>st</sup> of June 2023.

## **Income & Debtors – People and Communities**

41. Of 6 recommendations, 1 remains outstanding.

### **Outstanding Recommendation**

Management to consider whether there is a need for outstanding library fines to be written off by the service area due to the length of time they have been outstanding.

Since this recommendation was made a review of the library management system has taken place to establish fine levels. An Officer Decision Report has been written recommending the writing-off of historic fines. The report is currently awaiting finance comments, following this it will be reviewed by legal. Provided these comments are received this is on target for completion on the 31<sup>st</sup> of March 2023.

## **Income & Debtors - Social Services**

42. Of the 3 recommendations, 1 remains outstanding.

### **Outstanding Recommendation**

Management must engage with the Finance Income Recovery team for guidance on elements of Residential Care debt recovery that are within the control of the directorate, to ensure that effective debt recovery is applied and maintained.

Unfortunately, due to the extreme pressure that Adult Services have been under during the pandemic and the ensuing period of high demand, this action was delayed. While work has been undertaken to fully identify the issues, this has identified that a significant amount of further work is required to fully review debt recovery within the service. A project manager with experience of debt recovery has been appointed and will undertake a full review of existing debt and debt recovery processes. Changes to the staffing and management structure for the recovery of debt are currently under consideration.

## **Older Actions – Pre 2020**

43. There are a number of audit reports that pre-date 2020/21 that were put on hold during the pandemic and post pandemic surge in demand. Details of these can be found at Appendix D. (not for publication). The pressure on Adult Services has prevented these actions being taken forward as focus has been on delivering core services. Where possible, dates have now been provided for completing the actions. However, in some areas, as with the Income and Debtors audit above, investigation has shown that a more fundamental review of support functions is required to meet the needs of the services. A deep dive is currently underway into current processes which will inform the best way forward in delivering these functions in future.

## **(b) The Wider Control Environment**

### **Senior Management Assurance Statement**

44. A recent review of the senior management assurance statement has been completed by the Director. A chart of the findings can be found at Appendix E. While good assurance levels were demonstrated there were clear opportunities for improvement including:

- Response to internal audits is currently good, however as noted above the pandemic and the need to prioritise “life and limb services” has delayed some responses - improved monitoring arrangements have been put in place to bring this back on track.
- The delivery of major projects is well planned with full project governance in place, however there is a need to ensure that smaller projects are better prioritised/limited in number so that they can be delivered effectively.
- Budgetary control is good, both services were within budget and able to contribute to in year savings. There is a need to ensure that timing for achieving savings is realistic given the complex nature of the client group.
- Administrative functions are generally sound - however it is recognised opportunities exist to improve back office and debt management functions and systems within Adult Services, with opportunities for join up services and learning from elsewhere in the directorate.

### **Partnership Arrangements**

45. The Directorate takes part in a range of partnerships most notably with the University Health Board and Vale of Glamorgan through the Integrated Health and Social Care Partnership. The Partnership has project management resources and clear project and governance arrangements are in place with regular meetings including Senior Leadership Group Meetings, Regional Partnership Board and many multi agency sub groups. Projects such as the @Home project which aims to help people remain independent at home have full project briefs, shared objectives and risk registers. Shared performance monitoring is in place for key projects, an example is the 1,000 beds project

which is aimed at improving hospital discharge. Performance against the 1000 bed targets are reported regularly to the Welsh Government.

46. Shared services are in place such as the Joint Equipment Service, a service that is managed by Cardiff Council on behalf of the UHB and Vale of Glamorgan. A Section 33 agreement is in place, which lays out our operating model, and partnership costs, for both activity and running of the business. The partnership runs quarterly board meetings along with monthly operational meetings.
47. Within Housing and Communities has a key partnership in place with Registered Social Landlords (RSLs), regular partnership meetings take place. A Common Housing Waiting List and Allocations Policy is in place with the RSLs and targets are set for allocation of properties to certain groups, such as homeless households, and performance against these is monitored quarterly for all social landlords including the Council.
48. Adults Housing and Communities is a large directorate with many opportunities for cross directorate working. A joint SMT meeting is held monthly to share this join up and many project groups include managers from across the services.

## **External Assurance**

### **Scrutiny Committee**

49. Communities and Adult Services Scrutiny Committee oversees Adult Services and Homeless and Housing services and regularly report on findings and make recommendations. The Committee recently carried out a deep dive into the cost-of-living crisis and a review was also carried out of the Anti-Social Behaviour service. Future reviews include homelessness and hospital discharge.
50. Economy and Culture Scrutiny have oversight of Hubs and library services and Into Work Advice Service. This Scrutiny Committee has recently been updated on the Shared Prosperity Fund, which has replaced the European Social Fund and which funds much of the Into Work team.
51. Children and Young People Scrutiny oversees the Early Help team. Recent scrutiny has included an update on the Childcare Sufficiency Plan, where recommendations were made by Scrutiny and have subsequently been implemented.

## **External Audits / Oversight**

### **Adult Services**

52. External Oversight – Care Inspectorate Wales (CIW) oversees Adult Services. The last general inspection of the service was in November and December 2020. While the report did not provide clear improvement actions, the service identified a number of opportunities for improvement from the report. 4 of these

actions have been completed and the remainder have been incorporated into longer term projects for improvement.

53. Regular meetings take place between CIW and the Director where issues / risks are considered and actions to remedy these are discussed. CIW representatives recently attended the Council’s Senior Management team and while acknowledging national issues were impacting Cardiff, reported positively about the management of Adult Services and noted the innovative work being done to address any issues.

**Direct Care Provision**

54. Cardiff provides two services which are regulated under the RISCA regulations. Internal Supported Living for people with learning disabilities and CMT Homecare Service. Both services are overseen by registered managers. The Service also has a senior manager who acts as Responsible Individual (RI), this is separate from the manager role as required by the regulations. The RI undertakes regular reviews which consist of 3 monthly quality assurance visits to the service and 6 monthly quality of care reviews and provides reports to the Director on compliance with the regulations, action plans are developed to address any issues.

55. External Oversight - CIW have inspected both direct services recently and while some issues were identified it was acknowledged that plans were already in place to address these.

<p><b>Type of External Audit:</b> Care Inspectorate Wales Inspection  <b>Service:</b> Cardiff Domiciliary Care Service (Community Resource Team &amp; Internal Supported Living)  <b>Date of Inspection:</b> 28, 29 &amp; 30 June 2022.</p>	
<p><b>Rating / Opinion</b></p>	<p><b>Summary of Findings</b>  <i>N.B. CIW do not currently provide an inspection rating. Ratings are due to be introduced for inspections undertaken from April 2023, however, for 23/24 ratings will be silent (i.e. will not be published).</i></p> <p>The Inspector reported that:</p> <ul style="list-style-type: none"> <li>• People appear happy with the support they receive from the service.</li> <li>• Their physical, mental, and social needs are recognised and supported, and the service is committed to achieving positive outcomes for them.</li> <li>• The support provided by the service encourages and enables people to be independent and enjoy community life. Interactions between people and staff are warm and</li> </ul>

	<p>positive, and staff are familiar with the needs and likes of the individuals.</p> <ul style="list-style-type: none"> <li>• Staff are well trained but there is improvement required in supervising staff and keeping training updated regarding refresher training.</li> <li>• Robust organisational and governance arrangements ensure the service runs smoothly and delivers good quality support. Management act in a timely and appropriate manner with any issues arising.</li> <li>• The service also has a strong focus on development and improvement.</li> </ul>
<b>Priority Action Notices*</b>	None
<b>Areas for Improvement**</b>	<p>Two areas of improvement were identified. These are summarised below along with the action that Adult Services has undertaken to make the improvement:</p> <ul style="list-style-type: none"> <li>• There were a few people discharged from hospital assessed as suitable for CRT support. However, on discharge it was established that they did not have adequate home environments, or needs were not suitable to be met by the CRT service.</li> </ul> <p><b>Management Response:</b> In November 2022 a new Integrated Discharge Hub was formed in the UHB. A new referral form from the wards to the Hub was produced. The person being discharged is now more effectively placed at the heart of the triage process to enable the team to determine the best discharge outcome. New pathways were formed to support the more complex needs people presented with at discharge. All this work completed along with our Health and Social Care colleagues has provided an effective mechanism to ensure the Community Resource Home Care team are suitable to meet the needs of those people discharged from hospital.</p> <ul style="list-style-type: none"> <li>• Staff have not received refresher (updated) training in a number of mandatory areas. Staff supervisions are not happening in line with regulatory required timescale.</li> <li>• <b>Management Response:</b> A Training Needs Analysis has been undertaken for CRT &amp; ISL and planning has been undertaken to ensure mandatory training is available and that compliance is tracked on the training matrices held in CRT and ISL. Compliance is regularly monitored via the QA managers with follow up action undertaken when staff have been unable to attend pre-arranged training and this needs to be re-booked. The RI also reviews compliance with mandatory training as</li> </ul>

	part of her 3 monthly statutory visits and for her 6 monthly quality of care reviews.
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## Definitions

**\*Priority Action Notices:** *CIW respond to non-compliance with regulations where poor outcomes for people, and / or risk to people’s well-being are identified by issuing Priority Action Notice (s). The provider must take immediate steps to address this and make improvements. Where providers fail to take priority action by the target date CIW may escalate the matter to an Improvement and Enforcement Panel.*

**\*\*Areas for Improvement:** *Where there is noncompliance identified that presents no immediate or significant risk for people using the service, CIW highlight these as Areas for Improvement. CIW expect the provider to take action to rectify this and will follow this up at the next inspection.*

## Housing and Communities

### Housing Services

56. The Council’s homes and neighbourhoods are required to meet the Welsh Housing Quality Standards as set out by the Welsh Government. The service is required to submit an annual HRA Business Plan to demonstrate that this standard can be maintained and the Housing Revenue Account, which is a ringfenced account, is viable into the long term. A separate risk matrix is developed as part of the HRA Business Plan which records the key assumptions and risks related to the HRA. One of the key issues currently is the ambitious new build plans and the borrowing required for these. The HRA Business plan is considered by the Council’s Cabinet and is then submitted to Welsh Government by the 31<sup>st</sup> March each year. Cardiff’s HRA business plan, along with all other Welsh housing authorities’ plans, are scrutinised by Welsh Government to assess whether they are “acceptable” and thus qualify for the Major Repair Allowance (MRA) funding grant. Cardiff’s MRA is £9.6m in 2022/23). This grant is used to maintain the Welsh Housing Quality Standard for the following financial year. Cardiff’s current HRA Business Plan has deemed acceptable, and the grant was awarded.

### **Housing Benefits**

57. Annually, Audit Wales carry out checks on Housing Benefit claims on behalf of the Department for Work and Pensions (DWP) to certify that assessments have been made correctly and therefore subsequent subsidy claims are accurate. Audit Wales are currently working with the benefit assessment team to certify the 2021-22 subsidy claim. Overall findings from last year were satisfactory and any issues raised were addressed through more targeted internal audits, training, and briefing sessions.

58. A Housing Benefit Review is also conducted annually by the DWP. Claims are randomly selected by the DWP who then contact the customer to verify all their details, the cases are returned to the LA with either a no action or for reassessment. Last year no claims were returned due to errors that assessor had made on cases.

### **Early Help**

59. Care Inspectorate Wales carry out inspections on the two Council run and 31 externally provided Flying Start settings. The last inspection on Council provision was in 2019 at the Twinklestars site. All outcomes were rated as 'good'.

60. Of the external provider settings that have been inspected, just 2 sites received an 'adequate' rating.

61. Any recommendations made in any of the reports following inspections are always actioned and the Council team will support external providers to meet any required actions to make improvements.

### **Violence Against Women, Domestic Abuse and Sexual Violence (Wales) Act 2015 (VAWDASV) training.**

62. Following an audit of Cardiff Council's Safeguarding Policy by the Wales Audit Office in 2018/19 it was recommended that the mandatory completion of Violence Against Women, Domestic Abuse and Sexual Violence (Wales) Act 2015 (VAWDASV) training was accelerated. This training is overseen by Housing and Communities and a commitment was made to accelerate the completion of VAWDASV training by its staff, focussing initially on hitting the corporate target for Group 1 (85%) and then expanding its work to all other staff groups contained in the VAWDASV training framework. Oversight of training compliance has been strengthened through reporting on a bi-annual basis to the Corporate Safeguarding Board. Group 1 delivery is being advertised widely and managers chased for staff who have yet to complete this mandatory module.

### **Age Friendly City**

63. Cardiff was officially accepted as a member of the WHO Global Network for Age-friendly Cities and Communities in March 2022 following submission of an Age Friendly action plan and City Baseline assessment. By joining the Network, Cardiff committed to sharing and promoting the values and principles central to the WHO Age-friendly approach, implementing the four steps to create age-friendly local environments, and actively participating in the Network, including sharing experiences with other members.

64. Ongoing evidence on both the progress of implementing the age-friendly approach as well as its impact on people lives is required by the WHO as this is viewed as crucial to the success and sustainability of Cardiff's efforts to become increasingly age-friendly.

65. An evaluation framework was therefore developed in alignment with Cardiff's Action plan. An annual evaluation report will be produced to identify successes and re-define priorities for future action. As a member of the Network, Cardiff is also required to submit examples of best practice and maintain communication with both the WHO and key stakeholders within the Network.

### **Community Living**

66. Two of the ten Council-owned and managed Community Living Schemes have been awarded accreditation from the Royal National Institute for the Blind (RNIB). Three more are in the process of achieving this. Work will also then be carried out to understand how and when the remaining schemes can be accredited.

67. This accreditation ensures that the accommodation adheres to the design principles of Visibly Better, this includes fundamental considerations to help prevent falls, and promotes confidence and independence. The principles also help to meet legislative obligations under The Equality Act 2010; BS8300, Welsh Housing Quality Standards, Development Quality Requirements and Lifetime Homes.

68. There is a requirement for this accreditation to be renewed every 3 years. Sandown Court, the first scheme to achieve this accreditation in 2019, is currently under the process of being reviewed by the RNIB.

### **Into Work Advice Services (including Adult Learning)**

#### **European Social Funded projects**

69. The Into Work Advice Service delivered a number of European Social Funded (ESF) projects. These projects will cease in March 2023. Following the submission of quarterly claims, the lead bodies, Welsh Government (Communities for Work) and Newport City Council (Journey 2 Work, Skills@Work and Inspire 2 Work) undertake an audit led by their Management Verification Team (MVT). The MVT carry out an audit of portfolio and financial checks, to look at quality of paperwork, ensuring evidence is sought and secured and is on file. Financial checks have been carried out on individual line items of spend, including staff salary or purchase of goods/services.

70. The funder chose, at random, a sample of either portfolios or financial items. The service is always given feedback on the outcome of MVTs, usually at project meetings. The service has consistently been awarded a green rating.

71. The Into Work team has an established Quality and Performance team who assist delivery staff with ensuring eligibility is maintained.

72. ESF project case files can be audited for up to 7 years after the project ceases in March 2023.

## **Shared Prosperity Fund projects**

73. The Shared Prosperity Funding (SPF) is a new fund that has been launched by Central Government. This will replace the ESF funding that the Into Work Advice Service previously received. External audits will be carried out by the UK Government. These audits will be similar to the European Social Fund audit processes. Spot checks will be completed on participant portfolios and financial transactions. The service has not been audited to date, but will be in the future, no dates known currently.

## **Adult Learning**

### **ESTYN**

74. Cardiff Adult Learning is part a formal partnership with Vale of Glamorgan Council and Cardiff and Vale College. This partnership arrangement is called Cardiff and Vale Adult Learning in the Community Partnership (CVALCP).

75. Cardiff and Vale Adult Learning in the Community Partnership (CVALCP) are inspected by Estyn every 3-4 years; however the last formal inspection took place in 2012, with a review meeting completed in 2013.

76. Although formal inspections were postponed throughout the pandemic, each of the Adult Learning partnerships was assigned a link inspector who met regularly with managers to discuss a range of topics. The link inspector engaged with the partnership leads on four separate occasions throughout the pandemic. The link inspector also engaged with line managers and a small cohort of tutors and learners on a further two occasions to gauge views of delivery and impact of Adult Learning delivery. No formal reports were produced following visits, but Estyn did produce a National Thematic report on the findings from these visits. This report was released in March 2022 and documented the findings from the link inspectors. No recommendations were made for Cardiff.

77. A formal inspection will take place week commencing 20<sup>th</sup> March 2023. Following this, an evaluation report will be produced and will be officially released in July 2023. Estyn no longer provide a ranking system but will consider if any follow up actions are required.

## **Major Project and Partnership Governance**

78. The Directorate has a number of key projects or programmes, an example of this is the implementation of the Ageing Well Strategy.

## **Programme Management - Cardiff Ageing Well Strategy**

79. The delivery of the Ageing Well Strategy is a major crosscutting council programme which aligns closely with the Integrated Health and Social Care Partnership but with a focus on improving the Council's services to support older people. Recognising the projected increase in the older population and the increase in the number of people living with dementia, the Strategy's main

purpose is to “support older people to live well in their homes and communities” This will both promote wellbeing of the individual and prevent the need for intervention and in particular residential care. 7 key aims are set out in the strategy and these form the basis of a number of key workstreams.

80. A programme board is in place chaired by the Director and a programme manager and project team have been recruited. A range of workstreams have been identified to deliver these aims. Clear project groups have been established each with a project lead manager and assigned project resources. A range of performance indicators have been identified to assess the success of this work and highlight reports are produced for each workstream. Progress with this work is overseen by the Council’s Senior Management Team, the latest presentation to SMT was in February 2023 and set out progress across all key workstreams.

### **Value for Money**

81. Budgets for both Adult Services and Housing and Communities are well managed with significant underspends recorded at month 9 for both services. Operational Managers have regular meetings with their accountants. A manager from financial services attends ASMT on regular basis to report on budget management and performance in delivering any savings. Both Director and Assistant Director attend regular meetings regarding the Housing Revenue Account.

82. As the directorate commissions extensive external services achieving value for money in procurement is essential, as is effective contract management. Key examples are provided below:

83. **Maintenance and improvement of council homes** – with an annual budget of £15.8m it is vital that programmes of work are cost effective and delivered on time. Effective commissioning, contract management and financial oversight is provided through a dedicated commissioning and contract management team.

84. The service commissions a number of Frameworks to deliver planned and responsive works to maintain the Council’s housing stock. These are commissioned using clear Schedules of Rates (SOR) provided by independent consultants to ensure that descriptions of work are clear and guide rates are realistic and in line with current market conditions.

85. The Invitation to Tender (ITT) clearly set out detailed requirements regarding the processes and procedures to be followed, expected customer care standards, effective complaint resolution, minimising time on site and disruption to residents. It is also made clear that delivery of the works is subject to several KPIs monitored on a monthly basis and failure to meet the required level of performance could result in the application of financial penalties in the form of Performance Deductions. As part of the tender process, both cost and quality are considered in the evaluation of bids.

86. The appointed contractors are subject to a robust contract management regime which measures their performance against the required service standards. Their performance is monitored on a monthly basis against the contracted KPIs. (The contracted KPIs are based on the following categories: Health & Safety, sub-contractor management, quality of work, delivery to timescales, complaints handling, community benefits and customer satisfaction). Monthly Performance Reports are prepared, circulated to all stakeholders (including the corporate procurement team), and discussed at the monthly strategic meetings. Minutes are taken at these meetings and circulated to appropriate Operational Managers, delivery teams and Contractors. Financial penalties in the form of performance deductions can be and have been claimed should a Contractor fail to meet their contracted KPIs.

87. An annual report evaluating the extent to which contractors are meeting the framework objectives is written and sent to the Service Area's Director and Assistant Director. To date all appointed Contractors remain and continue to deliver efficiently, effectively, and economically in line with framework aspirations.

### **Adult Services Commissioned Services**

88. The budget for external services in Adult Services is circa £106m per annum so good value for money and financial control is key. Approved provider lists are in place covering the majority of residential and domiciliary care with 120 providers registered and all have met set quality requirements. Each individual care package is commissioned separately by offering it to the approved providers through a dynamic purchasing system called Adam. This approach ensures competition and therefore ensures the most economical care package is achieved.

89. There are a number of issues with the current arrangements which calls into question the efficiency and effectiveness of the system for all cases:

- The administrative process of putting each individual package of care out to the market can lead to delays. The time taken from referral to care being in place is monitored for domiciliary care and targets have recently been set, however there is inevitably some delay. The use of block contracts is being piloted in the hospital setting to put care in place more quickly.
- Where a residential placement is required urgently or specialist care is needed such as residential care for clients with learning disabilities, direct awards are made, leading to higher cost. There is a need to review commissioning arrangements for more specialist or urgent cases.
- The commissioning of individual packages of care does not allow the service to shape the market effectively, for example to encourage more provision of dementia / nursing residential provision rather than general residential provision. There is no incentive for providers to

invest in changing their premises and services as they have no guarantee of a level of future work with the Council.

90. A review is therefore underway of commissioning going forward and a Market Engagement Manager post has recently been created to take this forward.

91. The very large number of care providers, while ensuring competition and availability of care, also makes effective contract management and oversight difficult. Given the importance of these services to the wellbeing of very vulnerable individuals this is of concern. A team has recently been put in place, including a qualified social worker manager and social work assistants, to regularly visit residential care settings to oversee the quality of care provided. A review of contract management arrangements is also underway to ensure that available resources are focused effectively.

## **Complaints Handling**

### **Adult Services**

92. The Complaints Team in Adult Services is located in the Strategy Performance & Resources section of the service area. This ensures that the service is able to work independently from Adult Social Services activities.

93. Complaints are received by email to the dedicated email box, by phone to the dedicated phone number or by post. Holding responses are monitored daily to ensure that all complainants are kept informed regarding the progression of their cases.

94. The team meet weekly to discuss all open cases. Additionally, the Complaints Manager meets with the Operational Manager for Strategy Performance & Resources to discuss contentious or difficult cases. The Operational Manager for Strategy, Performance & Resources also undertakes a quality assurance role and signs off all stage one complaints responses before they are sent out.

95. During 2022/23 the categories of complaints were redefined to better understand the reason for dissatisfaction and complaints are now categorised around the following five themes.

- Relationship
- Communication
- Safeguarding
- Finance
- Data

96. Actions identified within complaints responses are confirmed when the complaint is closed. Trends are identified and reported to Adult Services Management Team.
97. Between January 2022 and January 2023, the team received 115 complaints, of which 26 cases were either upheld or partially upheld.
98. If a customer is not satisfied with the response to their complaint they can request an independent formal investigation, called a Stage 2 Investigation. All Stage Two responses are reviewed and signed off by the Director of Adults, Housing and Communities. There have been 7 requests for Stage 2 Investigation to date this year. 2 of which have been upheld, and 4 have not been upheld.
99. Adult Services complaints make up 2% of the complaints received by the Ombudsman regarding Cardiff Council. So far this year, 3 complaints have been decided upon by the Ombudsman, none have been upheld.
100. A report on complaints is provided to the Adult Services Management Team monthly. Information about complaints are included in quarterly KPIs. Both the quarterly KPIs and the annual complaints report are considered by Community and Adult Services Scrutiny Committee (CASSC).

### **Housing and Communities**

101. Complaints regarding Housing & Communities are dealt with by The Quality and Appeals team who are part of the Housing Strategy & Service Development section. The team are a separate entity from other service delivery teams within Housing and Communities, they can investigate complaints on an impartial basis and provide resolutions to the issues raised by customers.
102. Housing & Communities Complaints are received in a number of ways; via email through the team's dedicated mailbox, a customer phone call to Connect to Cardiff or the completion of a complaints form.
103. Between January 2022 and January 2023, the team received 840 complaints, of which 340 cases were either upheld or partially upheld.
104. Housing & Communities complaints make up 38.1% of the complaints received by the Ombudsman regarding Cardiff Council. In 2022/23 there have been 59 Ombudsman complaints, 4 of which are still being considered by the Ombudsman. None have been upheld.
105. Where the Complaints & Communication Officers identify a service failure or an opportunity for service improvement, this is presented in a report to the appropriate service managers and Operational Managers, outlining the failure and any recommendations that could potentially be implemented. Performance reports are circulated monthly to both Assistant Director and Director and the compliments and complaints dashboards are presented regularly at the Housing and Communities SMT meetings.

## **Legal Implications**

106. There are no legal implications arising directly from this report.

## **Financial Implications**

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

## **RECOMMENDATIONS**

108. That the Governance and Audit Committee considers and notes the content of the report.

**Jane Thomas**

**Director, Adults, Housing and Communities**

The following is attached:

Appendix A - Corporate Risks

Appendix B - Escalated Directorate Risks – Not for publication

Appendix C - Key Directorate Risks – Not for publication

Appendix D - Outstanding Audit Recommendations – pre-2020 – Not for publication

Appendix E - Senior Management Assurance

Appendix F - Governance and Audit Committee Presentation

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Appendix A - Adults, Housing & Communities – Corporate Risks

Safeguarding										
Description	Inherent Risk		Residual (Current) Risk		Target Risk		Risk Owner(s)			
Systemic failure in the effectiveness of the Council's safeguarding arrangements together with other statutory safeguarding partners.							<b>Councillor Huw Thomas</b> Leader <b>Councillor Norma Mackie</b> Social Care, Health & Well-being <b>Councillor Chris Weaver</b> Finance, Modernisation and Performance  Sarah McGill (Jane Thomas)			
	Last Reviewed		Q4 2020/21		Target Reduction Date				N/A	
	Last Revision		Q4 2020/21		Movement from prev Qtr				↔	

Potential Impact(s)	What we've done/are currently doing to achieve the Residual Risk Rating	What we plan to do to meet target
<ul style="list-style-type: none"> <li>• An adult(s) suffer(s) preventable abuse or neglect which may result in harm or death</li> <li>• Reputation of Council and partners</li> <li>• Severe adverse publicity</li> <li>• Potential regulator intervention</li> <li>• Loss of confidence by community in safety of adults</li> <li>• Loss of confidence of staff in the overall “safety” of the service, impacting on morale, recruitment and retention</li> <li>• Potential litigation with associated financial penalties</li> <li>• Significant financial implications of formal intervention</li> </ul>	<p><b>Adult Safeguarding</b></p> <ul style="list-style-type: none"> <li>• Review of escalating concerns process underway to strengthen arrangements and interface with safeguarding procedures and large-scale enquiries.</li> <li>• Development completed of an improved quality assurance process for care homes that includes monitoring visits undertaken by social workers in addition to Contracts staff and the commitment to undertake urgent (same day) on-site monitoring when serious concerns are raised.</li> <li>• Advice / guidance has been produced for family members to inform them of what they should look for when choosing a care home for a loved one / when visiting a loved one in a care home and what they should do if they are worried / concerned about the quality of care.</li> <li>• Quality Assurance Frameworks have been included with the DAPL and DPS Framework and this has been implemented.</li> <li>• Contributing to and supporting the regional review of MARACs (domestic abuse MARAC, SWOT MARAC and Human Trafficking MARAC). We will now be taking this learning into practice.</li> <li>• Supporting people who hoard and self-neglect and developing sustainable and holistic approaches to achieving outcomes has now been completed and is being shared with staff teams. Phase 2 of this project has now commenced.</li> </ul> <p>Young person’s MDT in partnership with Children’s services and Housing to address the needs of young people with complex transitional arrangements, behavioural difficulties or known risks has now been launched and is fully operational.</p> <p>Targeted training work in front facing services with low take up is ongoing but will be further developed in Q1 2023/24, with gaps in training being identified.</p> <p>Continue to review the Safeguarding Policy following publication of</p>	<p><b>Corporate</b></p> <ul style="list-style-type: none"> <li>• Data development work on cross council referrals</li> <li>• Output of self-assessments to be quality assured, included and tracked through Directorate Delivery Plans.</li> </ul> <p><b>Adult Services</b></p> <ul style="list-style-type: none"> <li>• Develop whole home large scale enquiry process - to be completed <b>09/2023</b> (this is now to be completed regionally not locally)</li> <li>• Partnership development activity between Learning Disabilities Team, third sector services and Adult Safeguarding to better address incidents of Service User on Service User abuse in supported living services setting - <b>target removed as project on hold due to current work pressures.</b></li> </ul> <p>Develop and improve our public facing Safeguarding communications to build trust and confidence with the public. Ensure there is consistency in external and internal reporting of Safeguarding referrals - <b>Target April 2023.</b></p>

best practice by Welsh Government

Type(s) of Impact		Linked Risks	Key Indicators / measures used to monitor the risk
<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>• Partnership</li><li>• Community &amp; Environment</li><li>• Stakeholder</li></ul>	<ul style="list-style-type: none"><li>• Increase in Demand (Children's Services)</li><li>• Workforce - Social Services</li></ul>	<ul style="list-style-type: none"><li>• SCC.014 Percentage of initial child protection conferences carried out within statutory timescales during the year</li><li>• SCC.034 Percentage of child protection reviews carried out within statutory timescales during the year</li><li>• SSWB 27 Percentage of re-registrations of children on local authority Child Protection Registers</li><li>• SSWB 28 Average length of time for all children who were on the CPR during the year</li><li>• Res 15 - Percentage of Council staff completing Safeguarding Awareness Training</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 reduced budgets and the increased demands placed upon it by the effects of Welfare Reform including, Universal Credit, further reduction in Benefit Cap and size restrictions for social tenants. The potential impact of these changes on rent arrears, homelessness and child poverty make these changes a significant risk.</p> <p>In 2022 the DWP will commence the rollout of migration for claimants from legacy benefits to Universal Credit.</p>				<table border="1" style="width: 100%; border-collapse: collapse;"> <tr style="background-color: #d9e1f2;"> <th colspan="2">Risk Owner(s)</th> </tr> <tr> <td style="width: 50%; text-align: center; vertical-align: middle;"> <b>Sarah McGill</b> (Jane Thomas)                 </td> <td style="width: 50%; text-align: center; vertical-align: middle;"> <b>Councillor Lynda Thorne</b> Housing &amp; Communities                 </td> </tr> </table>	Risk Owner(s)		<b>Sarah McGill</b> (Jane Thomas)	<b>Councillor Lynda Thorne</b> Housing & Communities						
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Potential Impact(s)	What we've done/are currently doing to achieve the Residual Risk Rating	
<p>Benefit claimants are priced out of the private rented sector market</p> <ul style="list-style-type: none"> <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 – increased numbers seeking help with homelessness due to loss of private sector accommodation has already been seen. This is expected to increase further with the end of the evictions ban.</li> <li>• Increased rough sleeping</li> <li>• Increased rent arrears, increased evictions - The impact</li> </ul>	<ul style="list-style-type: none"> <li>• Communities staff continue to work closely with private sector landlords and advice agencies to mitigate wherever possible the reduction in benefit income to help prevent eviction. The Rent Arrears Pathway has been created using a one front door approach, supporting people to access the help they need to pay their rent or any arrears they have accrued.</li> <li>• New schemes and incentives have been created to support both Landlords and tenants to obtain and retain accommodation in the PRS. These include rent in advance and bonds, help with the cost of repairs and bespoke packages.</li> <li>• Housing Options have undertaken a review of staffing levels due to increased demand on the service with prevention of homelessness its core objective. A range of support interventions are offered to tenants and landlords to reduce those needing to access homeless services.</li> <li>• Increased partnership working to ensure that specific groups are encouraged to access help at the earliest opportunity. The service is being marketed to reach as many vulnerable clients as possible, working with Rent Smart Wales, Community Hubs, CAB and Cardiff Credit Union.</li> <li>• Housing Solutions and Housing Help line has moved to the Advice service. This will ensure that those who are homeless or threatened with homelessness can access advice and support in their own community or over the phone and be triaged into the right help. A successful initial pilot was carried out for Prevention Advice in Hubs, to test further expansion.</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 with low support needs who have lived in supported accommodation.</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. 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>• Digital inclusion training and Universal Credit Support has been rolled out across all the Community Hubs, Adviceline and Housing Helpline.</li> </ul>	<p>Leasing Scheme and our own tenant matching scheme. The schemes offer a range of support services and benefits to the applicant and to the private landlord with the aim of making tenancies successful for both parties. <b>Q4 2022/23</b></p> <ul style="list-style-type: none"> <li>• Introduction of landlord portal so that HA's and in the future, private landlords can access information quickly about amount of and dates of payments due online <b>Q4 2022/23</b></li> <li>• Additional training will be provided when the migration of UC commences. <b>(ONGOING)</b></li> </ul>

on Council tenant rent arrears has already been considerable and is having an impact?? on the HRA, this will continue to increase as more tenants move onto Universal Credit. Increased council rent arrears could impact on HRA and lead to barriers to building additional affordable housing

- Redeployment / Severance for housing benefits staff
- Changing demands on Council stock resulting in increased voids and/or undersupply of smaller properties
- LA less likely to pre-empt those who may be affected by changes and therefore unable to put mitigation steps in place This has already had a negative impact as the number of families affected by the Benefit cap who the advice teams have been able to initiate contact has reduced.

- 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 assistance for more vulnerable tenants.
- Regular meetings are held with social housing providers to monitor and improve processes.
- In depth assessments continue to be completed at point of presentation to include a financial statement which will allow discussion to be had around possible expenditure concerns.
- Expansion of the Private Rented Sector Housing Solutions Team to include a dedicated single point of contact for landlords, and dedicated phone line for landlords will mean contact is easier.
- Digital and budgeting support available from Into Work and Money Advice on a Saturday for the first time for those who are claiming UC and in work.
- Prevention Team now moved over to Advice Service, aligning with the Housing Solutions team. Review of the service has been carried out and will remove duplication of work. Prevention Officers will provide support from Community Hubs across the city in January 2023.

Utilising different funding streams to support people during the cost of living – Housing Prevention Fund, Cost of Living Discretionary Fund, Together for Cardiff Funding.

Utilising Cost of Living Discretionary fund for Fuel Voucher Scheme, partnering with ACE to distribute vouchers. Further working with Food Cardiff and Foodbanks, Money Advice team to support at locations across the city; using Food Poverty grant to support schools with food vouchers and clearing school meal debt.

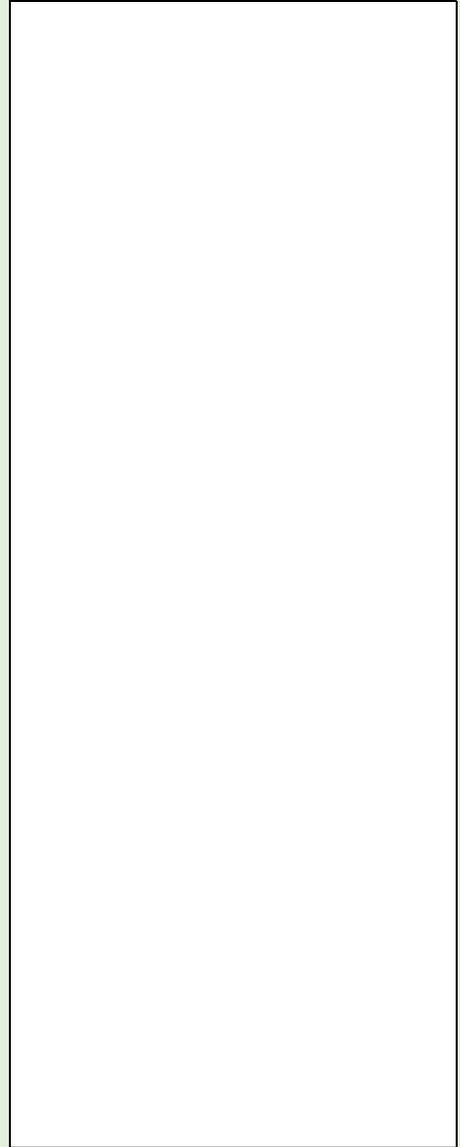
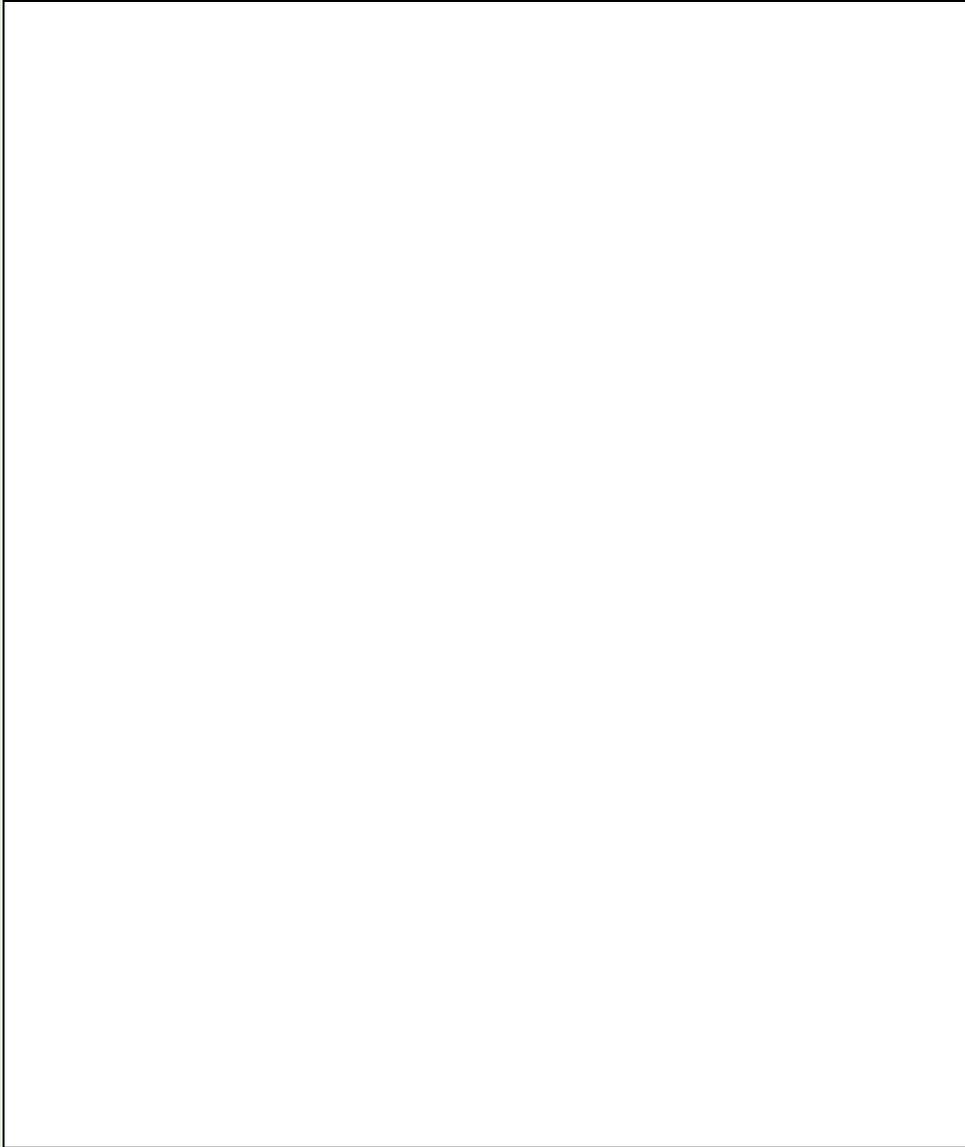
Funding has been allocated to the Money Advice Team for 1 year to increase staffing, which will help with the negative impacts of both Welfare Reform and the pandemic on citizens. A request will be made to extend this by another year. Funding has been secured to expand the Money Advice Team through Multiply (Shared Prosperity Fund), this will allow the team to carry out more in-depth support at additional venues.

- Increase in poverty and child poverty, potentially an increase on demand on social services

Rise in cost of living pushing people further to crisis point, and affecting those who wouldn't ordinarily require support from Council Services i.e. those in work, those with mortgages/homeowners.

Increase in interest rates meaning mortgages become more unaffordable, rise people in mortgage arrears, more landlords increasing rent prices to cope with interest rate increase and more landlords selling properties or requiring them back for themselves.

Rise in cost of fuel and food prices, making more people choose between heating and eating.



	Type(s) of Impact			Linked Risks		Key Indicators / Measures used to monitor the risk			
						Number of customers supported and assisted with their claims for Universal Credit  Additional weekly benefit identified for clients of the city centre advice team			

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

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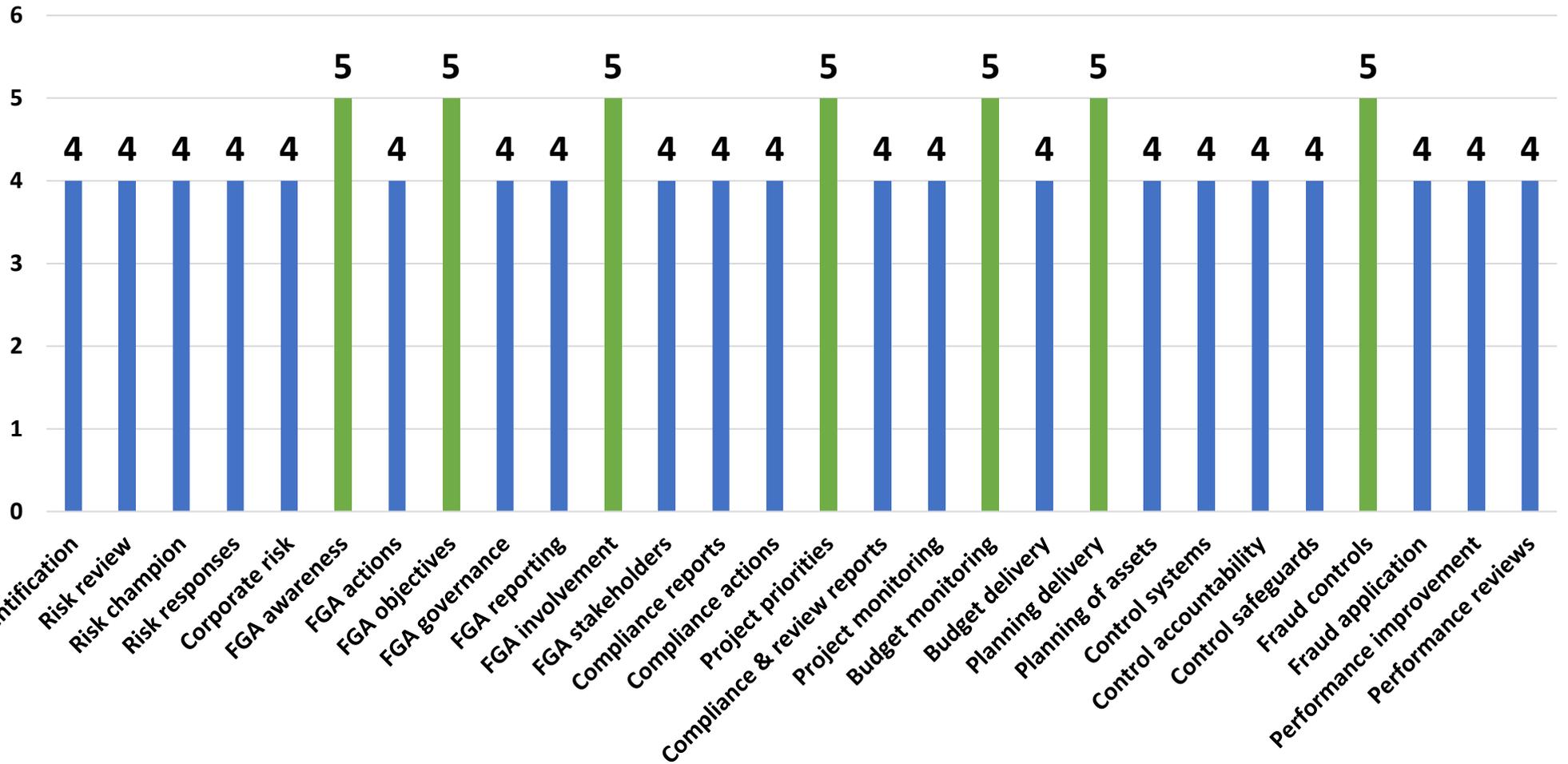
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## Senior Management Assurance - Adults, Housing & Communities

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# Adults, Housing and Communities – Control Environment Update

Jane Thomas

Director of Adults, Housing and Communities

Governance and Audit Committee

21<sup>st</sup> of March 2023



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# Contents

- Directorate Overview
- Key Priorities and Remit
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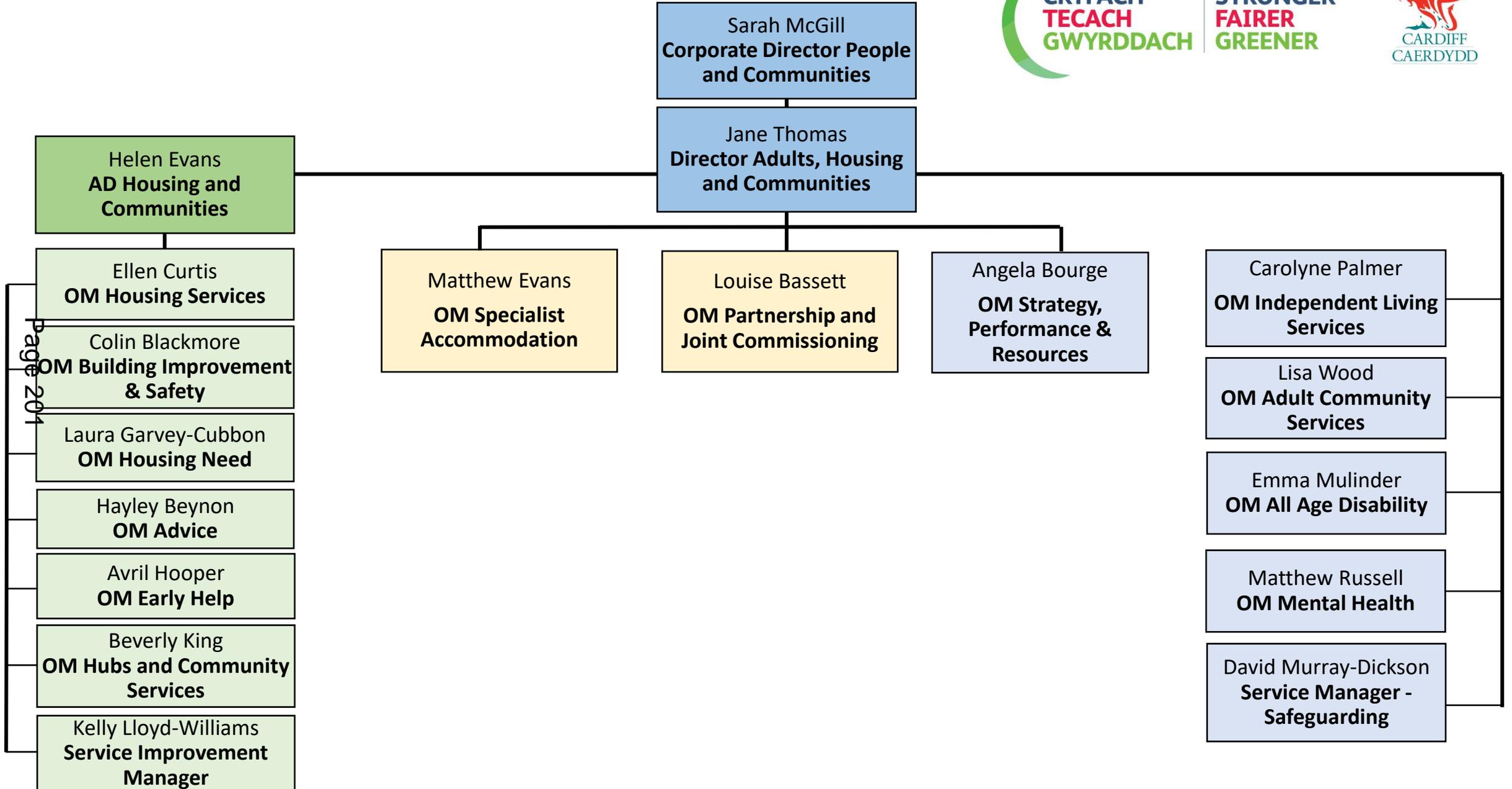
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# Directorate Overview



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# Key Priorities and Remit



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The **Adults, Housing & Communities** directorate provides a wide range of functions  
Many services were impacted by the pandemic and the following surge in demand for services

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## **Adult Services**

- Independent Living Services
- Community & Hospital Social Work
- Mental Health Services
- Learning Disability Services
- Care Commissioning
- Direct delivered services - Internal Supported Living and CRT Homecare
- Adult Safeguarding

## **Housing & Communities**

- Housing Services
- Building Improvement Service
- Homelessness Services
- Community Hubs and Older Persons Day Centres Advice
- Early Help for Families and Children
- Specialist Accommodation and Support Services
- Partnerships and Joint Commissioning

- Governance is provided through the Director, Assistant Director and a strong tier of Operational Managers
- Regular strategic and operational meetings are in place to oversee management of the service including performance, statutory & corporate compliance, and risk.
- Regular performance management in place – reviewed at both operational and strategic meetings

# Risk Management



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## Corporate (high level) Risks

- Corporate safeguarding / Adult Safeguarding
- Welfare Reform

## Escalated Directorate Risks

- Recruitment & retention of care workers - (impact on provision of care)
- Recruitment & retention of social workers and occupational therapists - (impact on assessment of need)
- Lack of pitches for Gypsy /Travellers - (resultant overcrowding and fire safety issues)
- Fire safety in council homes - (in particular high-rise blocks)
- Increased homelessness demand (pressure on temporary accommodation)
- Cost of Living Crisis (impact on debt/evictions/homelessness)

**Directorate (operational) Risks** – significant directorate risks are included at Appendix C

Strong risk management arrangements are in place, all risks are reviewed regularly - with some key issues reported on a daily / weekly basis, and clear governance arrangements in place

# Internal Audit Assurance



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Regular meetings take place between Director and Internal Audit representatives  
Resources are now in place to monitor compliance with audit requirements  
Audit recommendations from pre- pandemic are now being reviewed and taken forward

## **Audits April 2020 to date**

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- From April 2020 15 audits have been undertaken
  - 12 have been effective / effective with opportunity for improvement
  - 4 of these audits remain open – 6 actions
  - Dates have been set for completion

## **Pre April 2020**

- There are 5 long standing open audits (11 outstanding actions) relating to Adult Services
- Dates have been set to complete recommendations on 3 audits
- 2 audits relate to areas where significant work has been undertaken since the audit / further work is needed to confirm the way forward
- Details of these are set out in appendix D

# Internal Audit Assurance

Currently **9** audits with open recommendations, **18** outstanding actions



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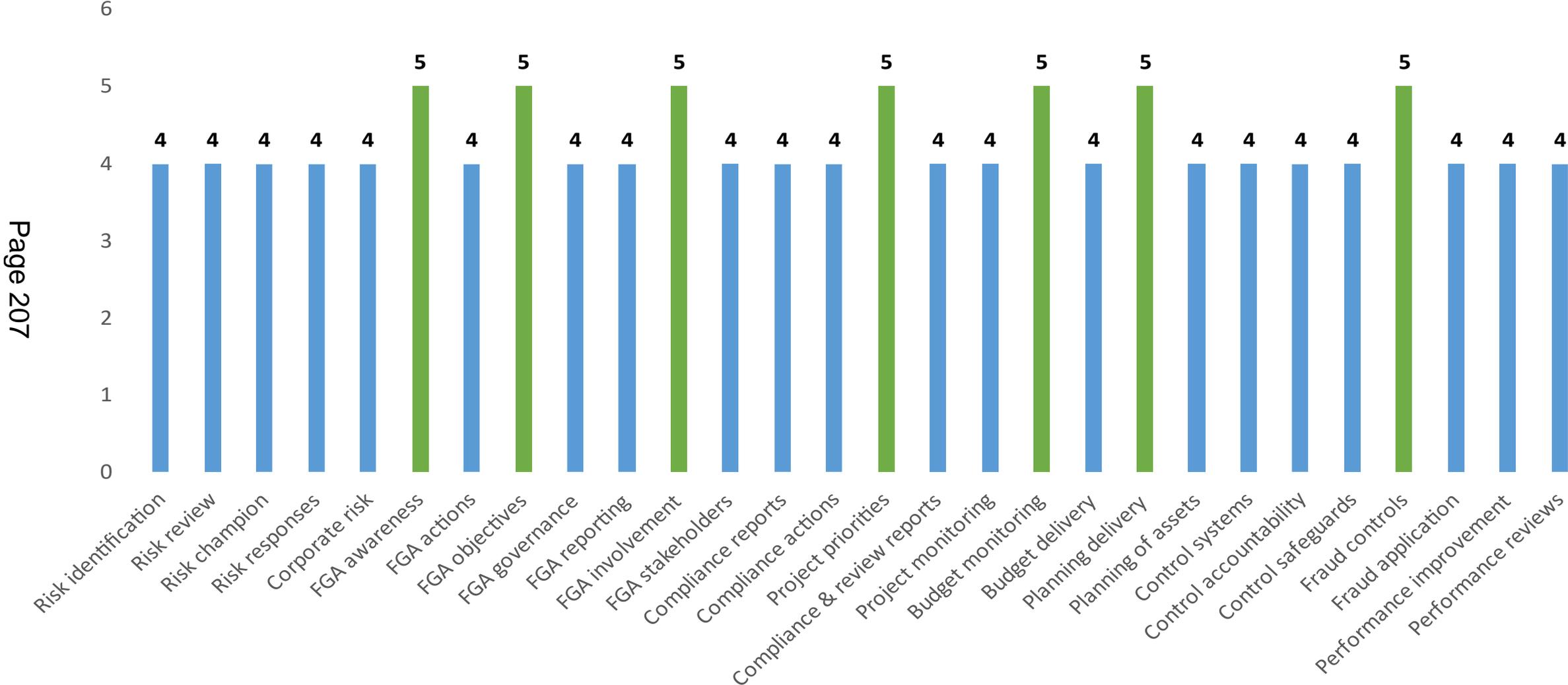
Audit	Report Status	Assurance Rating	Total Actions	Completed Actions	Outstanding Actions	Implementation Status
2022/23 (to date)						
Housing Benefit -Local Housing Allowance -Council Tax Reduction Scheme	Final	Effective	3	1	2	1 actions due for completion 31.05.2023 1 action due for completion 31.10.23
Agency Payments	Final	Effective with opportunity for improvement	1	1	0	All actions completed
Get Me Home Service	Final	Effective	0	0	0	All actions completed
Income and Debtors Schemes	Final	Effective with opportunity for improvement	4	4	0	All actions completed
Income Schemes	Final	Effective	2	2	0	All actions completed
2021/22						
Libraries and Hubs	Final	Effective with opportunity for improvement	11	11	0	All actions completed
Pre-Contract Assurance - Adults, Housing & Communities	Final	Effective with opportunity for improvement	2	2	0	All actions completed
Contract Monitoring and Management - Adults, Housing & Communities	Final	N/A - sampled as part of corporate audit	3	3	0	All actions completed
Homelessness (Temporary Accommodation)	Final	Effective with opportunity for improvement	1	1	0	All actions completed
Joint Equipment Service	Final	Insufficient with major improvement needed	8	6	2	1 action due for completion 01.06.2023 1 action due for completion 01.07.2023

# Internal Audit Assurance

Audit	Report Status	Assurance Rating	Total Actions	Completed Actions	Outstanding Actions	Implementation Status
2020/21						
Housing Benefit -Local Housing Allowance - Council Tax Reduction Scheme	Final	Effective with opportunity for improvement	4	4	0	All actions completed
Risk Based Verification	Final	Effective	2	2	0	All actions completed
Income and Debtors - People and Communities	Final	Effective with opportunity for improvement	6	5	1	1 action due for completion 31.03.23
Income & Debtors - Social Services	Final	Effective with opportunity for improvement	3	2	1	1 action due for completion 30.05.2023
Commissioning and Procurement - Social Services	Final	Insufficient with major improvement needed	5	5	0	All actions completed
Communities - Asset Management	Final	Effective with opportunity for improvement	3	3	0	All actions completed
Older – Longstanding Recommendations						
Social Services - Health and Safety	Final	Effective with opportunity for improvement	5	4	1	1 action due for completion 31.03.23
Domiciliary Care	Final	Insufficient with major improvement needed	8	3	5	Full review required
Deprivation of Liberty Safeguards	Final	Insufficient with major improvement needed	3	1	2	Subject to legislative change full review required
Direct Payments Support Service	Final	Insufficient with major improvement needed	6	4	2	2 actions due for completion 31.3.23
Learning Disabilities	Final	Effective with opportunity for improvement	2	0	2	2 actions due for completion 31.7.23

# Senior Management Assurance

## Senior Management Assurance - Adults, Housing & Communities



# Senior Management Assurance



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A recent review showed good levels of assurance, however opportunities were identified for improvement:

- **Response to internal audits** is currently good, however as noted above the pandemic and the need to prioritise “life and limb services” has delayed some responses - improved monitoring arrangements have been put in place to bring this back on track
- **The delivery of major projects** is well planned with full project governance in place, however there is a need to ensure that smaller projects are better prioritised/limited in number so that they can be delivered effectively.
- **Budgetary control** is good, both services were able to contribute to in year savings. There is a need to ensure that timing for achieving savings is realistic given the complex nature of the client group.
- **Administrative functions** are generally sound - however it is recognised opportunities exist to improve back office and debt management functions and systems within Adult Services, with opportunities for join up services and learning from elsewhere in the directorate.

# External Assurance



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## Adult Services

- **Care Inspectorate Wales (CIW)** - last inspection in **November / December 2020** – opportunities for improvement have been incorporated into service plans.
- Regular meetings between CIW and the Director where issues / risks are considered and actions to remedy these are discussed.

## Direct Care Provision

- **RISCA regulations** - Internal Supported Living for people with learning disabilities and CMT Homecare Service - both services overseen by registered managers.
- Responsible Individual (RI) - undertakes regular reviews.
- CIW have inspected both direct services recently - some issues were identified it was acknowledged that plans were in place to address these

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# External Assurance

## Housing & Communities

**Housing Revenue Account Business Plan** – reviewed by Welsh Government each year to ensure it is “acceptable”

**Housing Benefit** – Audit Wales / DWP audits / National Fraud Initiative

**Early Help Service (Flying Start)** - Care Inspectorate Wales

**Into Work Advice Services** – ESF projects audited by Welsh Government / Newport Council -New arrangements as part of the Shared Prosperity Fund.

**Adult Learning** – Estyn inspection to commence 20<sup>th</sup> March



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# Value for Money



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## Adult Services Commissioned Services

- **£106m budget for externally commissioned care services** - good value for money and financial control is key.
- Approved provider lists are in place - 120 providers registered and all have met set quality requirements.
- Each package of care is offered separately to the market, ensuring competitive approach.
- Review underway of commissioning going forward - Market Engagement Manager to take this forward.
- New team put in place to regularly visit residential care settings to oversee the quality of care provided- will inform new Quality Assurance Framework and commissioning arrangements.
- Review of contract management arrangements underway to ensure that available resources are focused effectively.

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# Value for Money



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## Maintenance and Improvement of Council Homes

- Budget of £15.8m for improvement of council homes (2023/4) - vital that programmes of work are cost effective and delivered on time.
- Range of Frameworks commissioned to deliver planned and responsive works - commissioned using clear Schedules of Rates (SOR)
- Invitation to Tender (ITT) clearly set out detailed requirements - both cost and quality are considered in the evaluation of bids.
- Appointed contractors subject to robust contract management regime - performance monitored.
- Financial deductions can and have been made for poor performance.
- Annual report on performance of the frameworks sent to the Service Area's Director and Assistant Director.

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# Complaints



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## Adult Services

- Complaints Team located in the **Strategy Performance & Resources** section ensuring that the service is able to work independently.
- Trends identified & reported to **Adult Services Management Team**.
- Between January 2022 and January 2023, the team received 115 complaints, of which 26 cases were either upheld or partially upheld. Reviewed for lessons learned.
- 7 requests for Stage 2 Investigation so far this year. **2** of which have been upheld, and **4** have not been upheld. All Stage 2 complaints overseen by Director
- To date this year, **3** complaints have been decided upon by the Ombudsman, **none** have been upheld.
- Complaints are reported regularly to the Adult Services Management Team.

# Complaints



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## Housing and Communities

- Dealt with by The **Quality and Appeals** team - investigate complaints on an impartial basis and provide resolutions to the issues raised.
- Between January 2022 and January 2023 - **840** complaints, of which **340** cases were either upheld or partially upheld.
- **59** complaints to ombudsman so far this year – 4 still being considered, **no reports upheld**
- Opportunity for service improvement identified - recommendations for improvement made.
- Reports circulated to Director and Assistant Director regularly
- Compliments and complaints presented regularly at **Housing and Communities SMT** meetings.
- Annual complaints report covering considered by Community and Adult Services Scrutiny Committee (CASSC).

**GOVERNANCE AND AUDIT COMMITTEE: 21 March 2023**

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**DRAFT AUDITED STATEMENT OF ACCOUNTS, AUDIT OF ACCOUNTS  
REPORTS (ISA 260) AND ANNUAL GOVERNANCE STATEMENT FOR  
FINANCIAL YEAR 2021/22**

**REPORT OF CORPORATE DIRECTOR RESOURCES**

**AGENDA ITEM 6**

---

**Reason for this Report**

1. The Governance and Audit Committee Terms of Reference sets out their responsibility for Financial Reporting:
  - To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
  - To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts

**Background**

2. Governance and Audit Committee received an electronic copy of the signed draft financial statements for comment on 19 July 2022. A response to all questions received was circulated to committee in accordance with the actions from that meeting. Following the completion of the audit, attached for 2021/22 are the draft:
  - Statement of Accounts for Cardiff Council and Cardiff Harbour Authority – **Appendix 1**
  - Annual Governance Statement (AGS) - **Appendix 2**. The changes following external audit review in relation to the AGS are minimal, compared to the draft considered by Committee at its meeting in July 2022.

The revised drafts include any agreed amendments arising from the audit and feedback from Governance and Audit Committee.

3. Also attached are the Audit of Accounts Reports (ISA 260) for 2021/22 in respect of:
  - Cardiff Council - **Appendix 3**
  - Cardiff Harbour Authority - **Appendix 4**
4. This report has been prepared to:

- allow Audit Wales to present their audit findings to those charged with governance in accordance with International Standard on Auditing 260 and
  - provide Governance and Audit Committee with the opportunity to consider the audit findings, the audit opinion, seek assurances on the delivery of the audit and any resulting adjustments made to the accounts and Annual Governance Statement.
5. The final Audit of Accounts Reports (ISA 260) along with the final audited financial statements and Annual Governance Statement are to be considered by Council at its meeting on 30 March 2023.

### **Legal Implications**

6. No direct legal implications arise from this report.

### **Financial Implications**

7. No direct financial implications arise from this report.

### **RECOMMENDATIONS**

8. That Governance and Audit Committee:
1. Note the 2021/22 Draft Audited Statement of Accounts for Cardiff Council and Cardiff Harbour Authority.
  2. Note the 2021/22 Draft Audit of Accounts Reports (ISA 260) for the Statement of Accounts for Cardiff Council and Cardiff Harbour Authority.
  3. Note the Draft 2021/22 Annual Governance Statement
  4. To ask questions of the auditor in respect to the appendices ahead of the request for Council approval on 30 March 2023.

### **CHRISTOPHER LEE**

Corporate Director Resources  
21 March 2023

Appendix 1 – Draft Audited Statement of Accounts 2021/22 – Cardiff Council and Cardiff Harbour Authority.

Appendix 2 – Draft Annual Governance Statement 2021/22

Appendix 3 – Draft Audit of Accounts Report (ISA 260) 2021/22 – Cardiff Council

Appendix 4 – Draft Audit of Accounts Report (ISA 260) 2021/22 – Cardiff Harbour Authority



# Statement of Accounts 2021/22



*The County Council of the City and County of Cardiff*

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# Narrative Report by Council's Statutory Finance Officer



## Introduction

This report presents the 2021/22 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 2021/22.

## Our City

Cardiff is the Capital City of Wales, covering an area of 140 square kilometres. It has a population of 369,000 living in approximately 162,000 homes. It is an economic, cultural and political capital city. A city of strong and safe communities, great schools and universities, creative, talented, and welcoming people.

Like all cities, Cardiff has its challenges and health, social and economic inequalities exist within the city. In fact, if the 'Southern Arc' of Cardiff was considered a single Local Authority, it would be identified as the most deprived in Wales. Economic success has brought pressures such as congestion, air pollution and a demand for affordable housing.

Children and young people are at the heart of plans as we work toward becoming a UNICEF Child Friendly City, with new schools delivered across the city and performance amongst the highest in Wales and significant progress in supporting young people thrive after leaving school. The latest Estyn inspection report recognised the "bold and ambitious vision for learners", the work undertaken to make "education everyone's business in Cardiff" and the excellent service being delivered.

As well as delivering new schools, the City has one of the UK's most ambitious Council house-building programmes and is expanding on the Metro plans for new tram-train routes and stations across the city and 15 kilometres of new cycleways have either been delivered or are under construction

Our work to support the Cardiff economy has ensured that it continues to deliver opportunities for the people of Cardiff and the wider region. The Council has declared a Climate Emergency, recognising the conclusions of the Intergovernmental Panel on Climate Change and aims to be a Carbon Neutral City by 2030.

In response to the Covid 19 pandemic, a series of short, medium and long-term strategies to support service delivery and the city economy's transition from lockdown to long-term city renewals are in place. The pandemic has led to changes in the economy, in the way in which people live, work and travel in and the way in which services are received and delivered. As part of the recovery and renewal programme, a focus remains on how the city responds to the economic crisis and the long-term shifts caused by the pandemic in order to build a stronger, more inclusive and sustainable post-pandemic economy.

During the past ten years, the Council has identified over £200 million in cumulative savings. Looking ahead, the Council must close a budget gap of £69 million over the next four years. In the medium term, the amount of funding available for 'non-statutory' services like parks, libraries or elements of waste

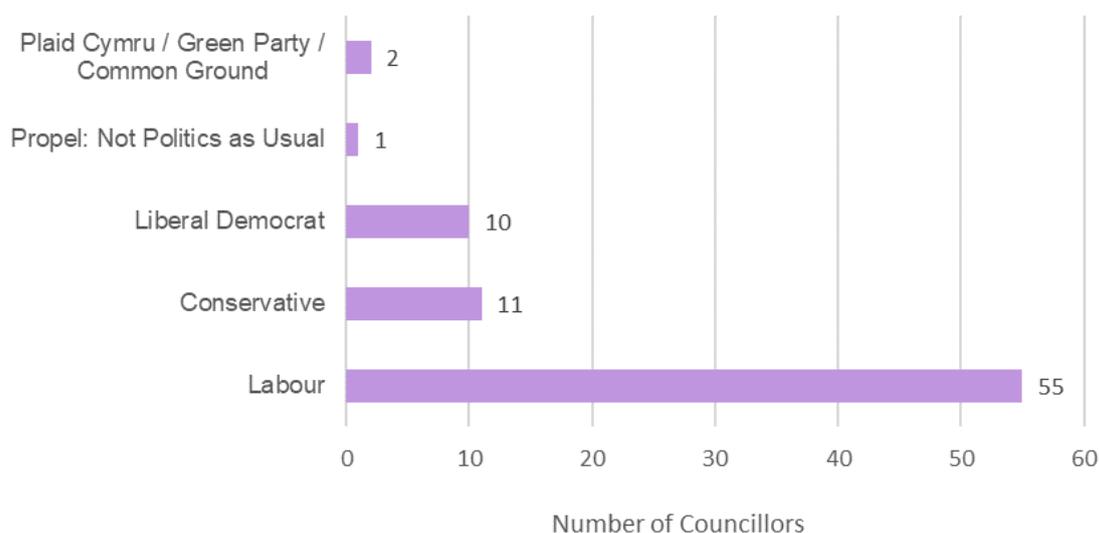
collection will make their continued delivery very challenging. This will form the backdrop to public service delivery as the City responds to the realities of an uncertain geopolitical and post pandemic world to deliver its agenda for the city.

[Budget Proposals 2023 - 2024 : Cardiff Council \(modern.gov.uk\)](https://modern.gov.uk/budget-proposals-2023-2024-cardiff-council)

## Our Democracy

Following the Local Government Elections in May 2022, the Council has 79 elected Councillors who represent the people of Cardiff and set the overall policy and budget framework. This is an increase of 4 members following a boundary review.

Cardiff Councillors - Political Party Representation



The 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. The Council annually selects a Lord Mayor to perform a civic role, promote the city and chair Council meetings. The Council appoints a Leader of the Council who appoints Cabinet Members, each with responsibility for a specific portfolio of services.

The role of Cabinet is to:

- provide leadership
- be responsible for most major decisions
- 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 the Governance and Audit Committee the responsibility for the review of the Financial Statements for the Council. This is prior to full Council's consideration of the external audit opinion and approval of the financial statements.

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 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 cleaning</li> <li>• Transport and Civil Parking Enforcement</li> <li>• Planning</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> <li>• Waste Collection, Recycling, Treatment, Disposal and Education</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. preventive and 'into work' services</li> <li>• Independent living and community alarm</li> <li>• Adult and community learning</li> <li>• Performance, Partnerships and 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> </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> <li>• Schools Transport</li> </ul>	<ul style="list-style-type: none"> <li>• Finance</li> <li>• Human Resources</li> <li>• Commissioning and Procurement</li> <li>• ICT, Customer and Digital services</li> <li>• Central Transport Services</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>

## 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 pressures.

Its four priorities are driven by the ambition to maintain momentum in city regeneration and economic development, tackle inequality and inclusive growth, and respond to the climate emergency and public service reform.

### Working for Cardiff

All our citizens can contribute to and benefit from the city's success

- 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

### Working for Wales

A successful Wales needs a successful capital city

- A connected capital
- A business capital
- An inclusive capital
- A smarter capital
- A sporting and cultural capital

### Working for Public Services

Making sure our public services are delivered efficiently, effectively and sustainably in the face of rising demand and reducing budgets

- Continued Digital First approach to customer services
- Development of skills and confidence across the workforce

### Working for the Future

Managing the city's growth in a sustainable way

- Housing and transport
- Waste, recycling and clean streets

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.

## *Impact of Covid-19*

The Council led a city-wide response to the pandemic and, whilst the public health crisis brought with it unprecedented challenges, it also brought out the best in the city, its communities and those who work on their behalf. Joint working with our partners across the public services has been taken to another level as we worked together to deliver the highly effective Test, Trace, Protect Service and a mass vaccination programme, at speed, to save lives. With the move through the various Covid-19 alert levels, and the spread of the more contagious Omicron variant of Covid-19, it was crucial to continue to follow public health guidance, remain alert to Covid-19 symptoms and to be ready to take appropriate action. To mitigate any potential impacts on frontline services, the council continued work with our public health colleagues to deliver the booster vaccine programme, support widespread testing and implement a strong set of workplace risk assessments.

Even at lower alert levels, the Council continued to grapple with significant service delivery challenges. The number of staff who needed to self-isolate represented an ongoing challenge, whilst national labour market challenges compounded these issues for a number of specific services such as waste management. It was clear that the easing of Covid-19 restrictions did not signal the end of the crisis, but a next phase of pandemic management. There were early indicators of the 'long-tail' of the pandemic, where the impact of Covid-19 over the past two years would translate into heightened demand for many Council services, introducing new delivery challenges and financial pressures.

As well as being a devastating public health crisis, Covid-19 has brought significant economic hardship to bear, particularly on the poorest and most vulnerable. The Recovery and Renewal programme launched last year recognises the need to re-animate the city centre, protect jobs and support the recovery of key sectors. The effort to support the recovery should also, at every opportunity, seek to create lasting employment opportunities and support the transition to net zero.

The Covid-19 pandemic continued to have a significant financial impact on the Council. This is evidenced through both additional expenditure pressures and reduced income across services during 2021/22. In recognition of these pressures being experienced by local authorities, Welsh Government continued to make available a Covid-19 general Hardship Fund with £34.389 million of additional expenditure and £14.011 million of lost income claimed from the Hardship Fund by the Council in the year. Further information of the financial impact of Covid-19 on the Council's financial outturn position compared to the budget for 2021/22 can be found [here](#).

## *Our Performance*

The Well-being of Future Generations Act requires the Council to publish an annual report of progress against achieving its Wellbeing Objectives. The Local Government and Elections Act also requires the Council to keep performance under review and report on its performance. These performance requirements are discharged through a self-assessment process undertaken twice a year. The Council's end-of-year self-assessment is titled the Annual Well-being Report, in line with statutory requirements.

Both the Annual Well-being Report and the Mid-Year Self-Assessment draws on a number of sources of intelligence to make judgements about the Council’s performance, including performance against Corporate Plan Commitments, budget monitoring, risk management as well as the judgements of external regulators. The report is formally considered by the Council’s Senior Management Team and Cabinet as well as the Council’s wider political governance, which includes the Policy Review and Performance Committee and the Governance and Audit Committee. The Annual Wellbeing report is normally considered by Cabinet and Council in July each year, however, following the Local Government Election in May and the appointment of new Committee Members, the Annual Wellbeing Report for 2021/22 will be formally considered in October 2022.

[Cardiff Council \(modern.gov.co.uk\)](http://modern.gov.co.uk)

### 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.

[Managing the Council’s finances \(cardiff.gov.uk\)](http://cardiff.gov.uk)

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 Governance and Audit Committee.



The Council continued to adapt its governance arrangements during 2021/22 as a result of the impact of Covid-19, with changes including:

- Adaptations to reflect new ways of working and priority emergency arrangements
- Changes to ‘business as usual’ activities, including cessation or reduced frequency or scale of activities

- Longer-term changes to priorities, programmes, strategies and plans as a result of the impact of the pandemic on the stakeholders of the Council and users of services

The budget is reviewed on a rolling basis, with updates to key variables and emerging pressures considered by Cabinet during the year prior to updating of the budget each year at Council in line with regulatory requirements. Since March, and the invasion of Ukraine, inflation remains elevated arising from increases in prices of goods, services and energy, with interest rates also rising from historic lows.

The AGS will set out how Covid-19 continues to impact on governance and systems of internal control using a risk based and proportionate approach, particularly where some of the usual sources of assurance may be more limited than in previous years.

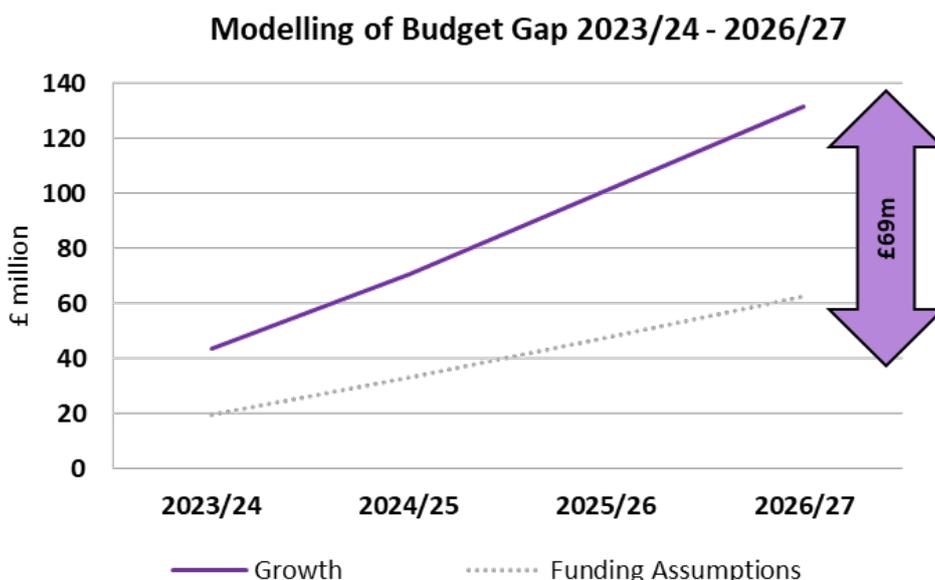
The 2020/21 financial year was a 'shadow' year for the implementation of CIPFA's Financial Management (FM) Code, with a goal to improve the financial resilience of organisations by embedding enhanced standards of financial management. Inevitably, the impact of Covid-19 as well as wider geopolitical and economic factors continued to test that financial resilience in 2021/22. Following the formal adoption of the CIPFA Financial Management (FM) Code in 2021/22 the approach to compliance with the FM Code will be covered in the AGS identifying any identified areas for improvement or change with associated timescales.

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 2022, there are nine corporate risks at a 'red' residual risk status i.e. major or significant consequence is likely without further mitigation.

Climate Change and Energy Security
Failure 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.
City Security
Major security-related incident in the city as a result of international or domestic terrorism.
Coastal Erosion
The risk of a breach of current coastal defence measures resulting in widespread flooding.
Air Quality & Clean Air
The risk that 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 the city.
Welfare Reform
The risk that the Council cannot meet its statutory obligations placed upon it by the Welfare Reform including Universal Credit, Benefit Cap reductions, and size restrictions for social tenants.

<b>Impact of Brexit</b>
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.
<b>Waste Management</b>
Failure to deliver cost effective compliance with waste legislation including statutory recycling targets.
<b>Increase in Demand (Children’s Services)</b>
Failure to effectively manage demand (and respond to increasing demand due to Covid-19) resulting in an increase in the number of children requiring services and the financial pressures this presents
<b>Cyber Security</b>
Monitoring - 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. Secure Configuration – the increased risk from malware and ransomware. Corporate Cloud Security - risk of weaknesses in externally hosted services.

Funding Gap is the term used to describe the difference between the funding the Council expects to receive, and the estimated cost of continuing to deliver services at the current level. Put simply, the gap is a result of funding failing to keep pace with demand, inflation and other financial pressures. Despite a 10.7% increase and better than anticipated Local Government Settlement in 2022/23, a budget gap of £69 million between 2023/24 and 2026/27 was forecast as part of the medium-term financial plan approved in March 2022.



This is due to factors such as employee costs, price inflation, allowance for emerging pressures, paying for capital projects and population demand in areas such as Adult Social Care, Looked after Children and Pupil numbers.

A range of options have been considered in order to address budget gaps in 2022/23 and future years including continuing to review and challenge all directorate budgets for productivity savings; maximising opportunities for digital transformation and to work across directorates and in partnership with other organisations; maximising income streams and exploring the potential for new income streams, particularly where services are not universal; and considering the level at which it is affordable to continue to subsidise services of a more discretionary nature.

With increased levels of risk to the delivery of savings targets and demand likely to remain unpredictable as a result of uncertainty, financial resilience risk will need to be managed and monitored closely to ensure financial sustainability. Significant capital expenditure investment is proposed in areas such as new schools; to address the condition of existing assets used in service delivery; to develop new council housing; to address air quality; economic regeneration and for sustainable travel schemes. The five-year investment plan will require a significant increase in borrowing and confirmation of the approach to generating a significantly enhanced level of asset disposals in order to help pay for investment.

Further details of the Council's budget for 2022/23 and Medium Term are available on the Council's website [Budget Proposals 2022/2023](#) and include the key documents below:

- Medium Term Financial Plan (MTFP)
- Housing Revenue Account 2022/23 Budget and MTFP
- Capital Strategy 2022/23
- Treasury Management Strategy
- A financial resilience snapshot which sets out a number of financial indicators and ratios.

## *Financial Performance 2021/22*

The Council's budget for 2021/22 was approved in March 2021. The budget was set against a backdrop of financial uncertainty, significant challenges in funding services and increasing demand for our services. An overall funding gap of £15.594 million in 2021/22 was identified and addressed by a combination of savings measures and a 3.5% Council Tax increase. A net revenue budget of £682.252 million was approved for 2021/22 as well as a Medium Term Financial Plan based on a rolling four-year period from 2022/23 to 2025/25, ensuring that resources are aligned to outcomes in the Corporate Plan.

### **Revenue Expenditure and Funding**

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

Directorate	Net Expenditure Budget	Net Expenditure Outturn	Variance (Under)/Over
	£000	£000	£000
Corporate Management	26,429	26,429	0
Economic Development	8,290	8,236	(54)
Economic Development - Recycling and Neighbourhood Services	30,460	30,460	0
Education & Lifelong Learning	297,392	297,868	476
People & Communities - Housing and Communities	49,727	48,965	(762)
People & Communities – Performance and Partnerships	3,010	2,882	(128)
People & Communities - Social Services - Children's	71,190	71,190	0
People & Communities - Social Services - Adults	119,457	119,336	(121)
Planning, Transport and Environment	6,066	6,066	0
Resources - Governance and Legal Services	6,084	6,514	430
Resources	15,281	15,186	(95)
<b>Directorate Outturn Subtotal</b>	<b>633,386</b>	<b>633,132</b>	<b>(254)</b>
Capital Financing	32,436	32,559	123
General Contingency	3,000	0	(3,000)
Summary Revenue Account inc. Council Tax collection and NDR refunds and Discretionary Relief	13,430	16,561	3,131
<b>Total Council Outturn</b>	<b>682,252</b>	<b>682,252</b>	<b>0</b>

The Council contained its spending within the £682.252 million budget approved for the year, after transfers to and from earmarked reserves. The net directorate position reflected a net underspend of £254,000 and overspends against the Summary Revenue Account and Capital Financing budgets were fully offset by the general contingency budget and a surplus in relation to Council Tax collection. The overall position improved throughout the year, largely due to the receipt of additional external grant funding. This also allowed an increase in the value of existing and creation of new Earmarked Reserves, which will support the Council both in the recovery from the impact of the pandemic and also the financial challenges arising from demand and cost uncertainty.

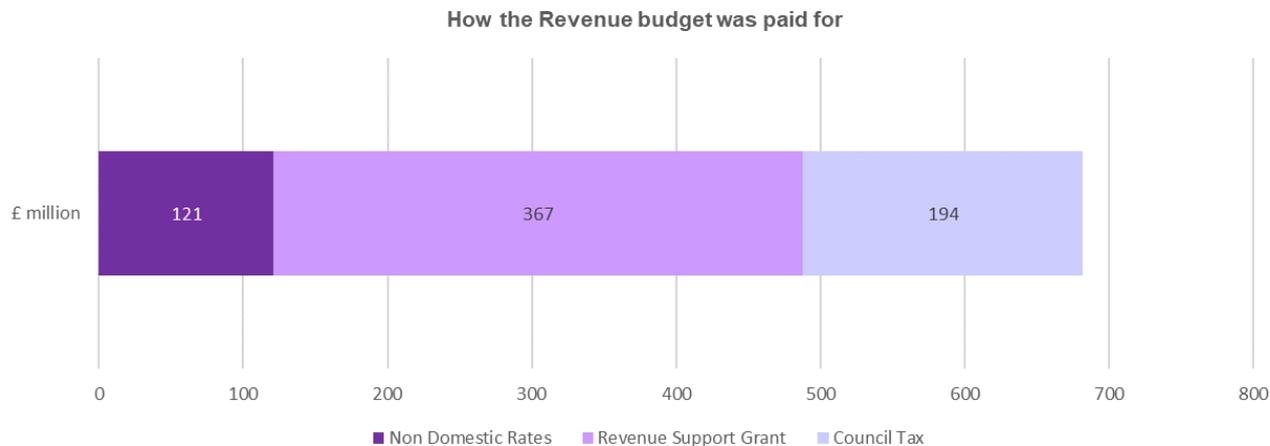
Non-Domestic Rates (NDR) are collected by the Council for Welsh Government based on the value of buildings used in business or for non-domestic purposes and a rate is set annually. The net NDR collectable by Cardiff for 2021/22 totalled £198.777 million of which Cardiff received £121.062 million after redistribution by Welsh Government. The in-year collection rate was 95.11% (85.58% in 2020/21).

#### [Non-domestic rates \(gov.wales\)](http://gov.wales)

Revenue Support Grant of £373.452 million from Welsh Government was received in the year, with £366.851 utilised in year for the 2021/22 budget. 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 £194.279 million funds just over a quarter of the Council's net expenditure. The in-year collection rate was 96.00% (96.06% in 2020/21).

### Council Tax (gov.wales)



### 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 13,789 dwellings as at 31 March 2022.
- The average weekly net rent for 2021/22 was £110.38.
- Income including rent and charges for services totalled £92.571 million.
- Revenue expenditure included £25.010 million on repairs and maintenance, £33.1 million on supervision and management and £28.668 million on capital financing costs, including interest, provision for the repayment of debt and towards capital expenditure.

The Housing Revenue Account reported a balanced position for 2021/22 after a transfer to earmarked reserves of £6.886 million. Factors resulting in the surplus included a reduced spend on repairs and maintenance, underspend on void property repairs, lower capital financing costs reflecting the timing of capital investment and delays in recruitment of staff. This will be used to meet the costs of high-rise overcladding projects in future years.

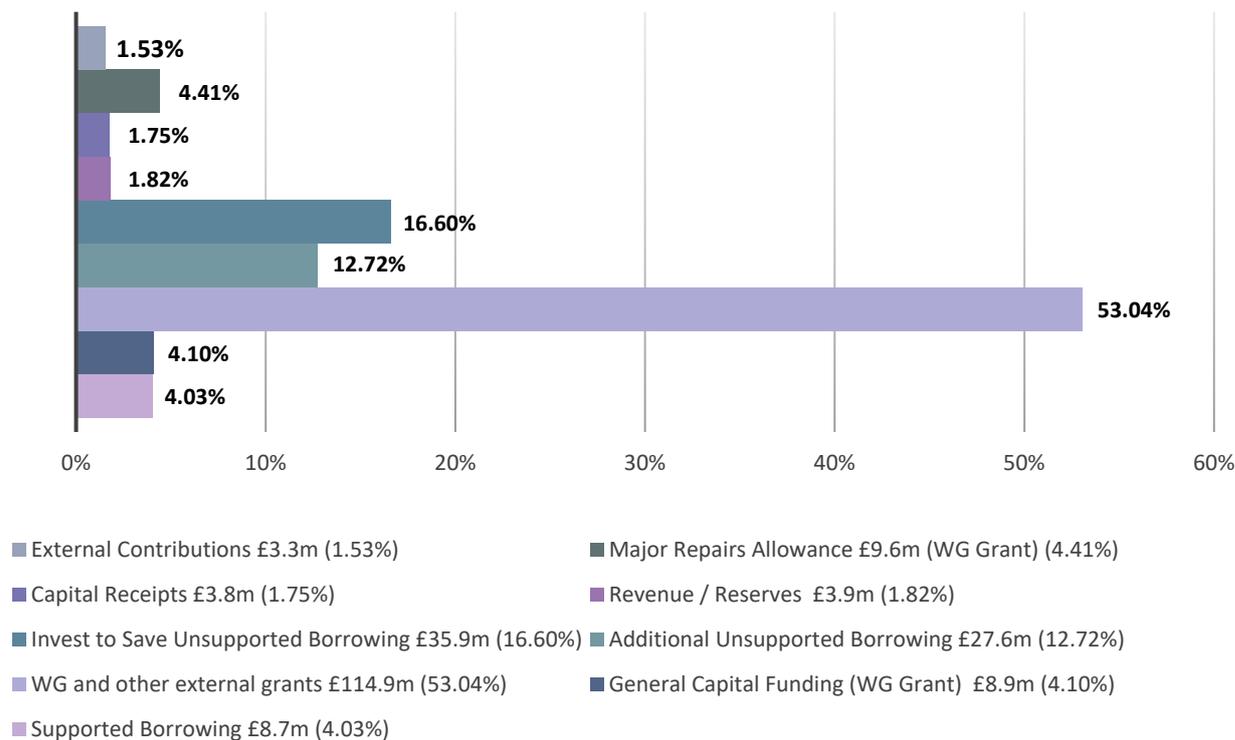
### Capital Expenditure and Funding by the Council

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 £216.5 million.

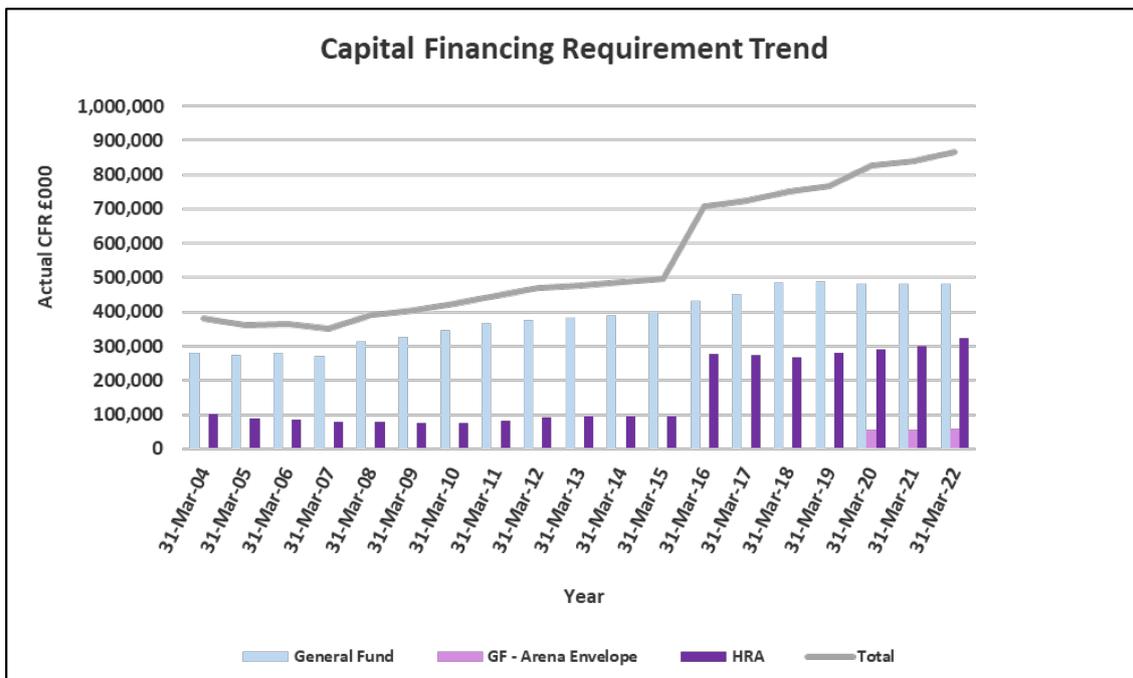
Schemes	Detail	£m
Business and City Development	Town Centre Loans; acquisition of regeneration sites at international sports village and for Atlantic Wharf Masterplan and balance of payment for Red Dragon Centre.	20.7
Parks, Leisure and Venues	Parks play areas, open space and infrastructure; Play Opportunities; Leisure and venues buildings maintenance; Roath Park dam scheme design and Harbour asset renewal.	5.3
Education & Lifelong Learning	21 <sup>st</sup> Century schools Band B including new Fitzalan High School construction. Acquisition of Ty Glas site Llanishen; investment in the condition and suitability of school buildings and ICT.	60.2
Neighbourhood Regeneration and Private Housing	Disabled adaptation grants, allowing people to live independently in their homes; environmental and shop front improvements at Tudor Street, Cowbridge Road East and housing estate environmental improvements, Maelfa games area; Lisvane Community Hall and Infirmary Chapel Hub.	11.3
Highways & Transportation	Road and footpath resurfacing; LED lighting in residential areas and replacement of decking on Millennium Walkway; Coastal erosion and flood mitigation; public transport and road safety improvements; cycling strategy implementation; investment in active travel and safe routes in communities; city centre air quality measures including Wood Street and Canal Quarter.	34.3
Corporate, Technology and Vehicles	Works to relinquish leased buildings and acquisition of equity in Cardiff Bus as part of a financial support package; Modernising ICT; Replacement vehicle fleet including electric refuse collection vehicles and charging points.	14.4
Energy Projects and Sustainability	Completion of Lamby Way solar farm; Energy retrofit of buildings and contribution to Cardiff Heat Network.	6.1
Public Housing	Disabled adaptations; estate regeneration; investment in existing stock condition; acquisition of land and existing dwellings from the private market; construction of new dwellings.	61.4
Other	Recycling depot infrastructure, Bereavement, Electric fleet charging infrastructure and a range of grant funded circular economy schemes; Property and Asset Management.	2.8
<b>Total</b>		<b>216.5</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 increasing borrowing commitments (£72.2 million) and from grants, contributions, revenue budgets and sale of assets (£144.3 million). An analysis of the sources of capital funding for the year is shown in the following chart

## Funding of Capital Expenditure



Capital expenditure incurred historically by borrowing, but yet to be paid for from future revenue or capital income is termed the Capital Financing Requirement (CFR). The historic trend is shown in the next chart.



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 are to increase in future years, with the Council’s Capital and Treasury Management Strategies setting out a



## 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 2021/22, total provisions decreased by £1.081 million to £29.002 million. Details of the movement of individual provisions are shown in note 21 of the accounts.

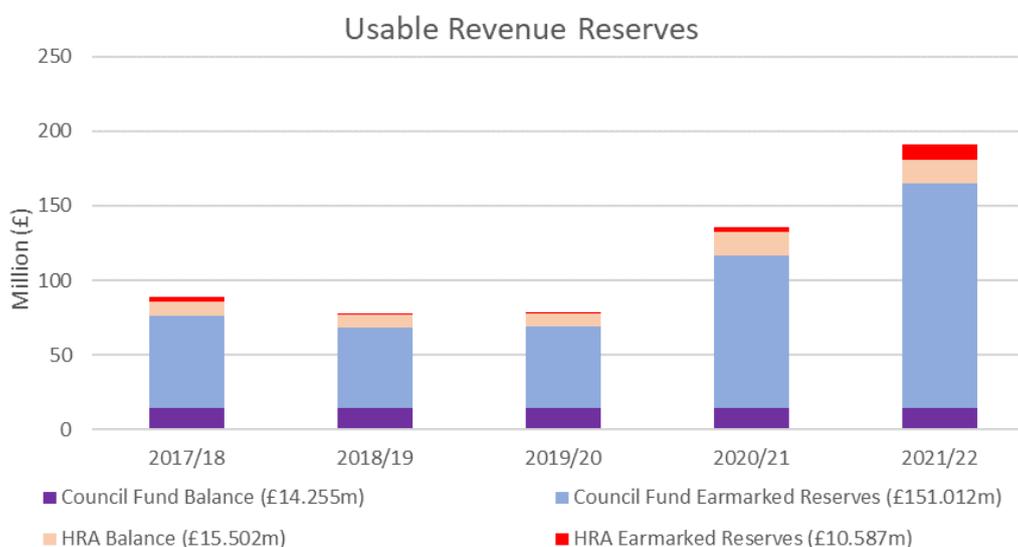
## Pensions Liabilities

The Council's participation in all pension schemes is shown in note 13 of the accounts:

- The cost to the Council during the year for pension liabilities is £48.640 million.
- The Council's future liability in respect of pension benefits payable, compared to assets held, is £853.005 million at 31 March 2022. This is based on the latest actuarial assumptions, resulting in a decrease of £227.463 million from 2020/21.
- The Local Government Pension Scheme is revalued every three years, with the fund's assets at 31 March 2019 deemed to cover 96% of future liabilities. A 17 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. A favourable improvement in the net directorate position, plus the receipt of Welsh Government additional grant funding at the end of the financial year, provided an opportunity to increase the level of earmarked reserve balances and improve the Council's overall level of financial resilience. The council has been in a position in recent years to be able to increase the level of earmarked reserves to improve the Council's overall level of financial resilience. Earmarked revenue and other usable reserves are detailed in note 25 of the accounts whilst unusable reserves are shown in note 26.



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 single entity statements are also defined as including the income, expenditure, assets, liabilities, reserves and cash flows of the local authority maintained schools in England and Wales within the control of the local authority.

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 'usable', 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 City Transport Services Ltd.
- Other statements for regulatory purposes include Trust Funds and Cardiff Harbour Authority.

## Conclusions

The pandemic will have affected us all in different ways and will continue to do so. This year was set against continuing uncertainty and risk arising from the pandemic, increases in costs and geo-political issues. Despite in year pressures, the Council was able to remain within its net revenue budget set for 2021/22 with support from the Welsh Government through various grants. Demand for all Council services continues to increase with cost pressures and risks to future funding predicted over the medium term. 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.

Looking beyond the immediate restart of services, the Council's focus is now firmly on working towards recovery and renewal. A series of 'Capital Ambition: Recovery and Renewal' Cabinet decisions have been taken, which deal specifically with the following four key policy themes:

- Organisational Recovery and Renewal – how the Council and local public services need to respond to the challenges and opportunities of the post-Covid-19 world.
- 'Greener, Fairer, Stronger' – a draft strategy for the recovery and renewal of the city's economy, including a series of 'missions', priorities and projects to consider.
- Delivering a Child Friendly Recovery – programmes of work across Council services to support children and young people, particularly those who are most vulnerable.

- One Planet Recovery – development of the One Planet Cardiff strategy and immediate actions the Council will take to tackle the climate emergency.

I am grateful for the work of my finance team in supporting directorates and for all officers who facilitate the transparency of our financial transactions and ensure processes are in place to support Covid-19 grant claims and initiatives. They have made possible the preparation of these financial statements and reporting of financial performance and position during what remains uncertain times. This is a requirement that will itself be more challenging in future years due to the ambitious change agenda, additional accounting and reporting requirements and consequential audit impacts.

**Christopher Lee**  
**Corporate Director Resources and Section 151 Officer**



# Statement of Responsibilities for the Financial Statements



### ***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 2021/22 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 Graham Hinchey**  
**Lord Mayor**

**Date:**

### ***The Corporate Director Resources responsibilities***

The Corporate Director Resources is responsible for the preparation of the Council's financial statements in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (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
- 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 2021/22 and financial position of the Council at 31 March 2022.

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

**Date:**

# ***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***

## **Opinion on financial statements**

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 2022 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, 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, 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 UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22.

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 and the County Council of the City and County of Cardiff's Group as at 31 March 2022 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22.

## **Basis of opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. 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**

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

## Other Information

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the annual report. 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.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## 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 2021-22;
- 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:

- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my team;
- 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.

## 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 Group financial statements which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- enquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to the County Council of the City and County of Cardiff's policies and procedures concerned with:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals; and
- obtaining an understanding of the County Council of the City and County of Cardiff's framework of authority as well as other legal and regulatory frameworks that Cardiff Council operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Cardiff Council.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Governance and Audit Committee about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance, the Cabinet and Council; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are

indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the County Council of the City and County of Cardiff's controls, and the nature, timing and extent of the audit procedures performed.

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.

### **Certificate of completion of audit**

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

Adrian Crompton  
Auditor General for Wales  
March 2023

24 Cathedral Road  
Cardiff  
CF11 9LJ



# Accounting Policies, Critical Judgements and Assumptions



## *Accounting policies used when formulating the accounts*

The Statement of Accounts summarises the Council's income and expenditure for the year ended 31 March 2022 and its financial position at that date. The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code).

The accounts have been prepared on a going concern basis. The accounting convention adopted is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### *1. Accounting Standards issued but not yet adopted*

International Financial Reporting Standard 16 – Leases was adopted in the 2022/23 Code. Following a consultation with local authorities and auditors, the timescale for required adoption has been pushed back to the financial year beginning 1 April 2024 or earlier if deemed possible. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for most leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments

Whilst this is expected to have no impact on the Council Tax or Rent payer, work has been undertaken during 2021/22 and to be continued in 2022/23 to ensure significant lease type arrangements in respect of property and vehicles are identified and recorded. This will include a review of existing and creation of new processes for managing and recording 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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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
- there is a de minimis threshold of £500, under which income and expenditure may not be accrued
- 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, the net balance on all of the Council's bank accounts including balances of cheque book schools. It includes deposits with financial institutions that are repayable on notice of not more than 24 hours without significant penalty. It also includes investments maturing and interest received on the first working day of April.

### 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.

Disposals greater than £10,000 are treated as capital receipts and are credited to the Capital Receipts Reserve.

## 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 is also the principal employer and sole statutory employer of the Cardiff City Transport Services Pension Schemes.

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 Teachers' 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. Cardiff City Transport Services has a defined contribution scheme which carries a guaranteed minimum return for its members, which is closed to new members. The assets and liabilities of the scheme is shown in the Balance Sheet.

### **Defined Benefit Schemes**

The Cardiff and Vale of Glamorgan Pension Fund is a defined benefit scheme. There is also a Cardiff Transport Services Defined Benefit Scheme which is closed to new members. 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 unitised 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 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.

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 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 valuations 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. A valuation is undertaken every 3 years by an external expert for insurance purposes. A valuation of paintings, artefacts and civic regalia took place as at 31 March 2020.

## 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 3-7 years, and reversed in the Movement in Reserves Statement via transfer to the Capital Adjustment Account. Once intangible assets are fully amortised, they are reviewed in terms of materiality and if necessary, disposed of with the carrying value removed from the asset register.

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.

The balance of inventories that have been donated rather than purchased are held in the Donated Inventory Account.

## 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 is undertaken every two years, the most recent of which took place in 2021/22 and Jones Lang LaSalle were appointed for the task.

Investment properties are not depreciated. Gains and losses on revaluation and disposal in addition to rentals received are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. However, revaluation and disposal gains and losses are not permitted to have an impact on the Council Fund Balance—and 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*

Subject to materiality and exposure to risk, the relevant proportion of Joint Committees are included within the Council's accounts reflecting the transactions and balances for those Joint Committees.

## 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 recognise 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 recognise 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. *Local Authority Maintained Schools*

The Code confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements. Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

## 20. 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, those used for the promotion of culture and knowledge and those 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.

Once assets have fully depreciated, they are reviewed in terms of materiality and if necessary, disposed of with the carrying value removed from the asset register.

### 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:

Asset Type	Measurement	Valuation Frequency	Last Valuation	Surveyor for Last Valuation	Next Valuation	Depreciation*
<b>Assets under Construction</b>	Depreciated Historical Cost	n/a	n/a	n/a	n/a	n/a
<b>Community Assets</b>	Depreciated Historical Cost	n/a	n/a	n/a	n/a	n/a
<b>Council Dwellings</b>	Existing Use Value for Social Housing	Every 2 years	2021/22	Savills	2023/24	Land: n/a Buildings: 50 years
<b>Infrastructure</b>	Depreciated Historical Cost	n/a	n/a	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	Every 3 years	2021/22	Cooke & Arkwright	2024/25	Land: n/a Buildings: 3-65 years

<b>School Assets</b>	Detailed Depreciated Replacement Cost (Modern Equivalent Asset)	Every 3 years	2021/22	Cooke & Arkwright	2024/25	Land: n/a Buildings: 2-50 years
<b>Surplus Assets</b>	Fair Value	Annual Fair Value Check	2021/22	Jones Lang LaSalle	2022/23	n/a
<b>Vehicles, Plant, Furniture &amp; Equipment</b>	Depreciated Historical Cost	n/a	n/a	n/a	n/a	5-20 years

\* Calculated on a straight-line basis over the below estimated useful lives, unless there is not a determinable finite useful life.

\*\* 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 including schools, are required to be valued periodically. The valuations consider not only cost variables but a number of other essential variables such as condition and changes in use. Asset valuations take place with an effective date at 1 April or 31 March where a full professional valuation of a full class of assets indicates that there may be a material change at the final balance sheet position.

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 significantly 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 and valuation changes are averaged out at least over a three year period.

Revaluations of the Council's property assets are undertaken on a minimum three 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. It should be noted that revaluation movements are an accounting exercise only and do not impact on the financial performance of the Council, including where such assets are continued to be intended to be held for service delivery purposes.

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 £1.5 million at the end of the financial year
- significance of component. For individual assets meeting the above threshold, where services within a building (boilers / heating / lighting / ventilation etc.), or items of fixed equipment (kitchens / cupboards) is a material component of the cost of that asset (> 30%), then those services/equipment will be valued separately on a component basis
- difference in rate or method of depreciation compared to the overall asset. Only those elements that normally depreciate at a significantly different rate from the non-land element as a whole, or that require a different method of depreciation will be identified for componentisation.

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

## **21. 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.

## **22. 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 line 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.

## **23. Reserves**

The Council sets aside useable reserves for future policy purposes or to cover contingencies. Certain reserves are unusable and are maintained to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits. These do not represent usable resources for the Council and there are no net impacts on council tax or rent.

## 24. 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 and Assumptions*

### **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 remains a degree of uncertainty about future levels of income and expenditure for the Council and its subsidiaries particularly as a result of the Covid-19 crisis. However, the Council has determined that this uncertainty is not 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.
- 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/or 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 2022 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 discount factors for social housing etc. 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. As a result of the impact of Covid-19, valuations on Council Dwellings are reported on the basis of ‘material valuation uncertainty’ as per the RICS Red Book. Consequently, less certainty and a higher degree of caution should be attached to the valuations. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid. The Council’s approach to undertaking valuations on a more frequent basis than the minimum 5 year period required by the CIPFA Code ensure that changes in all variables impacting on a valuation are captured as soon as possible in the next full and professional valuation.	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 Worth.	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 Revaluation Reserve.

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
Provisions	<p>The Council makes a number of provisions for liabilities that it may face where a reasonable estimate of value can be made at the balance sheet date. In most cases these are subject to legal claims, such as those for insurance. Provisions relating to landfill sites are 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.</p>	<p>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</p>
Arrears	<p>The Authority is 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. It is not certain however that this impairment allowance would be sufficient as the Council cannot assess with certainty which debts will be collected or not.</p> <p>The economic impact of the Covid-19 pandemic has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts which may or may not be sufficient.</p>	<p>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.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, 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 caused by geo-political and macro-economic factors.</p> <p>Professional actuaries are engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>It is difficult to measure the effects on the net pension liability of changes in individual assumptions, as they can result in multiple variations to the figure. A sensitivity analysis is provided in Note 13.</p>



One  
Central  
Square

# 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 2) 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).

2020/21				2021/22			
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
18,836	(14,507)	4,329	Corporate Management		30,048	(26,007)	4,041
91,258	(37,826)	53,432	Economic Development		104,509	(45,208)	59,301
379,590	(92,688)	286,902	Education & Lifelong Learning		437,111	(111,419)	325,692
7,916	(1,244)	6,672	Governance & Legal Services		9,633	(2,015)	7,618
8,882	(5,916)	2,966	Harbour Authority		9,314	(5,959)	3,355
111,940	(85,884)	26,056	Housing Revenue Account		96,295	(92,571)	3,724
240,491	(186,579)	53,912	Housing and Communities		249,209	(189,430)	59,779
10,494	(7,281)	3,213	Performance and Partnerships		10,097	(6,793)	3,304
68,946	(44,358)	24,588	Planning , Transport and Environment		76,410	(44,360)	32,050
37,000	(18,415)	18,585	Resources		45,573	(25,730)	19,843
244,963	(59,883)	185,080	Social Services		260,449	(66,997)	193,452
4,967	(9,239)	(4,272)	Summary Revenue Account		259	(4,484)	(4,225)
<b>1,225,283</b>	<b>(563,820)</b>	<b>661,463</b>	<b>Net Cost of Services</b>		<b>1,328,907</b>	<b>(620,973)</b>	<b>707,934</b>
40,165	0	40,165	Police and Crime Commissioner for South Wales	3	42,523	0	42,523
446	0	446	Community Council Precepts		458	0	458
18,244	0	18,244	Levies & Contributions		18,632	0	18,632
15,760	(15,081)	679	(Gain)/loss on sale of non-current assets		719	(1,965)	(1,246)
<b>74,615</b>	<b>(15,081)</b>	<b>59,534</b>	<b>Other Operating Expenditure</b>		<b>62,332</b>	<b>(1,965)</b>	<b>60,367</b>
34,020	0	34,020	Interest Payable on debt	15	34,108	0	34,108
18,832	0	18,832	Interest on net defined benefit liability/(asset)	13	22,180	0	22,180
0	(394)	(394)	Interest & Investment Income	15	0	(388)	(388)
17,929	(14,345)	3,584	Income and Expenditure in relation to Investment Properties and changes in their fair value	14	30,453	(12,658)	17,795
0	(148)	(148)	Movement in Financial Instruments		0	0	0
<b>70,781</b>	<b>(14,887)</b>	<b>55,894</b>	<b>Financing and Investment Income &amp; Expenditure</b>		<b>86,741</b>	<b>(13,046)</b>	<b>73,695</b>
0	(87,562)	(87,562)	Recognised Capital Grants & Contributions	24	0	(127,032)	(127,032)
0	(344,468)	(344,468)	Revenue Support Grant		0	(373,452)	(373,452)
0	(124,579)	(124,579)	Non-Domestic Rates	6	0	(121,062)	(121,062)
2,135	(230,151)	(228,016)	Council Tax Income	5	3,081	(240,341)	(237,260)
0	(3,211)	(3,211)	Donated Inventories		0	(6,022)	(6,022)
0	(218)	(218)	Corporation Tax (CCRCD)		116	0	116
<b>2,135</b>	<b>(790,189)</b>	<b>(788,054)</b>	<b>Taxation &amp; Non-Specific Grant Income</b>		<b>3,197</b>	<b>(867,909)</b>	<b>(864,712)</b>
<b>1,372,814</b>	<b>(1,383,977)</b>	<b>(11,163)</b>	<b>(Surplus)/Deficit on Provision of Services</b>		<b>1,481,177</b>	<b>(1,503,893)</b>	<b>(22,716)</b>

2020/21				2021/22			
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
		(25,878)	Revaluation Gains				(46,288)
		1,109	Revaluation Losses				13,671
		233	Impairment losses on non-current assets charged to the Revaluation Reserve	26			581
		2,283	(Surplus)/Deficit on Financial Instrument Revaluation Reserve				(3,475)
		198,203	Actuarial (gains)/losses on pension assets/liabilities	13			(307,373)
		175,950	<b>Other Comprehensive Income &amp; Expenditure</b>				(342,884)
		164,787	<b>Total Comprehensive Income &amp; Expenditure</b>				(365,600)

The 2020/21 breakdown of the Net Cost of Services has been amended to take account of the changes in structure in 2021/22. Income and expenditure relating to investment properties were previously included in the Economic Development line of the Net Cost of Services. These are now included in the relevant lines within Financing and Investment Income & Expenditure both within 2020/21 and 2021/22.

## 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, as they are for accounting purposes only.

	Council Fund Balance	Council Fund Earmarked Reserves	HRA Balance	HRA Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2020 carried forward</b>	<b>14,255</b>	<b>54,894</b>	<b>8,983</b>	<b>878</b>	<b>10,906</b>	<b>0</b>	<b>89,916</b>	<b>389,756</b>	<b>479,672</b>
Movement in Reserves during 2020/21									
Surplus or (deficit) on the provision of Services	24,927	0	(13,764)	0	0	0	<b>11,163</b>	0	<b>11,163</b>
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	<b>0</b>	(175,950)	<b>(175,950)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>24,927</b>	<b>0</b>	<b>(13,764)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,163</b>	<b>(175,950)</b>	<b>(164,787)</b>
Adjustments between accounting basis & funding basis under regulations (note 1)	22,683	0	23,105	0	(2,233)	0	<b>43,555</b>	(43,555)	<b>0</b>
<b>Net Increase/(Decrease) before Transfers to/(from) Earmarked Reserves</b>	<b>47,610</b>	<b>0</b>	<b>9,341</b>	<b>0</b>	<b>(2,233)</b>	<b>0</b>	<b>54,718</b>	<b>(219,505)</b>	<b>(164,787)</b>
Transfers to/(from) Earmarked Reserves	(47,610)	47,610	(2,822)	2,822	0	0	<b>0</b>	0	<b>0</b>
<b>Increase/(Decrease) in 2020/21</b>	<b>0</b>	<b>47,610</b>	<b>6,519</b>	<b>2,822</b>	<b>(2,233)</b>	<b>0</b>	<b>54,718</b>	<b>(219,505)</b>	<b>(164,787)</b>
<b>Balance at 31 March 2021 carried forward</b>	<b>14,255</b>	<b>102,504</b>	<b>15,502</b>	<b>3,700</b>	<b>8,673</b>	<b>0</b>	<b>144,634</b>	<b>170,251</b>	<b>314,885</b>
Movement in Reserves during 2021/22									
Surplus or (deficit) on the provision of Services	8,283	0	14,433	0	0	0	<b>22,716</b>	0	<b>22,716</b>
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	<b>0</b>	342,884	<b>342,884</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>8,283</b>	<b>0</b>	<b>14,433</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>22,716</b>	<b>342,884</b>	<b>365,600</b>
Adjustments between accounting basis & funding basis under regulations (note 1)	40,225	0	(7,546)	0	(1,833)	6,972	<b>37,818</b>	(37,818)	<b>0</b>
<b>Net Increase/(Decrease) before Transfers to/(from) Earmarked Reserves</b>	<b>48,508</b>	<b>0</b>	<b>6,887</b>	<b>0</b>	<b>(1,833)</b>	<b>6,972</b>	<b>60,534</b>	<b>305,066</b>	<b>365,600</b>
Transfers to/(from) Earmarked Reserves (note 25)	(48,508)	48,508	(6,887)	6,887	0	0	<b>0</b>	0	<b>0</b>
<b>Increase/(Decrease) in 2021/22</b>	<b>0</b>	<b>48,508</b>	<b>0</b>	<b>6,887</b>	<b>(1,833)</b>	<b>6,972</b>	<b>60,534</b>	<b>305,066</b>	<b>365,600</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>14,255</b>	<b>151,012</b>	<b>15,502</b>	<b>10,587</b>	<b>6,840</b>	<b>6,972</b>	<b>205,168</b>	<b>475,317</b>	<b>680,485</b>

## Balance Sheet

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

31 March 2021 £000		Note	31 March 2022 £000
1,898,189	Property, Plant & Equipment	14	1,992,202
58,682	Heritage Assets		58,849
156,238	Investment Properties		150,718
1,711	Intangible assets including AUC		1,135
14,792	Long-term Investments	15	24,749
5,951	Long-term Debtors		10,906
<b>2,135,563</b>	<b>Total Long-Term Assets</b>		<b>2,238,559</b>
98,882	Short-term Investments	15	210,105
918	Held for Sale assets	16	0
5,764	Inventories		11,684
168,405	Short-term Debtors	17	184,300
34,450	Cash and Cash Equivalents	18	23,751
<b>308,419</b>	<b>Total Current Assets</b>		<b>429,840</b>
(35,393)	Short-term Borrowing	15	(31,311)
(128,988)	Short-term Creditors	19	(175,845)
(1,471)	Pension Strain	22	(1,035)
(4,999)	Provisions	21	(4,544)
(3,453)	Deferred Liabilities	23	(3,640)
<b>(174,304)</b>	<b>Total Current Liabilities</b>		<b>(216,375)</b>
(783,666)	Long-term Borrowing	15	(832,819)
(25,084)	Provisions	21	(24,458)
(8,181)	Deferred Liabilities	23	(9,621)
(22,155)	Capital Contributions Receipts in Advance	24	(22,388)
(18,008)	Revenue Grants Receipts in Advance		(16,521)
(13,797)	Capital Grants Receipts in Advance		(11,431)
(3,434)	Pension Strain	22	(1,296)
(1,080,468)	Net Pensions Liability	13	(853,005)
<b>(1,954,793)</b>	<b>Total Long-Term Liabilities</b>		<b>(1,771,539)</b>
<b>314,885</b>	<b>NET ASSETS</b>		<b>680,485</b>
	<b>Financed by:</b>		
14,255	Council Fund Balance	25	14,255
102,504	Council Fund Earmarked Reserves		151,012
15,502	Housing Revenue Account Balance		15,502
3,700	Housing Revenue Account Earmarked Reserves		10,587
8,673	Capital Receipts Reserve		6,840
0	Capital Grants Unapplied		6,972
<b>144,634</b>	<b>Usable Reserves</b>		<b>205,168</b>
310,754	Revaluation Reserve	26	345,822
947,365	Capital Adjustment Account		977,282
5,003	Deferred Capital Receipts		5,003
6,984	Financial Instruments Revaluation Reserve		10,366
(1,085,373)	Pensions Reserve		(855,336)
(17,693)	Accumulated Absences Adjustment Account		(17,054)
3,211	Donated Inventories Account		9,234
<b>170,251</b>	<b>Unusable Reserves</b>		<b>475,317</b>
<b>314,885</b>	<b>TOTAL RESERVES</b>		<b>680,485</b>

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.

2020/21		Note	2021/22
£000			£000
(11,163)	Net (surplus) /deficit on the provision of services		(22,716)
(180,826)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	28	(231,213)
102,979	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		129,979
<b>(89,010)</b>	<b>Net cash flows from operating activities</b>		<b>(123,950)</b>
146,179	Purchase of property, plant and equipment, investment property and intangible assets		191,372
30,337	Purchase of short-term and long-term Investments		117,750
(17,098)	Other payments for investing activities		2,133
(15,422)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(2,649)
(98,976)	Capital Grants and Contributions		(126,516)
<b>45,020</b>	<b>Net cash flows from investing activities</b>		<b>182,090</b>
(3,111)	Cash receipts from short-term and long-term borrowing		(72,479)
26,315	Other receipts from financing activities		(2,495)
22,287	Repayments of short-term and long-term borrowing		27,533
<b>45,491</b>	<b>Net cash flows from financing activities</b>		<b>(47,441)</b>
<b>1,501</b>	<b>Net (increase)/ decrease in cash and cash equivalents</b>		<b>10,699</b>
35,951	Cash and cash equivalents at the beginning of the reporting period		34,450
<b>34,450</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	18	<b>23,751</b>

## Notes to the Financial Statements

### 1. Adjustments between Accounting Basis and Funding Basis under Regulation

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

Usable Reserves 2020/21					Adjustments between Accounting and Funding Basis	Usable Reserves 2021/22				
Council Fund Balance	Housing Revenue Account	Capital Receipts Reserves	Unapplied Capital Grants	Movement in Unusable Reserves		Council Fund Balance	Housing Revenue Account	Capital Receipts Reserves	Unapplied Capital Grants	Movement in Unusable Reserves
£000	£000	£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>					
50,823	11,933	0	0	(62,755)	Charges for depreciation and impairment of Non-Current assets	53,417	11,345	0	0	(64,762)
347	48,354	0	0	(48,700)	Revaluation losses of Non-Current Assets	44,806	24,114	0	0	(68,920)
(519)	(79)	0	0	598	Reverse previous impairment on revaluation	(23,804)	(1,407)	0	0	25,211
797	86	0	0	(884)	Amortisation of Intangible Assets	842	86	0	0	(928)
8,405	7	0	0	(8,413)	Movements in the market value of Investment Properties	26,694	(62)	0	0	(26,632)
(17)	457	0	0	(440)	Movement in the value of Held for Sale Assets	0	0	0	0	0
(64,124)	(23,438)	0	0	87,562	Capital grants and contributions applied	(89,508)	(30,552)	0	0	120,060
0	0	0	0	0	Capital grants unapplied	(6,972)	0	0	6,972	0
4,294	104	0	0	(4,398)	Revenue expenditure funded from capital under statute	2,662	31	0	0	(2,693)
14,423	766	30	0	(15,219)	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	573	43	0	0	(616)
1	0	320	0	(321)	Movement of Financial Instruments	25	0	0	0	(25)
					<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>					
(24,714)	(13,396)	0	0	38,110	Statutory provision for the financing of capital investment	(31,523)	(13,015)	0	0	44,538

Usable Reserves 2020/21					Adjustments between Accounting and Funding Basis	Usable Reserves 2021/22				
Council Fund Balance	Housing Revenue Account	Capital Receipts Reserves	Unapplied Capital Grants	Movement in Unusable Reserves		Council Fund Balance	Housing Revenue Account	Capital Receipts Reserves	Unapplied Capital Grants	Movement in Unusable Reserves
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
(973)	(2,400)	0	0	3,373	Capital expenditure charged against the Council Fund and HRA balances	(1,540)	(2,400)	0	0	3,940
0	0	(6,455)	0	6,455	Use of the Capital Receipts Reserves to finance new capital expenditure	0	0	(3,781)	0	3,781
0	0	0	0	0	Credit for disposal costs that qualify to be met from the resulting capital receipts	0	0	0	0	0
0	0	(11,202)	0	11,202	Capital receipts set aside for the repayment of debt	0	0	(17)	0	17
					<b>Adjustments involving the Revaluation Reserve</b>					
(12,242)	(2,285)	15,068	0	(541)	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	(1,067)	(796)	1,966	0	(103)
					<b>Adjustments involving the Pensions Reserve:</b>					
86,648	6,461	0	0	(93,109)	Net retirement benefits as per IAS19	119,054	9,510	0	0	(128,564)
(42,540)	(4,013)	0	0	46,553	Employer's contributions to the Pension Scheme	(44,497)	(4,157)	0	0	48,654
(142)	(138)	0	0	280	Pension Strain Future Years	(2,577)	3	0	0	2,574
					<b>Adjustments involving the Accumulated Absences Adjustment Account</b>					
5,426	687	0	0	(6,113)	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.	(338)	(290)	0	0	628
					<b>Adjustments involving the Deferred Capital Receipts Reserve</b>					
0	0	6	0	(6)	Transfers to the Capital Receipts Reserve upon receipt of cash	0	0	0	0	0
0	0	0	0	0	Transfers to the Deferred Capital Receipts Reserve in relation to gain/loss on disposal	0	0	0	0	0
					<b>Transfer to Donated Inventories Account</b>					
(3,211)	0	0	0	3,211	Transfer to Donated Inventories Account	(6,022)	0	0	0	6,022
<b>22,683</b>	<b>23,105</b>	<b>(2,233)</b>	<b>0</b>	<b>(43,555)</b>	<b>Total Adjustments</b>	<b>40,225</b>	<b>(7,547)</b>	<b>(1,832)</b>	<b>6,972</b>	<b>(37,818)</b>

## 2. 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).

2020/21			Directorate	2021/22		
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
26,340	(22,011)	4,329	Corporate Management	26,429	(22,388)	4,041
38,329	15,103	53,432	Economic Development	38,696	20,605	59,301
287,533	(631)	286,902	Education & Lifelong Learning	297,868	27,824	325,692
6,285	387	6,672	Governance & Legal Services	6,514	1,104	7,618
0	2,966	2,966	Harbour Authority	0	3,355	3,355
0	26,056	26,056	Housing Revenue Account	0	3,724	3,724
47,315	6,597	53,912	Housing & Communities	48,965	10,814	59,779
2,868	345	3,213	Performance & Partnerships	2,882	422	3,304
7,619	16,969	24,588	Planning Transport and Environment	6,066	25,984	32,050
14,317	4,268	18,585	Resources	15,186	4,657	19,843
182,020	3,060	185,080	Social Services	190,526	2,926	193,452
43,560	(47,832)	(4,272)	Summary Revenue Account	49,120	(53,345)	(4,225)
656,186	5,277	661,463	Net Cost of Services	682,252	25,682	707,934
(604,582)	(68,044)	(672,626)	Other Income and Expenditure	(636,441)	(94,209)	(730,650)
<b>51,604</b>	<b>(62,767)</b>	<b>(11,163)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>45,811</b>	<b>(68,527)</b>	<b>(22,716)</b>
	<b>Council Fund</b>	<b>HRA Balance</b>			<b>Council Fund</b>	<b>HRA Balance</b>
	14,255	8,983	Opening Balance as at 1 April		(14,255)	(15,502)
	0	6,519	Surplus/(Deficit)		0	0
	14,255	15,502	Closing Balance as at 31 March		(14,255)	(15,502)

The 2020/21 breakdown of the Net Cost of Services has been amended to take account of the changes in structure in 2021/22.

## 2.1 Note to the Expenditure and Funding Analysis

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

2020/21				Directorate	2021/22			
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
537	708	(23,256)	<b>(22,011)</b>	Corporate Management	396	890	(23,674)	<b>(22,388)</b>
13,462	4,121	(2,480)	<b>15,103</b>	Economic Development	18,340	7,363	(5,098)	<b>20,605</b>
18,604	6,704	(25,939)	<b>(631)</b>	Education & Lifelong Learning	32,346	15,982	(20,504)	<b>27,824</b>
3	450	(66)	<b>387</b>	Governance & Legal Services	0	958	146	<b>1,104</b>
2,673	266	27	<b>2,966</b>	Harbour Authority	2,826	500	29	<b>3,355</b>
60,855	2,310	(37,109)	<b>26,056</b>	Housing Revenue Account	31,771	5,356	(33,403)	<b>3,724</b>
4,955	2,871	(1,229)	<b>6,597</b>	Housing & Communities	5,484	6,887	(1,557)	<b>10,814</b>
0	322	23	<b>345</b>	Performance & Partnerships	0	641	(219)	<b>422</b>
19,294	1,843	(4,168)	<b>16,969</b>	Planning Transport and Environment	20,862	3,355	1,767	<b>25,984</b>
1,850	3,013	(595)	<b>4,268</b>	Resources	2,701	4,140	(2,184)	<b>4,657</b>
280	3,852	(1,072)	<b>3,060</b>	Social Services	633	8,923	(6,630)	<b>2,926</b>
0	0	(47,832)	<b>(47,832)</b>	Summary Revenue Account	101	9	(53,455)	<b>(53,345)</b>
<b>122,513</b>	<b>26,460</b>	<b>(143,696)</b>	<b>5,277</b>	<b>Net Cost of Services</b>	<b>115,460</b>	<b>55,004</b>	<b>(144,782)</b>	<b>25,682</b>
(83,447)	18,832	(3,429)	<b>(68,044)</b>	Other Income and Expenditure from the Expenditure & Funding Analysis	(110,483)	22,180	(5,906)	<b>(94,209)</b>
<b>39,066</b>	<b>45,292</b>	<b>(147,125)</b>	<b>(62,767)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>4,977</b>	<b>77,184</b>	<b>(150,688)</b>	<b>(68,527)</b>

The 2020/21 breakdown of the Net Cost of Services has been amended to take account of the changes in structure in 2021/22.

### ***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 receivables 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.

### ***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.

### ***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.

## 2.2. Expenditure and Income Analysed by Nature

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

2020/21 £000		2021/22 £000
532,713	Employee Benefits Expenses	599,145
649,748	Other Service Expenses	689,422
63,789	Depreciation, Amortisation & Impairment	65,717
17,929	Expenditure in relation to Investment Properties and changes in their fair value	30,453
34,020	Interest Payments	34,108
58,855	Precepts & Levies	61,613
15,760	Loss on Sale of Non-Current Assets	719
<b>1,372,814</b>	<b>Total Expenditure</b>	<b>1,481,177</b>
(165,251)	Fees, Charges & Other Service Income	(231,877)
(14,345)	Income in relation to Investment Properties and changes in their fair value	(12,658)
(394)	Interest and Investment Income	(388)
(354,730)	Income from Council Tax and Non-Domestic Rates	(361,403)
(834,176)	Grants and Contributions	(895,602)
(15,081)	Gain on Sale of Non-Current Assets	(1,965)
<b>(1,383,977)</b>	<b>Total Income</b>	<b>(1,503,893)</b>
<b>(11,163)</b>	<b>Surplus &amp; Deficit on the Provision of Services</b>	<b>(22,716)</b>

\*Income and expenditure relating to investment properties were previously included in Other Service Expenses and Income lines. These are now included in the Income and Expenditure in relation to Investment Properties within 2020/21 and 2021/22.

## 3. Precepts and Levies

2020/21 £000		2021/22 £000
	<b>Precepts</b>	
40,165	Police and Crime Commissioner for South Wales	42,523
	Community Councils:	
45	- Lisvane	51
175	- Pentyrch	175
126	- Radyr & Morganstown	126
31	- St Fagans	34
46	- Old St Mellons	49
23	- Tongwynlais	23
<b>40,611</b>	<b>Total Precepts</b>	<b>42,981</b>
	<b>Levies &amp; Contributions</b>	
17,986	South Wales Fire and Rescue Service	18,374
139	Natural Resources Wales	139
114	Cardiff Port Health Authority	114
5	Newport Port Health Authority	5
<b>18,244</b>	<b>Total Levies and Contributions</b>	<b>18,632</b>

#### 4. Participation in Joint Committees

During 2021/22 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 will be available on the lead authority's website.

2020/21 £000	Committee	Purpose	Lead Authority	2021/22 £000
262	Cardiff Capital Region City Deal (CCRCD)	To co-ordinate and discharge Councils' obligations in relation to the City Deal	Cardiff Council	275
1,412	Central South Consortium Joint Education Service	To provide a regional approach to improvement in schools	Rhondda Cynon Taf Council	1,293
209	Glamorgan Archives	Management and administration of the Glamorgan Records Office	Cardiff Council	243
27	Prosiect Gwyrdd	To manage residual waste treatment	Cardiff Council	27
673	Regional Adoption Service	To share best practice, develop and improve adoption services	Vale of Glamorgan Council	699
4,927	Shared Regulatory Service	To provide environmental health services	Vale of Glamorgan Council	4,722
<b>7,510</b>	<b>Total</b>			<b>7,259</b>

The Council has accounted for its share of the transactions and balances with CCRCD but for the other Joint Committees it accounts just for their contributions.

Capital contributions to CCRCD in respect to the Wider Investment Fund are included in the core financial statements but not shown in the table above. No capital contribution was made in 2021/22 (£474,000 for 2020/21).

#### 5. 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, totaled across all bands and adjusted for discounts. Cardiff's Council Tax base for tax-setting purposes for 2021/22 was 147,794 (147,277 for 2020/21).

The amounts for a band D property in Cardiff during 2021/22 were as follows:

2020/21 £	Band D Council Tax:	2021/22 £
1,266	Cardiff Council	1,310
272	Police and Crime Commissioner for South Wales	288
<b>1,538</b>	<b>Total</b>	<b>1,598</b>

The above amount (£1,598) 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.

### Analysis of property bandings

Band	A*	A	B	C	D	E	F	G	H	I	Totals
Multiplier	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9	21/9	
No of Band D equivalent dwellings	4	2,182	12,741	25,039	30,781	29,231	26,601	15,242	5,081	3,093	149,995
Apply Collection rate										98.50%	147,745
Plus Class O ( Ministry of Defence ) dwellings											49
Council Tax Base											147,794

### Analysis of the net proceeds from Council Tax:

2020/21 £000		2021/22 £000
(230,151)	Council Tax collectable	(240,341)
2,135	Impairment for non-payment of Council Tax	3,081
<b>(228,016)</b>	<b>Net proceeds</b>	<b>(237,260)</b>
	Represented by:	
40,611	Precepts	42,981
187,405	Council Tax attributable to the Council	194,279

The cumulative impairment for non-payment of Council Tax held at the 31 March 2022 is £10.422 million (£8.189 million at 31 March 2021).

### Council Tax that is past due but not impaired:

31 March 2021 £000		31 March 2022 £000
5,143	Debts less than one year	4,876
1,618	Debts between two and 5 years	1,920
116	Debts over five years	117
<b>6,877</b>	<b>Total Council Tax due but not impaired</b>	<b>6,913</b>

## 6. Non-Domestic Rates (NDR)

The Welsh Government specifies an amount for the rate (53.5p in 2021/22 and 53.5p in 2020/21) 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 rateable value was

£457.565 million for 2021/22 (£457.012 million 2020/21). An analysis of the net proceeds from non-domestic rates is shown below:

2020/21 £000		2021/22 £000
189,469	Non-Domestic Rates collectable	198,777
(928)	Cost of collection allowance	(933)
(11,763)	Impairment for non-payment	3,685
<b>176,778</b>	<b>Payment into national pool</b>	<b>201,529</b>
<b>(124,579)</b>	<b>Redistribution from national pool</b>	<b>(121,062)</b>

## 7. Agency Income and Expenditure

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

### Welsh Government

- Non-Domestic Rates collection - a net creditor of £2.022 million at 31 March 2022 (£31.503 million debtor at 31 March 2021) is included in the balance sheet which represents the amount collected from ratepayers exceeds the amount paid over to Welsh Government.
- Houses into Homes Loans - provide loans to bring back unused properties into homes. At 31 March 2022 the Welsh Government had provided £2.173 million of funding, of which £521,000 is outstanding as loans provided. The balance available for new loans was £1.652 million (£2.102 million at 31 March 2021).
- Home Improvement loans – provide loans for home improvements. At 31 March 2022 the Welsh Government had provided £1.624 million of funding, of which £787,000 is outstanding as loans provided leaving a balance available for new loans of £837,000.
- Covid-19 Business Grants - the Council distributed grants to eligible business on behalf of the Welsh Government totaling £18.908 million in 2021/22 (£101.221 million in 2020/21)
- Other Welsh Government Covid-19 grants and financial support – there have also been a number of grants or areas of financial support that local authorities have been asked to administer on the Welsh Government’s behalf because they have the local knowledge and ability to put in place systems quickly to make payments. At 31 March 2022 Welsh Government had provided £45.802 million for this support.

### South Wales Trunk Road Agency

The total reimbursement received by the Council was £265,000 in 2021/22 (£341,000 in 2020/21).

### FOR Cardiff

This is a partnership between the local business community and the Council to form a Business Improvement District in a defined area within the city centre. 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 FOR Cardiff. This totaled £1.457 million in 2021/22 (£968,000 in 2020/21).

## Prosiect Gwyrdd

The Council is responsible for the payments to Viridor to provide waste treatment in relation to residual waste. The Council made payments of £10.198 million in 2021/22 (£10.094 million in 2020/21) on behalf of all the partners.

## 8. Remuneration

**8.1** 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 2021/22 was 1:7 (1:7 in 2020/21). The median full time equivalent earnings for 2021/22 was £28,572 (£27,264 in 2020/21). These figures include staff directly employed by the governing bodies of schools including a Voluntary-Controlled and a Foundation school and several Voluntary-Aided schools, as well as those employed by the Council.

**8.2** The Accounts and Audit (Wales) Regulations 2014 also require that the number of employees, whose remuneration is over £60,000 per annum be disclosed within bands of £5,000. The following table includes all staff that fall within this category including teaching staff and senior officers whose remuneration is disclosed in more detail in note 8.3. The table excludes any staff paid via agency.

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:

Number of Employees		Remuneration band £	Number of Employees	
2020/21			2021/22*	
Non Schools	Schools		Non Schools	Schools
20	59	60,000-64,999	12	63
2	55	65,000-69,999	14	46
19	34	70,000-74,999	21	49
1	8	75,000-79,999	1	25
2	6	80,000-84,999	0	8
8	5	85,000-89,999	0	7
0	4	90,000-94,999	10	1
1	4	95,000-99,999	0	7
0	4	100,000-104,999	0	4
1	0	105,000-109,999	1	4
0	1	110,000-114,999	0	1
0	0	115,000-119,999	0	1
0	1	120,000-124,999	0	0
0	0	125,000-129,999	0	0
3	2	130,000-134,999	6	1
0	1	135,000-139,999	0	0

Number of Employees		Remuneration band £	Number of Employees	
2020/21			2021/22*	
Non Schools	Schools		Non Schools	Schools
2	1	140,000-144,999	2	3
0	0	145,000-149,999	0	0
0	0	150,000-154,999	0	0
0	1	155,000-159,999	0	0
0	0	160,000-164,999	0	1
0	1	165,000-169,999	0	0
0	0	170,000-174,999	0	1
0	0	175,000-179,999	0	0
0	0	180,000-184,999	0	0
1	0	185,000-189,999	1	0
<b>60</b>	<b>187</b>	<b>Total</b>	<b>68</b>	<b>222</b>

\*Please note for 2021/22 the number of employees includes the full time, full year equivalent of part time staff and those working part of the year.

**8.3** 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). Bonuses totaling £1,470, funded by Welsh Government, have been paid during 2021/22 (£0 in 2020/21)

Post title	Note	Year	Salary, fees & allowances received £	Taxable benefits £	Compensation for loss of employment			Employers pension contribution (20.7% of salary) £	Total remuneration including pension contributions £	Explanatory notes
					Received via payroll (taxable) £	Received via payroll (non-taxable) £	Enhancement of Retirement Benefits £			
Chief Executive - Paul Orders	(a)	2021/22	188,166	0	0	0	0	38,950	<b>227,116</b>	
		2020/21	185,385	0	0	0	0	38,375	<b>223,760</b>	
Corporate Director Resources & Section 151 Officer		2021/22	143,891	0	0	0	0	29,785	<b>173,676</b>	
		2020/21	141,764	0	0	0	0	29,345	<b>171,109</b>	
Corporate Director People & Communities		2021/22	143,891	0	0	0	0	29,785	<b>173,676</b>	
		2020/21	141,764	0	0	0	0	29,345	<b>171,109</b>	

Post title	Note	Year	Salary, fees & allowances received £	Taxable benefits £	Compensation for loss of employment			Employers pension contribution (20.7% of salary) £	Total remuneration including pension contributions £	Explanatory notes
					Received via payroll (taxable) £	Received via payroll (non-taxable) £	Enhancement of Retirement Benefits £			
Director Planning, Transport & Environment		2021/22	132,822	0	0	0	0	27,494	<b>160,316</b>	
		2020/21	130,859	0	0	0	0	27,088	<b>157,947</b>	
Director Economic Development		2021/22	132,822	0	0	0	0	27,494	<b>160,316</b>	
		2020/21	130,859	0	0	0	0	27,088	<b>157,947</b>	
Director Education & Lifelong Learning		2021/22	0	0	0	0	0	0	<b>0</b>	Left the Council 31/10/2020.
		2020/21	47,530	0	0	0	0	0	<b>47,530</b>	
Director Education & Lifelong Learning		2021/22	132,822	0	0	0	0	27,494	<b>160,316</b>	Commenced 16/11/2020.
		2020/21	49,072	0	0	0	0	10,158	<b>59,230</b>	
Director Governance & Legal Services & Monitoring Officer		2021/22	132,822	0	0	0	0	27,494	<b>160,316</b>	
		2020/21	130,859	0	0	0	0	26,049	<b>156,908</b>	
Director Social Services	(c)	2021/22	0	0	0	0	0	0	<b>0</b>	Left the Council 30/09/2020.
		2020/21	64,917	0	0	0	0	13,242	<b>78,159</b>	

Post title	Note	Year	Salary, fees & allowances received £	Taxable benefits £	Compensation for loss of employment			Employers pension contribution (20.7% of salary) £	Total remuneration including pension contributions £	Explanatory notes
					Received via payroll (taxable) £	Received via payroll (non-taxable) £	Enhancement of Retirement Benefits £			
Director Children's Services	(d)	2021/22	133,557	0	0	0	0	27,646	<b>161,203</b>	Commenced 22/03/2021.
		2020/21	3,518	0	0	0	0	728	<b>4,246</b>	
Director Adults Housing & Communities Services		2021/22	132,822	0	0	0	0	27,494	<b>160,316</b>	Commenced 25/01/2021.
		2020/21	24,272	0	0	0	0	5,139	<b>29,411</b>	
Chief Digital Officer		2021/22	106,628	0	0	0	0	22,072	<b>128,700</b>	
		2020/21	105,052	0	0	0	0	21,746	<b>126,798</b>	
Assistant Director Adult Services	(e)	2021/22	1,971	0	0	0	0	408	<b>2,379</b>	Left the Council 05/04/2021. Annualised salary £90,320.
		2020/21	88,985	0	0	0	0	18,420	<b>107,405</b>	
Assistant Director County Estates		2021/22	90,320	0	0	0	0	18,696	<b>109,016</b>	Commenced 23/09/2020.
		2020/21	46,470	0	0	0	0	9,862	<b>56,332</b>	
Assistant Director Children's Services - Deborah Driffield	(b)	2021/22	0	0	0	0	0	0	<b>0</b>	Left role 21/03/2021.
		2020/21	221,186	0	0	0	0	0	<b>221,186</b>	

Post title	Note	Year	Salary, fees & allowances received £	Taxable benefits £	Compensation for loss of employment			Employers pension contribution (20.7% of salary) £	Total remuneration including pension contributions £	Explanatory notes
					Received via payroll (taxable) £	Received via payroll (non-taxable) £	Enhancement of Retirement Benefits £			
Assistant Director Education & Lifelong Learning		2021/22	90,320	0	0	0	0	18,696	<b>109,016</b>	
		2020/21	88,985	0	0	0	0	18,420	<b>107,405</b>	
Assistant Director Housing & Communities		2021/22	65,069	0	0	0	0	13,469	<b>78,539</b>	Commenced 12/07/2021. Annualised salary £90,320.
		2020/21	0	0	0	0	0	0	<b>0</b>	
Assistant Director Housing & Communities		2021/22	0	0	0	0	0	0	<b>0</b>	Left role 24/01/2021.
		2020/21	72,480	0	0	0	0	14,889	<b>87,369</b>	
Assistant Director Street Scene		2021/22	90,320	0	0	0	0	18,696	<b>109,016</b>	
		2020/21	88,985	0	0	0	0	18,420	<b>107,405</b>	
Programme Director - Schools Organisation Programme		2021/22	90,320	0	0	0	0	18,696	<b>109,016</b>	
		2020/21	88,985	0	0	0	0	18,420	<b>107,405</b>	
Chief Human Resources Officer		2021/22	0	0	0	0	0	0	<b>0</b>	Left the Council 09/10/2020.
		2020/21	31,107	0	22,246	0	0	9,409	<b>62,762</b>	

Post title	Note	Year	Salary, fees & allowances received £	Taxable benefits £	Compensation for loss of employment			Employers pension contribution (20.7% of salary) £	Total remuneration including pension contributions £	Explanatory notes
					Received via payroll (taxable) £	Received via payroll (non-taxable) £	Enhancement of Retirement Benefits £			
Chief Human Resources Officer		2021/22	90,320	0	0	0	0	18,696	<b>109,016</b>	Commenced 22/02/2021.
		2020/21	9,269	0	0	0	0	1,973	<b>11,242</b>	
Head of Finance		2021/22	90,320	0	0	0	0	18,696	<b>109,016</b>	
		2020/21	88,985	0	0	0	0	18,420	<b>107,405</b>	
Head of Performance & Partnerships		2021/22	90,320	0	0	0	0	18,696	<b>109,016</b>	
		2020/21	87,152	0	0	0	0	18,440	<b>105,592</b>	

- a) In addition to the remuneration fees detailed in the table above, the Chief Executive is the Council's nominated Returning Officer. Any subsequent fees owed in relation to this role have been waived.
- b) During 2020/21 agency invoices of £221,186 were received for the service as Assistant Director Children's Services.
- c) In addition to the remuneration fees detailed in the table above, in 2021/22 the Social Services Director received £1,761 (salary & pension contribution) relating to a backdated pay award for 2020/21.
- d) Includes bonus payment of £735, received in 2021/22 but relates to 2020/21 as part of the Welsh Government Financial Recognition for Social Care Worker Scheme.
- e) Includes bonus payment of £735, received in 2021/22 but relates to 2020/21 as part of the Welsh Government Financial Recognition for Social Care Worker Scheme.

## 8.4 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 for which the Council has the option to pay the Pension Fund over a five-year period.

2020/21				Exit package cost band (including special payments)	2021/22			
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 £
31	41	72	470,590	0 - 20,000	15	53	68	566,610
2	15	17	450,315	20,001 – 40,000	2	22	24	648,854
2	13	15	733,154	40,001 – 60,000	0	4	4	197,091
0	2	2	137,929	60,001 – 80,000	0	2	2	153,951
0	0	0	0	80,001 – 100,000	0	2	2	165,771
0	3	3	402,130	100,001 – 150,000	0	0	0	0
0	1	1	185,359	150,001 – 200,000	0	0	0	0
<b>35</b>	<b>75</b>	<b>110</b>	<b>2,379,477</b>	<b>Total</b>	<b>17</b>	<b>83</b>	<b>100</b>	<b>1,732,277</b>

\*Compulsory Redundancies include temporary and fixed term contracts ending after 2 years.

## 8.5 Members Allowances

The total amount of Members' Allowances (including basic and special responsibility) paid in 2021/22 was £1.385 million (£1.371 million in 2020/21). As required by the Code, this figure includes all remuneration paid to members including basic and special allowances, care allowances and directly reimbursed expenses.

## 9. 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 original agreement came into effect on 1 January 2012 and following a review, a new model of contributions was agreed by the partnership and implemented during 2020/21. The transactions are included in the Housing and 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, initially for one year, however, the agreement has been extended to also cover the 2021/22 financial year. Cardiff Council has acted as host authority during the four years of the

agreement. The Cardiff Council 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 2022 are as follows:

2020/21 £000			2021/22 £000	
Joint Equipment	Care Homes for older people		Joint Equipment	Care Homes for older people
		<b>Expenditure</b>		
1,611	0	Equipment	1,689	0
487	0	Contribution to Overheads	487	0
0	65,661	Care Home costs	0	64,046
<b>2,098</b>	<b>65,661</b>	<b>Total Expenditure</b>	<b>2,176</b>	<b>64,046</b>
		Funding		
(1,258)	(25,118)	Cardiff and Vale University Health Board	(1,376)	(24,549)
(550)	(24,655)	Cardiff Council	(663)	(23,744)
(290)	(15,888)	Vale of Glamorgan Council	(347)	(15,753)
<b>(2,098)</b>	<b>(65,661)</b>	<b>Total Funding</b>	<b>(2,386)</b>	<b>(64,046)</b>
<b>0</b>	<b>0</b>	<b>(Surplus)/Deficit transferred to Reserve</b>	<b>(210)</b>	<b>0</b>

## 10. 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. For 2021/22 financial transactions with the Welsh Government totaled £322,000 of expenditure and approximately £360.379 million of income. At the year-end, in addition to financial instruments (Note 15) and expenditure incurred as an agent for Welsh Government (Note 7), no money was owed to Welsh Government and £326,000 was owed from Welsh Government.

Members of the Council have direct control over the Council's financial and operating policies. The total members' allowances paid in 2021/22 is shown in note 8. Members' interests in other organisations have been identified by an inspection of the Members' and Officers' Declaration of Interest Register. This is available on the Councils Website Your Councillors : Cardiff Council ([modern.gov.co.uk](http://modern.gov.co.uk))

The following transactions relating to elected members took place during the year, with associated balances due to or from the Authority at the year end. These do not include any Covid-19 Business Grants issued.

The relevant members did not take part in any discussion or decision relating to the Grants.

2020/21				Related Party	Related Party Relationship	Transaction details	2021/22			
Amounts owed by the Authority	Amounts paid by the Authority	Amounts received by the Authority	Amounts owed to the Authority				Amounts owed by the Authority	Amounts paid by the Authority	Amounts received by the Authority	Amounts owed to the Authority
£000	£000	£000	£000				£000	£000	£000	£000
0	2	(15)	0	Cardiff Cycle Workshop Ltd	Family Member is Chair of Trustees	Payments are primarily for Bike Clinics and purchase of refurbished bikes. Income is mainly ground rent	0	25	(15)	0
0	745	(19)	(5)	Cartref Care Homes	Trustee	Primarily Residential Care	0	949	(8)	0
0	0	0	0	Cathays and Central Youth & Community Project	Trustee	Day Care	1	214	0	0
0	0	0	0	Cylch Meithrin Pwll Coch	Trustee	Childcare	0	38	(1)	(1)
0	818	(66)	(15)	Huggard	Member of Management Committee	Primarily Supporting people	11	1,149	(91)	(45)
0	0	0	0	Llanrumney Hall Community Trust Ltd	Trustee	Primarily Trade Refuse	0	24	(3)	0
0	20	0	0	Safer Wales	Chief Executive Officer	Grant for Domestic Abuse support	0	21	(4)	0
0	2	0	0	Seren in the Community CIO	Trustee	Primarily Childrens Play Grant	0	60	0	0
0	66	(168)	0	Wales and the West Housing Association	Family Member is Chief Executive	Payment relates to supporting individuals in relation to alarm subsidy. Income for 2021/22 includes a S278 for £20,000	0	137	(90)	(2)
<b>0</b>	<b>1,653</b>	<b>(335)</b>	<b>(32)</b>	<b>Total transactions</b>			<b>12</b>	<b>2,618</b>	<b>(212)</b>	<b>(48)</b>

Officer's emoluments are shown in note 8. In 2021/22, for organisations in which Senior Officers had an interest there were no goods or services commissioned (£0 in 2020/21). For goods and services provided, income of £51,000 was received in 2021/22 (£160,000 in 2020/21).

Subsidiary Companies include Cardiff City Transport Services (Cardiff Bus), Cardiff Business Technology Centre (CBTC), Atebion Solutions Ltd and Cardiff Heat Network Ltd. Details of transactions with these companies are shown in note 20 to the Core Financial Statements. The Council also participates in 6 Joint Committees. Details of these can be found in Note 4. Pension Fund contributions paid to the Fund are shown in note 13.

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 3 to the Core Financial Statements. Separate to the precept, the Council made payments of £123,000 to Police and Crime Commissioner for South Wales during 2021/22 (£139,000 in 2020/21).

## 11. External Audit Costs

2020/21		2021/22
£000		£000
382	Fees payable to Audit Wales for external audit services	401
50	Fees payable to Audit Wales for the certification of grant claims	69
20	Fees payable to Audit Wales for other financial audit work	14
<b>452</b>	<b>Total</b>	<b>484</b>

## 12. 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 2021/22:

2020/21		2021/22
£000		£000
1,473	Property Leases	1,357
2,414	Other Leases	2,130
<b>3,887</b>		<b>3,487</b>

The Council was committed at 31 March 2022 to making payments of £12.995 million under operating leases (£13.805 million at 31 March 2021) comprising the following elements:

31 March 2021			31 March 2022	
Property	Other		Property	Other
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Leases £000	Leases £000	Minimum lease payments	Leases £000	Leases £000
375	2,076	Not later than one year	1,122	1,864
1,084	3,084	Later than one year but not later than five years	1,028	2,052
7,136	50	Later than five years	6,897	32
<b>8,595</b>	<b>5,210</b>		<b>9,047</b>	<b>3,948</b>

### Finance Leases

There were no finance leases recognised at 31 March 2022 (none in 2020/21) and there are currently 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 £8.939 million in 2021/22 (£8.343 million in 2020/21)

The Council was committed as at 31 March 2022 to receiving income of £476.917 million (£477.722 million as at 31 March 2021) under operating leases for Land & Buildings comprising the following elements:

31 March 2021 £000	Minimum Income	31 March 2022 £000
8,615	Not later than one year	8,687
27,612	Later than one year and not later than five years	28,467
441,495	Later than five years	439,763
<b>477,722</b>		<b>476,917</b>

### Finance Leases

There were no finance leases recognised at 31 March 2022 (none in 2020/21).

Subject to the terms and conditions of individual lease arrangements, the Council may have contractual obligations to repair, maintain or enhance certain properties.

## 13. 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 the following pension schemes which provide members with benefits related to pay and service:

- Teachers' Pension Scheme

- Local Government Pension Scheme
- Cardiff City Transport Services Pension Schemes

### **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 Council's contributions to the scheme.

In 2021/22 the Council paid £32.252 million in respect of teachers' pension costs, which represents 23.7% of teachers' pensionable pay for 2021/22 (£30.592 million representing 23.7% of teachers' pensionable pay for 2020/21). 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 its liabilities and 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.

During 2020/21 the Council entered into a Deed of Agreement which confirms the subsumption of the Cardiff City Transport Services Ltd Local Government Pension Scheme (LGPS) liabilities as originally intended on the creation of the Company in 1986.

### **Transactions relating to retirement benefits**

The core financial 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 amount payable to the pension fund during the year. To achieve this, IAS 19 costs are reversed out in the Movement in Reserves Statement and replaced with the employers' contribution payable during the year.

The following table sets out the requisite transactions for the LGPS that have been made by Cardiff Council in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement during the year.

2020/21				2021/22		
Funded scheme £000	Unfunded liabilities £000	Total £000		Funded scheme £000	Unfunded liabilities £000	Total £000
			<b>Comprehensive Income and Expenditure Statement (CIES)</b>			
			<b>Net Cost of Services</b>			
71,580	0	<b>71,580</b>	Current Service Cost	104,900	0	<b>104,900</b>
1,410	0	<b>1,410</b>	Past Service Costs	1,470	0	<b>1,470</b>
			<b>Financing &amp; Investment Income and Expenditure</b>			
17,850	980	<b>18,830</b>	Interest on net defined benefit liability/(asset)	21,260	910	<b>22,170</b>
<b>90,840</b>	<b>980</b>	<b>91,820</b>	<b>Net charge to CIES</b>	<b>127,630</b>	<b>910</b>	<b>128,540</b>
			<b>Remeasurement of the net Defined Liability comprising</b>			
(229,490)	0	<b>(229,490)</b>	Returns on Plan Assets excluding amounts included in net interest	(124,670)	0	<b>(124,670)</b>
442,720	3,260	<b>445,980</b>	Actuarial (gains)/losses arising from changes in Financial assumptions	(160,590)	(1,210)	<b>(161,800)</b>
0	0	<b>0</b>	Actuarial (gains)/losses arising from changes in demographic assumptions	(24,350)	(560)	<b>(24,910)</b>
(17,280)	(620)	<b>(17,900)</b>	Other experience and Actuarial adjustments	7,570	(3,210)	<b>4,360</b>
<b>195,950</b>	<b>2,640</b>	<b>198,590</b>	<b>Total Remeasurements recognised in Other Comprehensive Income</b>	<b>(302,040)</b>	<b>(4,980)</b>	<b>(307,020)</b>
<b>286,790</b>	<b>3,620</b>	<b>290,410</b>	<b>Total charged to Comprehensive Income and Expenditure Statement</b>	<b>(174,410)</b>	<b>(4,070)</b>	<b>(178,480)</b>

2020/21				2021/22		
Funded scheme £000	Unfunded liabilities £000	Total £000		Funded scheme £000	Unfunded liabilities £000	Total £000
			<b>Movement in Reserves Statement</b>			
(90,840)	(980)	<b>(91,820)</b>	Reversal of net charges made for retirement benefits in accordance with IAS19	(127,630)	(910)	<b>(128,540)</b>
			<b>Actual amount charged against Council Tax in respect of pensions for the year</b>			
43,230	0	<b>43,230</b>	Employers contributions payable to the scheme	45,850	0	<b>45,850</b>
0	3,020	<b>3,020</b>	Payments in respect of unfunded pensions liabilities *	0	2,790	<b>2,790</b>
<b>43,230</b>	<b>3,020</b>	<b>46,250</b>	<b>Total</b>	<b>45,850</b>	<b>2,790</b>	<b>48,640</b>

\* 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 net pension liability reported in the accounts includes a potential liability related to the McCloud judgement. The pension fund actuary, Aon Hewitt, has based the estimate on the major provisions of the estimate, however, there remains some uncertainty over the final outcome which will not be clarified for some time.

## Reconciliation of Funded Status to Balance Sheet

31 March 2021				31 March 2022		
Funded scheme £000	Unfunded liabilities £000	Total £000		Funded scheme £000	Unfunded liabilities £000	Total £000
(1,974,720)	(44,120)	<b>(2,018,840)</b>	Opening present value of liabilities	(2,476,000)	(44,720)	<b>(2,520,720)</b>
(71,580)	0	<b>(71,580)</b>	Current service cost	(104,900)	0	<b>(104,900)</b>
(45,660)	(980)	<b>(46,640)</b>	Interest cost	(51,540)	(910)	<b>(52,450)</b>
(12,580)	0	<b>(12,580)</b>	Contributions by participants	(13,410)	0	<b>(13,410)</b>
(425,440)	(2,640)	<b>(428,080)</b>	Remeasurements in Other Comprehensive Income (OCI)	177,330	4,980	<b>182,310</b>
55,390	3,020	<b>58,410</b>	Net benefits paid out *	57,880	2,790	<b>60,670</b>
(1,410)	0	<b>(1,410)</b>	Past service cost	(1,470)	0	<b>(1,470)</b>
<b>(2,476,000)</b>	<b>(44,720)</b>	<b>(2,520,720)</b>	<b>Closing present value of liabilities</b>	<b>(2,412,110)</b>	<b>(37,860)</b>	<b>(2,449,970)</b>
1,183,130	0	<b>1,183,130</b>	Opening fair value of assets	1,440,850	0	<b>1,440,850</b>
27,810	0	<b>27,810</b>	Interest income on assets	30,280	0	<b>30,280</b>
229,490	0	<b>229,490</b>	Remeasurement gains/(losses) on assets	124,710	0	<b>124,710</b>
43,230	3,020	<b>46,250</b>	Contributions by employer	45,850	2,790	<b>48,640</b>
12,580	0	<b>12,580</b>	Contributions by participants	13,410	0	<b>13,410</b>
(55,390)	(3,020)	<b>(58,410)</b>	Net benefits paid out *	(57,880)	(2,790)	<b>(60,670)</b>
<b>1,440,850</b>	<b>0</b>	<b>1,440,850</b>	<b>Closing fair value of assets</b>	<b>1,597,220</b>	<b>0</b>	<b>1,597,220</b>
<b>(1,035,150)</b>	<b>(44,720)</b>	<b>(1,079,870)</b>	<b>Net pension asset /(liability)*</b>	<b>(814,890)</b>	<b>(37,860)</b>	<b>(852,750)</b>

\*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.

It is important to note that this is a snapshot of the position as at 31 March 2022. The Pension Fund is a defined benefit scheme, which means that members' benefits are not linked to stock market performance. The Pension Fund is a long-term investor and members can be assured that contributions are reviewed as part of the triennial valuation.

There has been a significant decrease in the pension liability at 31 March 2022 as compared to the previous year. This is primarily due to a change in the actuarial assumptions as shown in the table below which sets out the basis for estimating assets and liabilities.

## Contributions for year ending 31 March 2023

Local Government Scheme - employer's regular contributions to the Fund for the accounting period ending 31 March 2023 are estimated to be £52.932 million. Additional contributions may also become due in

respect of any employer discretions to enhance members' benefits in the Fund over the next accounting period.

Unfunded liabilities - in the accounting period ending 31 March 2023 the Council expects to pay £3.012 million directly to beneficiaries.

### Basis for estimating assets and liabilities

The principal assumptions used by the independent qualified actuaries in updating the full March 2019 valuation figures as at 31 March 2022, for IAS19 purposes, are shown in the following table:

31 March 2021	Assumptions	31 March 2022
	<b>Longevity at 45 for Current Pensioners (years)</b>	
23.3	Men	23.2
26.1	Women	26.0
	<b>Longevity at 65 for Current Pensioners (years)</b>	
22.3	Men	22.1
24.7	Women	24.6
	<b>Rates</b>	
2.7%	Rate of Inflation - Consumer Price Index (CPI)	3.0%
3.7%	Rate of general increase in salaries	4.0%
2.7%	Rate of increase to pensions in payment	3.0%
2.7%	Rate of increase to deferred pensions	3.0%
2.1%	Discount rate for scheme liabilities	2.7%

### 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 is 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. However, it is possible 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 2021				31 March 2022		
Quoted %	Unquoted %	Total %	Assets	Quoted %	Unquoted %	Total %
62.1	3.5	65.6	Equities	63.8	3.7	67.5
6.6	0.0	6.6	Property	6.9	0.0	6.9
10.7	0.0	10.7	Government Bonds	9.2	0.0	9.2
15.7	0.0	15.7	Corporate Bonds	8.4	0.0	8.4
0.0	0.0	0.0	Multi Asset Credit	5.7	0.0	5.7
1.4	0.0	1.4	Cash	2.3	0.0	2.3
<b>96.5</b>	<b>3.5</b>	<b>100.0</b>	<b>Total</b>	<b>96.3</b>	<b>3.7</b>	<b>100.0</b>

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

	31 March 2018	31 March 2019	31 March 2020	31 March 2021	31 March 2022
	£000	£000	£000	£000	£000
Fair value of assets	1,230,630	1,317,980	1,183,130	1,440,850	1,597,220
Present value of funded liabilities	(1,820,380)	(1,931,978)	(1,974,720)	(2,476,000)	(2,412,110)
Present value of unfunded liabilities	(46,520)	(48,720)	(44,120)	(44,720)	(37,860)
<b>Surplus/(deficit)</b>	<b>(636,270)</b>	<b>(662,718)</b>	<b>(835,710)</b>	<b>(1,079,870)</b>	<b>(852,750)</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. The sensitivity of unfunded benefits is not included on materiality grounds.

Funded Defined Benefit Obligation £2,412,110	+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	2,363,870	-2.0%	2.1%	2,462,760
Adjustment to Salary Increase rate	2,416,930	0.2%	-0.2%	2,407,290
Adjustment to Pension Increase rate	2,455,530	1.8%	-1.8%	2,368,690
	<b>-1 year</b>		<b>1 year</b>	
Adjustment to Mortality rate	2,496,530	3.5%	-3.5%	2,327,690

## Cardiff Bus Pension Schemes

In March 2021 the Council entered into a Flexible Apportionment Arrangement (FAA) in respect of the Cardiff City Transport Services Limited (Cardiff Bus) Pension Scheme. Under this arrangement, the company ceased to be the employer of the scheme and the Council became the Scheme's principal employer and the sole statutory employer of the scheme. The scheme relates to two defined benefit funded pension schemes administered by Trustees under a Deed and closed to any new entrants and future accrual. Assets held are invested in third party professionally managed funds. 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 and will be updated as part of the next triennial valuation as at 31 March 2024. The transfer also includes a defined contribution scheme which carries a guaranteed minimum return for its members, which is also closed to new members.

## Reconciliation of Funded Status to Balance Sheet

31 March 2021 £000	Cardiff Bus Defined Contribution Pension Scheme	31 March 2022 £000
(13,220)	Opening present value of liabilities	(13,138)
(18)	Interest cost	(242)
100	Remeasurement (gains)/losses	(468)
0	Net benefits paid out	868

<b>(13,138)</b>	<b>Closing present value of liabilities</b>	<b>(12,980)</b>
11,933	Opening fair value of assets	11,891
16	Interest income on assets	218
(58)	Remeasurement gains/(losses) on assets	(316)
0	Net benefits paid out	(868)
<b>11,891</b>	<b>Closing fair value of assets</b>	<b>10,925</b>
<b>(1,247)</b>	<b>Net pension asset /(liability)</b>	<b>(2,055)</b>

<b>31 March 2021</b> <b>£000</b>	<b>Cardiff Bus Defined Benefit Pension Scheme</b>	<b>31 March 2022</b> <b>£000</b>
(40,435)	Opening present value of liabilities	(40,045)
(56)	Interest cost	(751)
309	Remeasurement (gains)/losses	1,596
137	Net benefits paid out	1,058
<b>(40,045)</b>	<b>Closing present value of liabilities</b>	<b>(38,142)</b>
40,739	Opening fair value of assets	40,694
56	Interest income on assets	765
36	Remeasurement gains/(losses) on assets	(459)
(137)	Net benefits paid out	(1,058)
<b>40,694</b>	<b>Closing fair value of assets</b>	<b>39,942</b>
<b>649</b>	<b>Net pension asset /(liability)</b>	<b>1,800</b>

<b>31 March 2021</b> <b>%</b>	<b>Cardiff Bus Defined Benefit Pension Scheme</b> <b>Assets</b>	<b>31 March 2022</b> <b>%</b>
23.1	Diversified Growth Funds	24.3
23.7	Cash & Liability Driven Investments	21.7
53.2	Bonds	54.0
<b>100.0</b>	<b>Total</b>	<b>100.0</b>

## 14. Non-Current Assets

Property, Plant and Equipment	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	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
<b>1 April 2020</b>	<b>650,686</b>	<b>832,653</b>	<b>40,760</b>	<b>19,897</b>	<b>44,540</b>	<b>38,339</b>	<b>1,626,875</b>
Additions	17,222	17,204	10,146	0	34,010	50,278	128,860
Revaluations Increases/(Decreases) recognised in the RR*	25,562	172	0	0	(1,100)	0	24,634
Revaluations Increases/(Decreases) recognised in the SDPS**	(68,495)	(697)	0	0	(192)	0	(69,384)
Impairment Losses/Reversals to RR	0	(233)	0	0	0	0	(233)
Impairment Losses/Reversals to SDPS	(166)	(23)	0	0	(2,874)	(1,483)	(4,546)
Derecognition - Disposals	(55)	(120)	(10,550)	0	(898)	0	(11,623)
Reclassified (to)/from Held for Sale	0	(23)	0	0	1,000	0	977
Other Reclassifications - Transfers	6,028	2,324	9,074	0	200	(20,280)	(2,654)
<b>31 March 2021</b>	<b>630,782</b>	<b>851,257</b>	<b>49,430</b>	<b>19,897</b>	<b>74,686</b>	<b>66,854</b>	<b>1,692,906</b>
Additions	28,529	27,589	16,678	727	8,928	56,727	139,178
Revaluations Increases/(Decreases) recognised in the RR	11,734	4,629	0	0	(839)	0	15,524
Revaluations Increases/(Decreases) recognised in the SDPS	(30,337)	(50,081)	0	(96)	(5,459)	0	(85,973)
Impairment Losses/Reversals to RR	0	(541)	0	0	(40)	0	(581)
Impairment Losses/Reversals to SDPS	600	(1,374)	0	0	(560)	(36)	(1,370)
Derecognition - Disposals	0	(781)	(3,451)	0	0	(36)	(4,268)
Reclassified (to)/from Held for Sale	0	0	0	0	395	0	395
Other Reclassifications - Transfers	12,292	6,592	2,280	3,048	(803)	(34,289)	(10,880)
<b>31 March 2022</b>	<b>653,600</b>	<b>837,290</b>	<b>64,937</b>	<b>23,576</b>	<b>76,308</b>	<b>89,220</b>	<b>1,744,931</b>
<b>Movements in Depreciation/Impairment</b>							
<b>1 April 2020</b>	<b>20,812</b>	<b>28,569</b>	<b>25,187</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>74,568</b>
Depreciation Charge	9,324	22,123	6,325	0	0	0	37,772
Depreciation written out on Impairment	0	(25)	0	0	0	0	(25)
Depreciation written out to the RR	0	(9)	0	0	0	0	(9)
Depreciation written out to the SDPS	(20,811)	(409)	0	0	0	0	(21,220)
Derecognition - Disposals	0	(120)	(10,550)	0	0	0	(10,670)
Reclassifications - Transfers	0	(17)	0	0	0	0	(17)
<b>31 March 2021</b>	<b>9,325</b>	<b>50,112</b>	<b>20,962</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>80,399</b>
Depreciation Charge	9,534	22,841	8,317	0	0	0	40,692
Depreciation written out on Impairment	0	0	0	0	0	0	0
Depreciation written out to the RR	0	(17,093)	0	0	0	0	(17,093)
Depreciation written out to the SDPS	(9,324)	(32,939)	0	0	0	0	(42,263)
Derecognition - Disposals	0	(781)	(3,440)	0	0	(36)	(4,257)
Reclassifications - Transfers	600	0	0	0	(600)	0	0

<b>31 March 2022</b>	<b>10,135</b>	<b>22,140</b>	<b>25,839</b>	<b>0</b>	<b>(600)</b>	<b>(36)</b>	<b>57,478</b>
Net Book Value							
<b>At 31 March 2021</b>	<b>621,457</b>	<b>801,145</b>	<b>28,468</b>	<b>19,897</b>	<b>74,686</b>	<b>66,854</b>	<b>1,612,507</b>
<b>At 31 March 2022</b>	<b>643,465</b>	<b>815,150</b>	<b>39,098</b>	<b>23,576</b>	<b>76,908</b>	<b>89,256</b>	<b>1,687,453</b>

\*RR Revaluation Reserve

\*\*SDPS Surplus or Deficit on Provision of Services

<b>2020/21</b>	<b>Net Book Value</b>	<b>2021/22</b>
285,682	Infrastructure Assets	304,749
1,612,507	Other PPE Assets	1,687,453
<b>1,898,189</b>	<b>Total PPE Assets</b>	<b>1,992,202</b>

In accordance with the Temporary Relief offered by the update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

As detailed in the revised guidance applicable to all authorities, the authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

The authority has determined in accordance with Regulation 24L Wales of the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 (as amended) that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure, is nil.

The Infrastructure Assets Net Book Value is as follows:

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
<b>289,277</b>	<b>Net Book Value at 1 April</b>	<b>285,682</b>
15,585	Additions	33,063
(20,415)	Depreciation	(22,701)
1,235	Other movements in cost (Reclassification)	8,705
<b>285,682</b>	<b>Net Book Value at 31 March</b>	<b>304,749</b>

## Heritage Assets

2020/21 £000		2021/22 £000
58,616	<b>Balance at 1 April</b>	58,682
66	Additions	167
0	Revaluation increases /(decreases) to RR	0
<b>58,682</b>	<b>Balance at 31 March</b>	<b>58,849</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 <http://www.cardiff.gov.uk/citydesign>.

**Scheduled ancient monuments** - the Council is responsible or part responsible for 20 of the 31 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 <http://www.cardiff.gov.uk/conservation>.

**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 a valuation of £42.594 million undertaken externally as at 1 April 2019, by Mr. A.N. Schoon, Antiques and Fine Art Valuer.

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

For assets held at the castle, acquisition, disposal and care is undertaken in accordance with the museum accreditation scheme. The statutory requirements placed upon the owners of scheduled ancient monuments

are likely to make the disposal of assets within Council ownership unviable. Before any work, alteration or controlled archaeological excavations are undertaken, consent is obtained from the Welsh Government.

### Investment Properties

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

2020/21 £000		2021/22 £000
178,521	<b>Balance at 1 April</b>	156,238
1,015	Additions	17,180
(26)	Impairment	(12)
(14,807)	Disposals	(50)
0	Reclassified (to) / from Held for Sale	0
1,418	Other Reclassifications	2,175
0	Revaluation increases / (decreases) to RR*	0
(9,883)	Revaluation increases / (decreases) to SDPS**	(24,813)
<b>156,238</b>	<b>Balance at 31 March</b>	<b>150,718</b>

\* Revaluation Reserve

\*\* Surplus/Deficit on Provision of Services

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

2020/21 £000		2021/22 £000
(11,059)	Rental income from investment property	(10,318)
4,439	Direct operating expenses arising from investment property	3,273
<b>(6,620)</b>	<b>Net (gain) / loss</b>	<b>(7,045)</b>

### Intangible Assets

Movements in intangible assets during 2021/22 are summarised as follows:

2020/21 Total £000		2021/22		
		Other Intangible Assets £000	Intangible AUC £000	Total £000
	<b>Cost or Valuation</b>		0	
10,559	<b>Balance at 1 April</b>	4,418	0	4,418
302	Additions	352	0	352
(6,443)	Derecognition - Disposals	(30)	0	(30)
<b>4,418</b>	<b>Balance at 31 March</b>	<b>4,740</b>	<b>0</b>	<b>4,740</b>
	<b>Amortisation</b>		0	
8,267	<b>Balance at 1 April</b>	2,707	0	2,707
884	Amortisation	928	0	928
(6,444)	Derecognition - Disposals	(30)	0	(30)
<b>2,707</b>	<b>Balance at 31 March</b>	<b>3,605</b>	<b>0</b>	<b>3,605</b>
	<b>Net Book Value:</b>			
<b>1,711</b>	<b>Balance at 31 March</b>	<b>1,135</b>	<b>0</b>	<b>1,135</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, 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.

2020/21		2021/22
£000		£000
848,897	Opening Capital Financing Requirement*	858,757
	<b>Capital Expenditure:</b>	
144,445	Property, Plant and Equipment	172,241
66	Heritage Assets	167
351	Assets Held for Sale	137
1,015	Investment Properties	17,180
302	Intangible Assets	352
7,985	Loans / Equity	7,751
12,132	Expenditure on REFCUS	19,306
	<b>Sources of Finance:</b>	
(6,455)	Capital Receipts	(3,781)
(95,296)	Government grants and other contributions	(136,674)
(3,373)	Direct revenue contributions and reserves	(3,940)
(49,312)	Prudent revenue and capital provision for loan repayment	(45,547)
(2,000)	Amendment for Reduction in Landfill Provision	0
858,757	<b>Closing Capital Financing Requirement*</b>	885,949
	<b>Explanation of movements in year:</b>	
2,607	Increase / (Decrease) in underlying need to borrow (supported by government financial assistance)	2,437
7,253	Increase / (Decrease) in underlying need to borrow (unsupported by government financial assistance)	24,755
9,860	<b>Increase in Capital Financing Requirement</b>	27,192

\*This includes a notional amount in respect of Landfill provision of 2020/21 £17.348 million and 2021/22 £16.329 million for landfill restoration and after care. Where future cost estimates are reviewed, this results in either an increase or decrease in the provision.

## 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.

2020/21		2021/22
£000		£000
24,714	Council Fund provision	31,523
13,396	Housing Revenue Account provision	13,015
<b>38,110</b>	<b>Prudent revenue provision</b>	<b>44,538</b>

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

The following revenue 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.

2020/21		2021/22
£000		£000
	<b>Expenditure:</b>	
4,181	Housing Improvement Grants	5,117
4,403	Buildings not owned by Cardiff Council	9,837
1,244	Grants awarded (not Housing Grants)	4,352
2,304	Repayment of Grant	0
<b>12,132</b>	<b>Charged to Income and Expenditure Statement</b>	<b>19,306</b>
	<b>Funded by:</b>	
(7,734)	Grants and Contributions	(16,613)
(4,398)	Borrowing, Receipts and other Capital Resources	(2,693)
<b>(12,132)</b>		<b>(19,306)</b>

### Significant Capital Expenditure contractual commitments

At 31 March 2022, the significant capital expenditure commitments scheduled for completion in 2022/23 and future years is shown below (£92.940 million 2020/21):

Capital Scheme	£000
Fitzalan High School	20,295
Lydstep Flats Recladding	14,756
Cardiff Heat Network	12,750
Cardiff Living - Eastern High	12,427
New Build Scheme - St Mellons Centre	12,138
New Build Scheme - Maelfa	9,862
Ice Arena Acquisition	5,950
City Centre East - Churchill Way/Canal	5,420
Pre- Contract Service Agreement - Cardiff Arena	4,290
Cycleways Cathays Terrace/Whitchurch Rd	3,978
New Build Scheme - Iorwerth Jones Centre	3,842
LED Residential	2,893
Cardiff Living - Highfields	2,752
New Build Scheme - Wakehurst Place	2,119
ISV Site 2 Land Acquisition	1,550
Llanishen High School Autism Unit	1,179

Tudor Street Environmental Improvements	934
Cardiff Living - Howardian	623
<b>Total</b>	<b>117,758</b>

## 15. 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 and material, a Fair value is 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 2021				31 March 2022		
Long Term	Short Term	Total		Long Term	Short Term	Total
£000	£000	£000		£000	£000	£000
			Amortised Cost :			
0	98,862	98,862	Investments - Principal	0	210,012	210,012
0	20	20	Investments - Accrued Interest	0	93	93
0	34,450	34,450	Cash and Cash Equivalents	0	23,718	23,718
0	0	0	Cash and Cash Equivalents Accrued Interest	0	33	33
0	133,332	133,332	<b>Total Investments at Amortised Cost Included in Investments</b>	0	233,856	233,856
14,792	0	14,792	<b>Total Investments at Fair Value through Other Comprehensive Income</b>	24,749	0	24,749
1,285	786	2,071	Loans	2,103	449	2,552
4,666	167,619	172,285	Other Debtors	8,803	183,851	192,654
5,951	168,405	174,356	<b>Total Debtors</b>	10,906	184,300	195,206
20,743	301,737	322,480	<b>Total Financial Assets</b>	35,655	418,156	453,811
			Financial liabilities at Amortised Cost			
(783,666)	(27,013)	(810,679)	Loans (Principal)	(832,819)	(22,802)	(855,621)
0	(8,380)	(8,380)	Loans Accrued Interest	0	(8,509)	(8,509)
(783,666)	(35,393)	(819,059)	<b>Total Borrowings</b>	(832,819)	(31,311)	(864,130)

#### Investments at amortised cost include:

- 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 draft set of financial

accounts (Level 3). The valuation can fluctuate dependent on the company's performance, technical accounting adjustments 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. During 2021/22, the Board of Cardiff Bus authorised the issue of additional shares and the Council agreed the acquisition of these shares at a value of £6.6 million (£7 million in 2020/21) as part of the implementation of a financial support package. The fair value of the investment at 31 March 2022 is estimated to be £24.046 million (£14.059 million in 2020/21)

- 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 and offset by an impairment for credit losses where applicable.

#### Liabilities at Amortised Cost include:

- external borrowing undertaken to fund 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 2022 Interest payable for 2021/22 is £8.509 million (£8.380 million in 2020/21).

31 March 2021			Valuation Method - Level	31 March 2022	
Carrying amount £000	Fair value £000			Carrying amount £000	Fair value £000
(706,478)	(1,011,937)	Public Works Loan Board Loans (PWLB)	Level 2	(770,882)	(983,511)
(51,629)	(77,718)	Lender Option Borrower Option Loans	Level 2	(51,632)	(70,297)
(22,550)	(18,483)	Welsh Government	Level 2	(23,281)	(17,828)
(38,402)	(38,808)	Local Authorities and Other Loans	Level 2	(18,335)	(18,316)
<b>(819,059)</b>	<b>(1,146,946)</b>	<b>Financial Liabilities</b>		<b>(864,130)</b>	<b>(1,089,952)</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:**

- 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 2022. An exit price fair value of £1.157 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	Financial Liabilities	Financial Assets			Total
	Measured at Amortised Cost	Amortised Cost	Investments at Fair Value through Other Comprehensive Income			Measured at Amortised Cost	Amortised Cost	Investments at Fair Value through Other Comprehensive Income	
<b>2020-21</b>				<b>2021-22</b>					
<b>£000</b>				<b>£000</b>					
34,020	0	0	<b>34,020</b>	Interest Payable & Similar Charges	34,108	0	0	<b>34,108</b>	
0	(376)	0	<b>(376)</b>	Interest and Investment Income	0	(381)	0	<b>(381)</b>	
0	0	(148)	<b>(148)</b>	(Gain)/loss arising on Disposal / Derecognition of Financial Assets	0	0	(98)	<b>(98)</b>	
0	0	2,283	<b>2,283</b>	(Gain)/loss arising on Revaluation or Disposal of Financial Assets	0	0	(3,382)	<b>(3,382)</b>	
<b>34,020</b>	<b>(376)</b>	<b>2,135</b>	<b>35,779</b>	<b>Net (gain) / loss for the year</b>	<b>34,108</b>	<b>(381)</b>	<b>(3,480)</b>	<b>30,247</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.

**Nature and Extent of Risks arising from Financial Instruments**

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

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

## Credit Risk

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

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.

31 March 2021 £000	Likelihood of Default	31 March 2022 £000
	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 2022, the expected credit loss calculated on a historic risk of default basis is 0.01% or £21,409. This is minimal, so no provision for expected credit loss is recognised.	
<b>133,332</b>	<b>Deposits - Banks and Building societies</b>	<b>233,856</b>
	Repayments are recovered directly from employees pay and indemnity insurance is a condition of the loan. Default experience is minimal.	
<b>360</b>	<b>Car Loans</b>	<b>282</b>
	Includes loans to SME's and Town Centre \loans. Where there is deemed to be a risk of non-repayment a provision for impairment is considered.	
<b>1,711</b>	<b>Loans to External bodies</b>	<b>2,269</b>
	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. 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 The impairment for bad debt in 2021/22 was based on the adjusted age profile disclosed as following :	
13,031	Less than one year	17,123
1,445	1-2 years	1,456
442	2-3 years	614
301	3-4 years	337
115	4-5 years	166
444	Over 5 years	497
<b>15,778</b>	<b>Customers</b>	<b>20,193</b>
<b>151,181</b>	<b>Total</b>	<b>256,600</b>

### Liquidity and Refinancing Risk

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 2021 £000	Loans Outstanding	31 March 2022 £000
698,866	Public Works Loans Board	763,077
51,000	Market Lender Option Borrower Option (LOBO)	51,000
22,550	Welsh Government	23,281
38,263	Local Authorities and Other Loans	18,263
<b>810,679</b>	<b>Total</b>	<b>855,621</b>
27,013	Under 12 months	22,803
22,698	12 months and within 24 months	4,459
13,370	24 months and within 5 years	18,187
66,310	5 years and within 10 years	76,638
175,275	10 years and within 20 years	174,522
170,000	20 years and within 30 years	176,800
212,689	30 years and within 40 years	217,888
118,324	40 years and within 50 years	159,324
5,000	50 years and within 60 years	5,000
<b>810,679</b>	<b>Total</b>	<b>855,621</b>

Currently, £29 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	23/05/2022	6 months	21/11/2041
6	23/05/2022	6 months	21/11/2041
6	23/05/2022	6 months	23/05/2067
6	02/09/2022	6 months	23/05/2067
5	15/01/2023	5 years	17/01/2078
22	21/11/2025	5 years	23/11/2065

## 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 with a spread of maturity profiles for Investments.
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 2021/22 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	409
Increase in interest receivable on investments	(960)
<b>Impact on Income and Expenditure Account</b>	<b>(551)</b>
Increase in interest transferred to other balances and accounts	95
<b>Net (Income)/ Expenditure</b>	<b>(456)</b>

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.

Changes in Fair Value	£000
Change in Fair Value of Fixed Rate Investments	0
Decrease in Fair Value of Fixed Rate Borrowings	(159,381)

## 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 £41,000 (£45,000 in 2020/21) which are quoted on a recognised stock exchange at 31 March 2022

The Council's 100% shareholding in Cardiff City Transport Services Ltd is not quoted on a recognised exchange and thus not subject to gains or losses from market price movements. A general shift of 5% in the fair value (positive or negative) would result in a £1.202 million gain or loss being recognised in the Movement in Reserves Statement in terms of valuations for accounts purposes only.

## 16. Held for Sale Assets

31 March 2021 £000		31 March 2022 £000
1,860	Balance at 1 April	918
351	Additions	137
0	De-recognition	(660)
(36)	Impairment	0
(977)	Reclassified to/(from) Held for Sale	(395)
125	Revaluation increases /(decreases) to RR*	0
(405)	Revaluation increases /(decreases) to SDPS**	0
918	Balance at 31 March	0

\*Revaluation Reserve

\*\* Surplus/Deficit on Provision of Services

## 17. Short Term Debtors

31 March 2021 £000		31 March 2022 £000
101,413	Central Government Bodies	108,295
23,319	Other Local Authorities & NHS Bodies	15,954
43,673	Other Entities and Individuals including Public Corporations	60,051
168,405	Total Short Term Debtors	184,300

## 18. Cash and Cash Equivalents

31 March 2021 £000		31 March 2022 £000
151	Cash	148
(8,909)	Bank (including cheque book schools)	6,432
43,208	Short-term deposit with banks and building societies	17,171
34,450	Total Cash and Cash Equivalents	23,751

In addition to the above, at 31 March 2022 the Council held £58,000 (£637,000 at 31 March 2021) 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.

## 19. Short Term Creditors

31 March 2021 £000		31 March 2022 £000
(17,786)	Central Government Bodies	(55,691)
(14,801)	Other Local Authorities & NHS Bodies	(10,204)
(96,401)	Other Entities & Individuals incl Public Corporations	(109,950)
<b>(128,988)</b>	<b>Total Short Term Creditors</b>	<b>(175,845)</b>

## 20. Interests in Other Companies and Other Organisations

The Council has five wholly owned subsidiary companies. The interest in Cardiff City Transport Services Ltd is consolidated to form the Council's group accounts which are shown later in these Statements. The interests in the other four 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 2021/22. The Council does not depend upon these four 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. is wholly owned by the Council and was set up in accordance with the provisions of the Transport Act 1985 to run the Council's municipal bus operation.

During the year, the company continued to address a number of challenges in common with the entire public transport industry as a result of the Covid-19 pandemic. This included patronage below pre covid levels impacting on income, cost increases, labour shortages and transport changes in the city. Actions taken during the year to support a transformation programme include:

- Use of the national Bus Emergency Scheme support
- Resizing of the company to meet future challenges
- Investment in modern electric fleet and infrastructure.

The Council agreed in October 2020 to implement a range measures and agreements to address risks to financial viability, allowing the company to implement a turnaround plan to build a more sustainable financial and operational future. Equity of £6.6 million was injected into the company during 2021/22 as part of an approved turnaround plan and emergency support of £1 million provided by the Council at the start of the pandemic was repaid. The Council became the statutory employer of the Cardiff Bus Pension Scheme on 3 March 2021, and the actuarial valuation of the fund as at 31 March 2021 was agreed with the Trustees of the fund as well as addressing a number of legacy issues in protecting member benefits.

The company's audited accounts, which includes any subsidiaries, are summarised below:

31 March 2021 £000		31 March 2022 £000
(41,471)	Turnover and other income	(36,892)
28,800	Operating and other expenditure	32,811
<b>(12,671)</b>	<b>Net (Profit) / Loss before Taxation</b>	<b>(4,081)</b>
342	Taxation	696
<b>(12,329)</b>	<b>(Profit) / Loss after Taxation</b>	<b>(3,385)</b>

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

31 March 2021 £000		31 March 2022 £000
9,739	Bus and other operating assets	26,262
17,822	Current Assets	15,144
(3,962)	Less Current Liabilities	(6,460)
	Creditors: Amounts falling due after more than one year	
(9,540)	Provisions & Long term liabilities	(10,900)
<b>14,059</b>	<b>Total Assets less Liabilities</b>	<b>24,046</b>
	Represented by:	
11,618	Share Capital	18,218
(1,452)	Retained Earnings	1,957
3,893	Revaluation Reserve	3,871
<b>14,059</b>	<b>Net Worth</b>	<b>24,046</b>

During 2021/22 the Council made payments totaling £17.408 million to Cardiff City Transport Services Ltd (£18.207 million in 2020/21), of which £9.617 million related to concessionary fares payments (£9.229 million in 2020/21), and £6.6 million in respect to acquisition of additional equity. The Council also received income of £1.850 million which included repayment of £1 million in financial support from 2020/21 (£89,000 in 2020/21).

At year-end, there is a balance due to Cardiff City Transport Services Ltd of £58,000 (£474,000 at March 2021) and a balance due of £210,000 from Cardiff City Transport Services Ltd (£1 million at March 2021).

During 2020/21 and 2021/22, no dividend was paid to the Council.

The company's auditors are Kilsby Williams.

### **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 and innovation companies through the provision of business/incubator premises with a high level of support services. It completed another successful year despite operational challenges of Covid restrictions. Demand for space remained consistently strong, sustaining high levels of occupancy. The company continues to offer flexible terms to newly established tenants to ensure accelerated growth and a nurturing atmosphere from which they are able to establish commercially stronger businesses. The Council's guarantee to CBTC is to pay costs not exceeding £10 in the event of the company being wound up. The company's audited accounts are summarised below

31 March 2021 £000		31 March 2022 £000
(24)	Net (Profit) / Loss before Taxation	18
9	Less: Taxation	(7)
<b>(15)</b>	<b>(Profit) / Loss after Taxation</b>	<b>11</b>

31 March 2021 £000		31 March 2022 £000
776	Total assets less current liabilities	755
(36)	Provision for taxation	(29)
(29)	Pension Liability	0
<b>711</b>	<b>Total Assets less Liabilities</b>	<b>726</b>
	Represented by:	
386	Retained Profit	402
(29)	Pension Reserve	0
354	Revaluation Reserve	324
<b>711</b>	<b>Net Worth</b>	<b>726</b>

During 2021/22 the Council made payments of £284,000 to CBTC (£326,000 in 2020/21) and received no income (£0 in 2020/21 from CBTC. At year end, there is no balance due to CBTC (£36,000 at 31 March 2021) and no balance due from CBTC (£0 at 31 March 2021).

The company's auditors are Gerald Thomas.

### **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. Atebion staff continued to work remotely, enabling a more efficient and effective service for clients by minimising travel time. In common with the wider public procurement sector, challenges of recruitment and employee retention are impacting capacity to take on additional work. The company's audited accounts are summarised below

31 March 2021 £000		31 March 2022 £000
(25)	Net (Profit) / Loss before Taxation	(16)
4	Less: Taxation	3
<b>(21)</b>	<b>(Profit) / Loss after Taxation</b>	<b>(13)</b>

31 March 2021 £000		31 March 2022 £000
34	Total assets less current liabilities	43
(8)	Creditors: falling due after more than one year	(4)

<b>26</b>	<b>Total Assets less Liabilities</b>	<b>39</b>
	Represented by:	
26	Retained Profit	39
<b>26</b>	<b>Net Worth</b>	<b>39</b>

During 2021/22, the Council made no payments (£0 in 2020/21) to Atebion Solutions Ltd and received income of £79,407 (£94,732 in 2020/21) from Atebion Solutions Ltd. At year end, there is no balance due to Atebion Solutions Ltd (£0 at 31 March 2021) and a balance due of £68,733 from Atebion Solutions Ltd (£85,256 at March 2021).

The company's auditors are Azets.

Subject to relevant governance and regulatory processes, the Directors and Shareholder Representative are considering adopting Dormant Company Status for Atebion Solutions in 2023/24. If Dormant Company Status is taken forward the company has the financial assets to meet all financial liabilities in full.

### Cardiff Heat Network Ltd (company number 13199235)

Cardiff Heat Network Limited is wholly owned by Cardiff Council and was incorporated on 12 February 2021. The company's principal activities are to develop and then run a sustainable heat network across the city which will supply heat to buildings agreed to be connected to the network. A two year period of construction works commenced in January 2022 in respect of the Phase 1 scope, with first live heat supplies expected to be delivered from winter 2024. Whilst global supply chain difficulties and increasing material costs are impacting on the construction programme for the network, these are currently assumed to be mitigated through a fixed price contract. Negotiations continued to take place during the year with customers of the energy to ensure sufficient take up to allow the business case assumptions for the network to be met. These targets and assumptions continue to be reviewed. The company's audited accounts are summarised below

31 March 2021 £000		31 March 2022 £000
0	Net (Profit) / Loss before Taxation	15
0	Less: Taxation	0
<b>0</b>	<b>(Profit) / Loss after Taxation</b>	<b>15</b>

31 March 2021 £000		31 March 2022 £000
0	Total assets less current liabilities	15
0	Creditors: falling due after more than one year	0
<b>0</b>	<b>Total Assets less Liabilities</b>	<b>15</b>
	Represented by:	
0	Retained Profit	15
<b>0</b>	<b>Net Worth</b>	<b>15</b>

There were no transactions between Cardiff Council and Cardiff Heat Network Limited for the financial year 2020/21. During 2021/22, the Council made Grant payments of £2.45 million (£0 in 2020/21) to Cardiff Heat Network Ltd and received no income (£0 in 2020/21) from Cardiff Heat Network Ltd. At year end, there is no balance due to or from Cardiff Heat Network Ltd.

The company's auditors are Azets.

### Cardiff Waste Limited (company number 02664172)

The company was incorporated in November 1991, to be able to collect and dispose of waste materials of every description, operate waste disposal sites, vehicles and plant and provide related advice. The company remains dormant, with no trading activities.

## 21. Provisions

	Balance 31 March 2021	Utilised/ Released in year	Transfers to Provisions	Balance 31 March 2022	Not later than one year	Later than one year
	£000	£000	£000	£000	£000	£000
Insurance & MMI Scheme	(11,165)	5,269	(4,284)	(10,180)	(2,790)	(7,390)
Ferry Road Landfill	(8,070)	523	0	(7,547)	(367)	(7,180)
Lamby Way Landfill	(10,116)	354	0	(9,762)	(751)	(9,011)
City Deal	(493)	0	(93)	(586)	0	(586)
Other	(239)	141	(829)	(927)	(636)	(291)
<b>Total</b>	<b>(30,083)</b>	<b>6,287</b>	<b>(5,206)</b>	<b>(29,002)</b>	<b>(4,544)</b>	<b>(24,458)</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 27.

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. The level of provision is reviewed periodically with the next review to take place in 2022/23.

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

## 22. Pension Strain

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

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

The Council has an arrangement in place with the Cardiff and Vale of Glamorgan Pension Fund whereby it has the option to pay 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 2021		31 March 2022
£000	Pension Strain	£000
(1,471)	Pension Strain due within 1 year	(1,035)
(3,434)	Pension Strain due later than 1 year	(1,296)
<b>(4,905)</b>	<b>Total Pension Strain</b>	<b>(2,331)</b>

### 23. Deferred Liabilities

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

	Balance 31 March 2021 £000	Utilised/ Released in year £000	Transfers to Deferred Liabilities £000	Balance 31 March 2022 £000	Not later than one year £000	Later than one year £000
Commuted Maintenance Sums	(8,441)	757	(308)	(7,992)	(840)	(7,152)
Rent Smart Wales Income in Advance	(3,192)	2,733	(4,810)	(5,269)	(2,800)	(2,469)
<b>Total Deferred Liabilities</b>	<b>(11,633)</b>	<b>3,490</b>	<b>(5,118)</b>	<b>(13,261)</b>	<b>(3,640)</b>	<b>(9,621)</b>

### 24. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2021/22

2020/21 £000		2021/22 £000
	<b>Grants and contributions credited to the CIES</b>	
(344,468)	Revenue Support Grant	(373,452)
(124,579)	Non-Domestic Rates	(121,062)
(84,215)	Capital Grants	(124,743)
(3,347)	Developers' Contributions	(2,289)
<b>(556,609)</b>	<b>Total</b>	<b>(621,546)</b>
	<b>Credited to Services (Revenue Grants &amp; Contributions)</b>	
(381,231)	Central Government Bodies	(365,870)
(22,822)	Other Local Authorities & NHS Bodies	(24,691)
(3,247)	Other Entities and Individuals including Public Corporations	(4,557)
<b>(407,300)</b>	<b>Total</b>	<b>(395,118)</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 2021	Revenue Grants and Contributions Receipts in Advance	31 March 2022
£000		£000
(17,547)	Central Government Bodies	(15,560)
(15)	Other Local Authorities & NHS Bodies	0
(446)	Other Entities and Individuals including Public Corporations	(961)
<b>(18,008)</b>	<b>Total</b>	<b>(16,521)</b>

31 March 2021	Capital Grants Receipts in Advance	31 March 2022
£000		£000
(13,797)	Central Government Bodies	(11,431)
0	Other Local Authorities & NHS Bodies	0
0	Other Entities and Individuals including Public Corporations	0
<b>(13,797)</b>	<b>Total</b>	<b>(11,431)</b>

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

31 March 2021	Capital Contributions Receipts in Advance	31 March 2022
£000		£000
<b>(17,430)</b>	<b>Balance as at 1 April</b>	<b>(22,155)</b>
(8,558)	Contributions received during the year	(3,589)
3,495	Contributions applied to expenditure during the year	3,314
338	Reclassification	42
<b>(22,155)</b>	<b>Balance as at 31 March</b>	<b>(22,388)</b>

## 25. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement. Usable Reserves include Council Fund and HRA Balances, Earmarked Reserves, Capital Receipts Reserve and the Capital Grants Unapplied Reserve.

### 25.1 Council Fund and HRA Balances

	Balance	Contributions		Balance
	31 March 2021 £000	From Revenue £000	To Revenue £000	31 March 2022 £000
<b>COUNCIL FUND AND HRA BALANCES</b>				
Council Fund Balance	14,255	0	0	<b>14,255</b>
Housing Revenue Account Balance	15,502	0	0	<b>15,502</b>
<b>Total Council Fund and HRA Balances</b>	<b>29,757</b>	<b>0</b>	<b>0</b>	<b>29,757</b>

### 25.2 Earmarked Reserves

This note sets out the contributions to and from earmarked reserves during the year.

	Balance	Contributions		Balance	Purpose of the Reserve / To fund:
	31 March 2021 £000	From Revenue £000	To Revenue £000	31 March 2022 £000	
<b>SCHOOLS BALANCES</b>					
Schools Reserves	21,714	12,323	(667)	<b>33,370</b>	The net position on individual school balances, comprising surpluses, deficits and the overall deficit on the Mutual Supply Fund
Cathays HS – Maintenance of Playing Field	3	0	0	<b>3</b>	To maintain path alongside Cathays High School
Primary/Special Schools Repairs	925	197	0	<b>1,122</b>	The overall balance held on the mutual scheme for repairs to school buildings
	<b>22,642</b>	<b>12,520</b>	<b>(667)</b>	<b>34,495</b>	
<b>SCHOOLS RESERVES</b>					
Out of School Childcare	118	4	(37)	<b>85</b>	Surplus balances from each school operating an out of school childcare scheme. These can be drawn upon by each school to balance their in-year financial position
Schools Catering	256	734	0	<b>990</b>	Schools Catering Service, including kitchen improvements and cashless transaction system
Schools Formula Funding	2,091	1,872	(415)	<b>3,548</b>	Unplanned and unforeseen expenditure incurred by or on behalf of the delegated schools budgets

	Balance	Contributions		Balance	Purpose of the Reserve / To fund:
	31 March 2021 £000	From Revenue £000	To Revenue £000	31 March 2022 £000	
Schools Organisational Plan	1,160	11,367	(9,592)	2,935	Manage the cash flow implications of the Schools Organisational Plan financial model
	<b>3,625</b>	<b>13,977</b>	<b>(10,044)</b>	<b>7,558</b>	
<b>OTHER COUNCIL RESERVES</b>					
Adults Social Care	1,182	2,233	0	3,415	Service specific pressures and to enhance financial resilience
Apprenticeships and Trainees	513	326	(220)	619	Corporate Apprentice Scheme
Bereavement Services	347	618	(813)	152	Planned programme of refurbishment and improvement
Building Control Regulations	49	147	0	196	Smooth effects of future deficits within ring fenced building control account
Bute Park Match Funding	73	0	0	73	Match funding for grant funded initiatives in relation to Bute Park, as per Heritage Lottery Fund agreement
Capital Business Case Development	0	900	0	900	Development of capital business cases
Cardiff Academy Training	78	0	0	78	Support initiatives undertaken in connection with the Academy
Cardiff Capital Region City Deal	216	0	(15)	201	Council's contribution to the Joint Cabinet for the Cardiff Capital Region City Deal
Cardiff Dogs Home Legacy	252	269	(139)	382	Donations left to Cardiff Dogs Home to be used for improvements to the home
Cardiff Enterprise Zone	2,364	1,351	(1,475)	2,240	Cardiff Enterprise Zone in future years
Central Market Works	247	0	(62)	185	Works at Cardiff Central Market and as potential match funding for external grants bids
Central Transport Service	177	919	0	1,096	Central transport vehicle service
Children's Services	950	3,891	0	4,841	Enhance resilience
City Events and Recovery	1,000	0	0	1,000	Post pandemic recovery
City Wide Management and Initiatives	746	2,266	0	3,012	City wide management and initiatives including supporting marketing and infrastructure
Community Based Services Transition	121	0	(16)	105	Better integration of community facilities across the public sector
Community Initiatives	1,237	543	(13)	1,767	Initiatives arising from the legacy of the Community First Programme
Connect to Cardiff Refurbishment	10	0	0	10	Expansion due to new and changing regulations
Corporate Events and Cultural Services	830	2,361	(198)	2,993	Feasibility studies and costs of major events and to offset future pressures arising from fluctuations in income within Venues and Cultural Services
Corporate Landlord Function	636	0	0	636	Corporate landlord functions across the Council in order to provide a cohesive and commercial operating model
Corporate Recovery Risk	2,250	2,000	0	4,250	Mitigate risk of transition post pandemic
Cost of Living Support	0	2,194	0	2,194	WG discretionary grant for cost of living support

	Balance	Contributions		Balance	Purpose of the Reserve / To fund:
	31 March 2021 £000	From Revenue £000	To Revenue £000	31 March 2022 £000	
Covid-19 Council Tax Reduction Scheme pressures	2,000	2,153	0	<b>4,153</b>	Medium term increases in Council Tax Reduction Scheme expenditure
Demand Pressures	0	4,652	0	<b>4,652</b>	Financial resilience to help manage demand volatility and uncertainty
Digital Transformation	3,203	0	(261)	<b>2,942</b>	Investment to deliver new ways of working
Discretionary Rate Relief	100	0	0	<b>100</b>	Non-Domestic Rates due diligence
Emergency Management, Safeguarding & Prevent	139	0	0	<b>139</b>	Preventative measures in relation to safeguarding, the Prevent agenda and emergency management
Employee Changes	8,726	0	(313)	<b>8,413</b>	Costs associated with voluntary redundancy and other employee costs in future years
Empty Homes & Housing Needs	0	1,223	0	<b>1,223</b>	Housing needs including activities relating to investing in empty homes and bringing them back in use
Energy Conservation (One Planet Cardiff)	150	1,100	(5)	<b>1,245</b>	Energy conservation initiatives
Energy Market Volatility	336	1,000	0	<b>1,336</b>	Expected fluctuations in the cost of energy
Family Guarantor	339	0	0	<b>339</b>	Guarantor for landlords and aid the transfer of families from temporary accommodation into permanent homes
Flatholm	7	0	0	<b>7</b>	Initiatives and repairs and renewals
Fraud Detection	44	0	0	<b>44</b>	Supplement staffing and other costs associated with fraud detection
Governance and Legal Services	185	0	(45)	<b>140</b>	Future Governance & Legal Services initiatives, including projects in connection with ICT upgrades
Harbour Authority Project and Contingency Fund	126	0	(22)	<b>104</b>	Improvement and enhancement of infrastructure, assets, activities or services in or around Cardiff Bay
Highways Section 278	342	0	(78)	<b>264</b>	Highway investment
Homelessness	1,812	440	(11)	<b>2,241</b>	Increases in homelessness pressures
Housing Support	758	0	(24)	<b>734</b>	Improve sustainability by maintaining the independence of people in their own homes
ICT Holding Account	716	0	0	<b>716</b>	Future business process improvement initiatives and other future ICT initiatives
Inspectorate Support	1,008	100	0	<b>1,108</b>	Consultancy for inspections and regulatory environment
Insurance	7,449	470	0	<b>7,919</b>	Protect the Council from future potential insurance claims
Invest to Save	261	0	0	<b>261</b>	Used in connection with revenue invest to save schemes.
Joint Equipment Store	305	210	0	<b>515</b>	Offset deficits or one off expenditure items in the pooled budget, in future years
Local Development Plan	338	62	0	<b>400</b>	Local Development Plan and any potential appeals or judicial reviews
Major Projects	480	750	(224)	<b>1,006</b>	Major Projects

	Balance	Contributions		Balance	Purpose of the Reserve / To fund:
	31 March 2021 £000	From Revenue £000	To Revenue £000	31 March 2022 £000	
Members Development	61	170	(61)	170	Members' ICT software
Municipal Election	797	200	(117)	880	Local elections
Municipal Mutual Insurance	935	0	0	935	Liabilities to pay a percentage of claims previously settle by Municipal Mutual Insurance (MMI) and contribute to the cost of future settled claims
New Theatre Repairs	0	210	0	210	Council building repairs liabilities in line with the lease terms
Non-Domestic Rates Due Diligence	60	0	0	60	Non-Domestic Rates due diligence
Parking and Enforcement	4,536	3,742	(6,293)	1,985	Surpluses to parking and enforcement schemes which, under the Road Traffic Act 1984, have to be reinvested in Road Traffic Schemes. Additional details provided in note below
Property Asset Management	16	0	0	16	Managing timing and fluctuations of income from fees relating to the disposal of properties
Red Dragon Centre	1,802	155	0	1,957	Premises funding requirements
Rentsmart Wales	458	0	(117)	341	Training and service delivery in respect of Rentsmart Wales
Resources	2,255	1,440	(441)	3,254	Areas within the Resources Directorate particularly where transition to methods of operation are required
Roads Maintenance	1,033	0	(1,033)	0	Future road maintenance improvements
Schools ICT Infrastructure	0	171	0	171	Cyclical replacement of Schools ICT in order to ensure equipment and infrastructure is current and avoid obsolescence
Scrutiny Development and Training	118	0	0	118	Scrutiny member development and training
Shared Regulatory Service	0	108	0	108	Future flexibility in relation to the Council's costs of the Shared Regulatory Service
Social Care Technology	655	0	0	655	Social care ICT developments
Social Care Worker Mobility	0	600	0	600	Increase domiciliary support service capacity in conjunction with decarbonisation of services
South East Wales Construction Framework	975	510	(232)	1,253	Ring fenced revenue to fund future costs of the project. Remaining funding to be distributed amongst the participating authorities
Strategic Budget	7,147	0	(751)	6,396	Financial resilience and the future budget requirements of the Council over the three year budget period within the Medium Term Financial Plan
Treasury Management	9,025	4,300	(2,007)	11,318	Management of risk in relation to major projects and to offer some protection and flexibility to the wider capital programme
Wales Interpretation and Translation Service	320	99	0	419	Manage in-year fluctuations in funding and financial performance of the service

	Balance	Contributions		Balance	Purpose of the Reserve / To fund:
	31 March 2021 £000	From Revenue £000	To Revenue £000	31 March 2022 £000	
Waste Management	311	872	0	1,183	Initiatives to achieve recycling targets and offset the impact of additional tonnage and associated waste management costs
Welfare Reform	2,144	420	(55)	2,509	Mitigate pressures and reduced funding within the Housing Benefit Service following the transfer of services to DWP, as part of the rollout of the Universal Credit Scheme
Youth and Community Education	787	420	(255)	952	Costs connected with the refurbishment of youth centres
	<b>75,537</b>	<b>45,595</b>	<b>(15,296)</b>	<b>105,836</b>	
<b>SHARE OF JOINT COMMITTEE RESERVES</b>					
Cardiff Capital Region City Deal (CCRCD)	700	2,428	(5)	3,123	The Council's percentage share of the accumulated balances and earmarked usable reserves of Cardiff Capital Region City Deal
	<b>700</b>	<b>2,428</b>	<b>(5)</b>	<b>3,123</b>	
<b>Total Council Fund Reserves</b>	<b>102,504</b>	<b>74,520</b>	<b>(26,012)</b>	<b>151,012</b>	
<b>HRA RESERVES</b>					
Housing Development Resilience	250	250	0	500	Improve resilience within the Housing Development Capital Programme
Housing Repairs and Building Maintenance	3,021	6,001	0	9,022	Housing repairs and to mitigate against risk within the construction industry
Housing Supply Increase	0	636	0	636	Increase housing stock and improve resilience within the Housing Development Capital Programme
Welfare Reform	429	0	0	429	Project costs and scheme development to address issues for council tenants due to benefit cap and universal credit
<b>Total HRA Reserves</b>	<b>3,700</b>	<b>6,887</b>	<b>0</b>	<b>10,587</b>	
<b>TOTAL EARMARKED RESERVES</b>	<b>106,204</b>	<b>81,407</b>	<b>(26,012)</b>	<b>161,599</b>	

## 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.

2020/21 £000		2021/22 £000
599	Operational costs / Parking and Permits	776
5,481	Enforcement service	6,279

<b>6,080</b>	<b>Total Expenditure</b>	<b>7,055</b>
(1,364)	On-street pay car parking fees	(3,130)
(272)	Off-Street car parking fees	(808)
(366)	Residents parking permits	(441)
(1,003)	Penalty charge notices	(1,903)
(2,417)	Moving Traffic Offences	(3,046)
(115)	Camera Car	(449)
(22)	Traffic Enforcement Centre	(6)
(23)	Other income	(31)
<b>(5,582)</b>	<b>Total Income</b>	<b>(9,814)</b>
<b>498</b>	<b>Civil Parking Enforcement Net (Surplus)/Deficit</b>	<b>(2,759)</b>
(9,067)	Covid-19 LG Hardship Fund/Job Retention Scheme	(983)
<b>(8,569)</b>	<b>Revised Civil Parking Enforcement Net (Surplus)/Deficit</b>	<b>(3,742)</b>
	Appropriations to Parking Reserve:	
<b>2,115</b>	<b>Balance 1 April</b>	<b>4,536</b>
8,569	Contributions from CPE	3,742
(6,148)	Contributions to revenue*	(6,293)
<b>4,536</b>	<b>Balance 31 March</b>	<b>1,985</b>

\* Although income levels improved significantly in 2021/22 following the lifting of covid restrictions, they remained in place during April and May 2021 resulting in a £0.983 million reimbursement from Welsh Government Hardship Fund. This is included in the trading surplus of £3.742 million. Eligible expenditure totalling £6.293 million was drawn down from the reserve leaving a balance of £1.985 million at 31 March 2022. The drawdown included a budgeted sum of £5.935 million to support a range of Council services, including ongoing support and improvements to transport, parking, highways and environmental services. It also included specific drawdowns to support various improvement schemes and initiatives approved by the Director of Planning, Transport & Environment in consultation with the relevant Cabinet Member.

### 25.3 Usable Capital Receipts Reserve

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

2020/21 £000		2021/22 £000
<b>10,906</b>	<b>Balance as at 1 April</b>	<b>8,673</b>
	Movements during Year:	
15,397	Sale of Land, Buildings and other assets	2,649
25	Recoupments of grant/other	323
<b>15,422</b>		<b>2,972</b>
(6,455)	Finance Capital Expenditure	(3,781)
(11,200)	Provide for Repayment of External Loans	(1,009)
0	Other	(15)
<b>(17,655)</b>		<b>(4,805)</b>
<b>8,673</b>	<b>Balance as at 31 March</b>	<b>6,840</b>

### 25.4 Unapplied Capital Grants

The Usable Capital Receipts Reserve represents grants received without conditions that are to be applied to capital expenditure projects in future years.

2020/21 £000		2021/22 £000
0	Balance as at 1 April	0
0	Transfer of capital grants and contributions to capital grants unapplied	6,972
0	Balance as at 31 March	6,972

## 26. Unusable Reserves

### 26.1 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.

2020/21 £000		2021/22 £000
288,041	Balance as at 1 April	310,754
0	Adjusting amounts from Capital Adjustment Account	5,182
25,878	Upward revaluation of assets	46,288
(1,342)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(14,253)
24,536	<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>37,217</b>
(1,281)	Difference between fair value depreciation and historical cost depreciation (charged to Capital Adjustment Account)	(2,046)
(542)	Accumulated gains on assets sold or scrapped	(103)
(1,823)	<b>Amount written off to the Capital Adjustment Account</b>	<b>(2,149)</b>
310,754	Balance as at 31 March	345,822

### 26.2 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 this Account, apart from those involving the Revaluation Reserve.

2020/21 £000		2021/22 £000
939,914	<b>Balance as at 1 April</b>	947,365
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(62,755)	Charges for depreciation and impairment of non-current assets	(64,762)
597	Reverse previous impairment on revaluation	25,211
(48,700)	Revaluation losses on Property, Plant and Equipment	(68,920)
(884)	Amortisation of intangible assets	(928)
(440)	Movement in Assets Held For Sale	0
(4,398)	Expenditure on REFCUS	(2,692)
(15,218)	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	(616)
<b>(131,798)</b>		<b>(112,707)</b>
1,281	Adjusting amounts to the Revaluation Reserve (including historic cost adjustment)	(3,139)
<b>(130,517)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(115,846)</b>
	<b>Capital financing applied in the year:</b>	
6,455	Capital Receipts	3,781
3,373	Direct Revenue Financing	3,940
87,562	Grants and contributions	120,060
38,110	Prudent Revenue Provision	44,538
11,202	Capital receipts to provide for repayment of external loans	1,009
(321)	Reduction in loan debtors	(933)
<b>146,381</b>		<b>172,395</b>
(8,413)	Movements in the value of Investment Properties	(26,632)
<b>947,365</b>	<b>Balance as at 31 March</b>	<b>977,282</b>

### 26.3 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.

2020/21 £000		2021/22 £000
5,008	<b>Balance as at 1 April</b>	5,003
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
(5)	Transfers to the Capital Receipts Reserve upon receipt of cash	0
<b>5,003</b>	<b>Balance as at 31 March</b>	<b>5,003</b>

The balance in 2021/22 relates primarily to the deferred payment from disposal of land at Central Square, due in the financial year 2022/23.

## 26.4 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.

2020/21 £000		2021/22 £000
9,267	<b>Balance as at 1 April</b>	6,984
(2,283)	(Downwards) / Upwards revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	3,382
6,984	<b>Balance as at 31 March</b>	10,366

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 based on the company's reported net worth as per its Annual Accounts to comply with accounting for Financial Instruments. Any change in value within the Council's accounts does not have an impact on the Council Taxpayer, 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.

## 26.5 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 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.

2020/21 £000		2021/22 £000
(840,894)	<b>Balance as at 1 April</b>	(1,085,373)
(198,203)	Actuarial gains or losses on pensions assets and liabilities	307,373
(93,109)	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	(128,564)
280	Reversal of amounts accrual in respect of pension strain for future years	2,574
46,553	Employer's pensions contributions and direct payments to pensioners payable in the year	48,654
(1,085,373)	<b>Balance as at 31 March</b>	(855,336)

## 26.6 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.

2020/21 £000		2021/22 £000
(11,580)	Balance as at 1 April	(17,693)
(6,113)	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 accounting requirements	639
(17,693)	Balance as at 31 March	(17,054)

## 26.7 Donated Inventories Account

The Donated Inventories Account represents the value of donated inventories held as at 31 March.

The Council received donated personal protective equipment (PPE) received from NHS Shared Services (NHSS), at nil cost, in order to fulfil its Social Care PPE responsibilities.

2020/21 £000		2021/22 £000
0	Balance as at 1 April	3,211
3,211	Movement in Donated Inventories Account	6,023
3,211	Balance as at 31 March	9,234

## 27. 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 has 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 2022 is £9.107 million (£6.610 million at 31 March 2021).

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 resulting in an outstanding amount of £1.960 million. Repayments commenced in 2019/20, with repayments totalling £294,000 to 31 March 2022. The club are

committed to repay the loans in accordance with the contractual terms, however due to the current uncertainties in terms of attendance levels and emergence from Covid impacts, the Council's view is that risks of recovery still remain and the balance due of £1.666 million remains 100% impaired at 31 March 2022. 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.

In respect to an assessment received from HMRC for purportedly under-declared landfill tax assessment, associated penalties and interest, the Council has a remaining payment on account balance of £749,000.. 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 2022 two 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 £25,000 (£311,000 at 31 March 2021) 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 accounts reflect a provision of £99,000 and £935,000 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 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. Subject to this, and relevant HMRC rules, there is the risk that the Council may be required to pay tax 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 remains difficult to evidence the probability that this liability will crystallise.

During 2020/21, the Council as the sole shareholder, agreed a range of measures to address the difficulties faced by Cardiff City Transport Services Limited (Cardiff Bus) and the Trustees of its pension scheme to agree, in accordance with Pension Legislation, the Triennial valuation of the pension scheme at 31 March 2018. On 3 March 2021, the Council entered into an agreement with the Trustees of the Cardiff City Transport Services Limited Pension Scheme meaning that all future liabilities in respect to pension obligations of Cardiff Bus will fall to Cardiff Council. This means that the Council became statutory employer of the Cardiff Bus pension

funds and is responsible for paying contributions into the scheme towards addressing any identified deficit when assets and liabilities are projected as part of three yearly actuarial reviews. The schedule of contributions is currently £250,000 per annum, to be reviewed as part of the next triennial valuation as at 31 March 2024. The Council is also responsible for scheme operating expenses, Pension Protection Fund levy and any other costs and expenses in respect to its obligations as Statutory and Principal employer. These costs are to be recovered from Cardiff Bus; however, the Council is ultimately responsible for such costs in the event the company is unable to meet them. Details of the fund assets and liabilities as at 31 March 2022 are shown in note 13.

The Council has committed to acquire Ice Arena Wales from Greenbank by 31/12/2022. For the January to December 2022 trading period for the Arena, the Council has agreed to indemnify Greenbank against any operational losses for Ice Arena, capped at £50,000 for ordinary course of business, or £100,000 in event of another government mandated lockdown linked to Covid-19.

## 28. Notes to Cash Flow Statement

2020/21		2021/22
£000	Adjust net surplus or deficit on the provision of services for non - cash movements	£000
(112,504)	Depreciation, impairment & amortisation	(109,376)
(46,276)	Charges made for retirement benefits (IAS19) less employers contributions	(77,335)
(15,661)	Carrying amount of non-current assets sold or derecognised	(616)
3,691	Increase/(decrease) in stock	5,920
876	Increase/(decrease) in debtors	20,923
(1,068)	Increase/(decrease) in creditors	(45,177)
(9,884)	Other non-cash items affecting net surplus or deficit on provision of services	(25,552)
<b>(180,826)</b>		<b>(231,213)</b>

2020/21		2021/22
£000	Items in net surplus/ deficit on provision of services that are investing and financing activities	£000
15,417	Proceeds from sale of non-current assets and investments	2,624
87,562	Capital grants/contributions recognised in CIES	127,355
<b>102,979</b>		<b>129,979</b>

2020/21		2021/22
£000	Interest and Dividends	£000
(773)	Interest Received	(235)
34,032	Interest Paid	33,983
0	Dividends Received	0
<b>33,259</b>		<b>33,748</b>

**29. Prior Period Adjustment**

There are no prior period adjustments.

**30. Exceptional Items**

There are no exceptional items to disclose.

**31. Events after the Reporting Period**

There are no events after the reporting period to report.

**32. Date of Authorisation of the Accounts for Issue**

This Statement of Accounts was authorised for issue on 30 March 2023 by the Corporate Director Resources. Post Balance Sheet events have been considered up to this date.

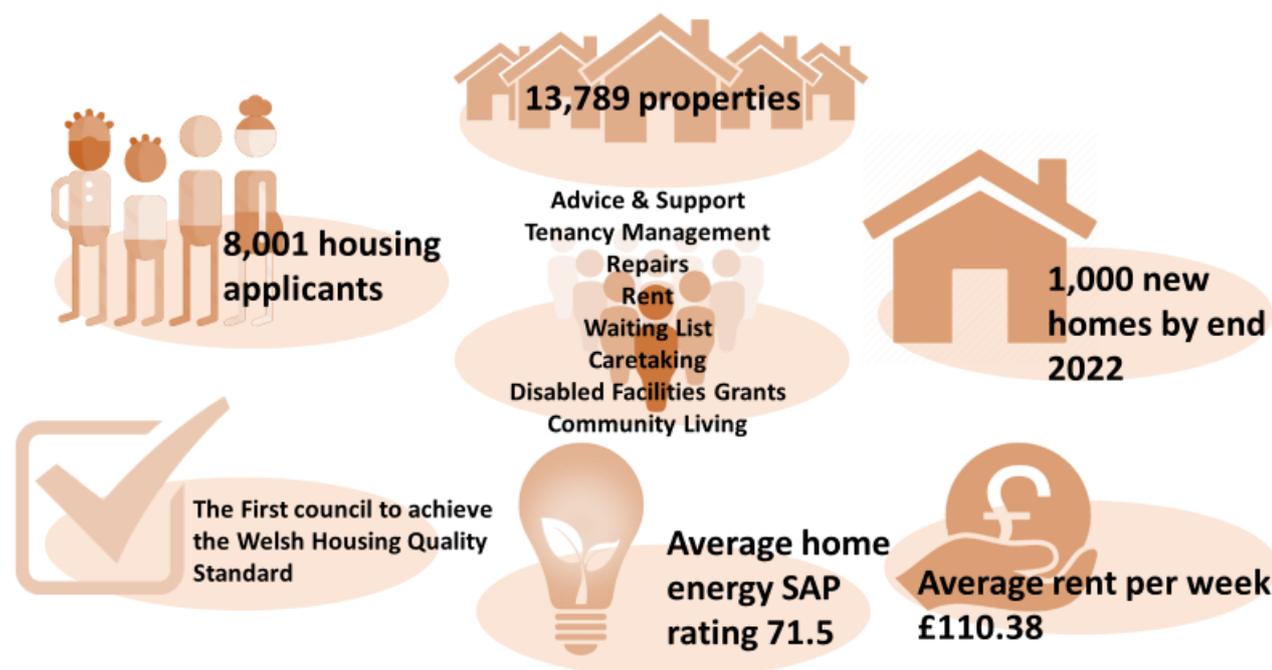


# Housing Revenue Account



## Introduction

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, performance and service information for the HRA. The plan aims to demonstrate the long-term sustainability of the HRA and includes the approach to maintaining the Welsh Housing Quality Standard, energy efficiency, remodelling homes, estate regeneration, fire safety works and securing new affordable housing to meet need.

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.

The most recent tenant satisfaction survey showed:

- 75% of tenants were satisfied with the way the Council deals with repairs
- 80% of tenants were satisfied with their neighbourhood as a place to live

## Risks and Financial Outlook

The HRA records income and expenditure in relation to Council Housing stock, including rent, service charges, housing allocations, repairs, capital financing charges and supervision and management.

Where the HRA spends capital monies, particularly where this is paid for by borrowing, this results in long term financial commitments for the rent payer and it is essential that expenditure decisions are prudent, sustainable and affordable, now as well as in the future.

In the very short term, the Welsh Government five year rent policy approved from 2020/21 onwards provides clarity in respect to rent levels. However significant risk and uncertainty remains in terms of future

impacts of rising prices for the management of existing housing stock and the development of new stock; increasing demand for housing and potential changes in housing standards to improve energy performance.

### *Financial Performance 2021/22*

The Housing Revenue Account reported a balanced position for 2021/22 after a transfer to earmarked reserves of £6.886 million to meet future liabilities and commitments, including contributions to the planned high-rise over-cladding scheme and costs relating to increases in housing stock. The overall position included a reduced spend on repairs and maintenance reflecting the continuing impact of the pandemic with access issues and consequent delays to works. There were also some delays to the capital programme resulting in lower capital financing costs with increased capital grant income for safety measures.

A reduction in rent and service charge income was offset by lower than budgeted provision for bad debts partly as a result of the various rent rescue and support schemes which were made available to tenants to assist with arrears. In addition, there were significant employee vacancy savings and other efficiencies across the functions. Void property levels were 1.49% as a percentage of overall stock (1.29% in 2020/21).

Earmarked reserves and the Housing Revenue Account General Balance are £10.586 million and £15.502 million respectively as at 31 March 2022.

### *Revenue Expenditure and Funding*

#### Expenditure

**Repairs and Maintenance**  
**£25.010 million**

**Supervision and Management**  
**£33.100 million**

**Capital Financing Costs** **£28.668 million**



#### Income

**Dwelling Rents** **£77.684 million**

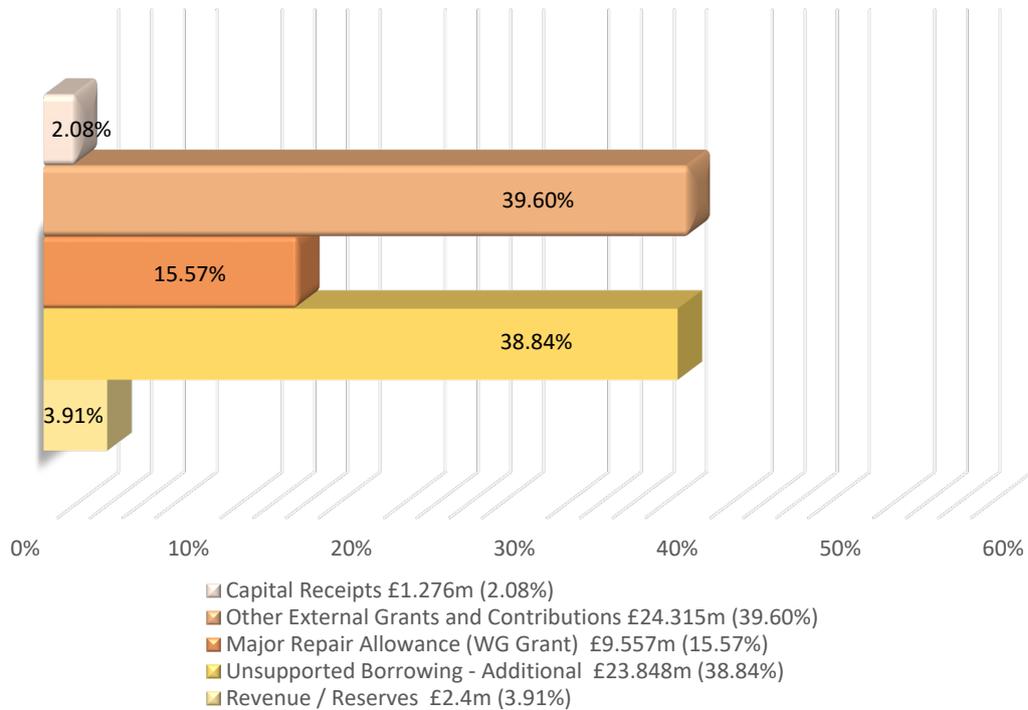
**Charges for Services and Facilities** **£11.514 million**

Our housing stock is valued in the accounts at £643.465 million. Dwellings were revalued in 2021/22 with the vacant possession value deemed to be £1.718 billion. In accordance with the valuation requirements, this was adjusted downwards, in our case by an adjustment factor of 38% in order to show the economic cost of providing social housing at less than market rent. The next valuation will take place in 2023/24.

### *Capital Expenditure and Funding*

Capital expenditure represents money spent on improving, acquiring and enhancing assets. During the year we spent £61.396 million on estate regeneration, housing stock remodeling, and the fabric of dwellings, disabled adaptations and in the development of new Council Housing.

### Funding of Capital Expenditure



The Capital Financing Requirement is a measure of debt in relation to the HRA. At 31 March 2022, this stands at £324.739 million; an increase of £23.369 million compared to the previous year. This is forecast to increase significantly over the next few years as set out in the 2022/23 HRA Revenue budget and MTFP approved by Council March 2022. All borrowing must be affordable both now and, in the future, as it will be required to be repaid with interest.

## Income and Expenditure 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.

2020/21		Note	2021/22
£000			£000
	Management and maintenance comprising :		
20,798	Repairs and maintenance		25,010
29,165	Supervision and management		33,100
245	Rents, rates, taxes and other charges		291
(60)	Provision for bad and doubtful debts		372
60,293	Depreciation, impairment and revaluation losses of non-current assets	8	34,139
457	Movement in Held for Sale Assets		0
1,006	Sums directed by the Welsh Government that are expenditure in accordance with the Code	9	3,341
36	Debt management costs		42
<b>111,940</b>	<b>Total Expenditure</b>		<b>96,295</b>
(74,653)	Dwelling rents		(77,684)
(19)	Non-dwelling rents		(63)
(10,309)	Charges for services and facilities		(11,514)
(902)	Sums directed by the Welsh Government that are income in accordance with the Code		(3,310)
<b>(85,883)</b>	<b>Total Income</b>		<b>(92,571)</b>
<b>26,057</b>	<b>Net Cost of HRA Services as included in the Income and Expenditure Statement</b>		<b>3,724</b>
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income &amp; Expenditure Statement:</b>		
(1,521)	(Gain)/loss on sale of HRA non-current assets		(754)
12,658	Interest payable and similar charges		13,211
7	Changes in fair value of investment properties		(62)
0	Interest and Investment income		0
(23,438)	Capital grants and contributions applied		(30,552)
<b>13,763</b>	<b>(Surplus)/Deficit for year on HRA Services</b>		<b>(14,433)</b>

**Movement on HRA Balance**

2020/21		Note	2021/22
£000			£000
<b>(8,983)</b>	<b>Balance at 31 March brought forward</b>		<b>(15,502)</b>
13,763	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement		(14,433)
(23,104)	Adjustments between accounting basis and funding basis under regulations	1	7,547
<b>(9,341)</b>	<b>Net (increase)/decrease before transfers to or from reserves</b>		<b>(6,886)</b>
2,822	Transfers to/(from) earmarked reserves		6,886
<b>(6,519)</b>	<b>Increase or decrease in the year on the HRA</b>		<b>0</b>
<b>(15,502)</b>	<b>Balance at 31 March carried forward</b>		<b>(15,502)</b>

## Notes to the Financial Statements

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

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.

2020/21		Note	2021/22
£000			£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>		
11,933	Charges for depreciation and impairment of non-current assets	8	11,345
48,353	Revaluation losses of non-current assets		24,114
(79)	Reverse previous impairment on revaluation		(1,407)
86	Amortisation of intangible assets		86
7	Movement in the market value of investment properties		(62)
457	Movement in Held for Sale Assets		0
(23,438)	Capital grants and contributions applied		(30,552)
104	Sums directed by Welsh Government		31
(2,285)	Non-current assets written off as part of the gain/loss on disposal to the HRA Income and Expenditure Statement		43
(13,396)	Prudent Provision for the financing of capital investment		(13,015)
(2,400)	Capital expenditure charged against the HRA		(2,400)
0	Credit for disposal costs that qualify to be met from the resulting capital receipts		0
	<b>Adjustments involving the Revaluation Reserve:</b>		
766	Non-current assets written off as part of the gain/loss on disposal to the HRA Income & Expenditure Account		(796)
	<b>Adjustments involving the Pensions Reserve:</b>		
6,461	Net Retirement Benefits per IAS19	4	9,510
(4,013)	Employers Contributions to pension schemes		(4,157)
(138)	Pension Strain Accrual – future years		3
	<b>Adjustments involving the Accumulated Absences Account:</b>		
687	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		(290)
<b>23,105</b>	<b>Total Adjustments</b>		<b>(7,547)</b>

## 2. Rental Income

This is the total rent income due for the year after allowance is made for voids etc. Void rent losses accounted for 2.51% of the total potential rental income (1.93% in 2020/21). Average rents were £110.38 per week (£106.97 in 2020/21) based on a 52-week year.

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

The following sums were due from tenants:

31 March 2021			31 March 2022	
Arrears £000	Bad debt provision £000		Arrears £000	Bad debt provision £000
		<b>Rent Arrears</b>		
5,137	3,792	Dwellings	4,720	3,486
259	259	Hostels /Other accommodation	426	426
<b>5,396</b>	<b>4,051</b>	<b>Total Rent Arrears</b>	<b>5,146</b>	<b>3,912</b>
		<b>Other</b>		
101	61	Service charges	88	53
255	255	Tenants recoverables	269	269
<b>356</b>	<b>316</b>	<b>Total Other Arrears</b>	<b>357</b>	<b>322</b>
<b>5,752</b>	<b>4,367</b>	<b>Total</b>	<b>5,503</b>	<b>4,234</b>

During 2021/22 debts totaling £489,000 were written off as irrecoverable (£584,000 in 2020/21).

## 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 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:

2020/21 £000		2021/22 £000
6,461	Current service cost	9,510
(4,013)	Cost of employer's contributions plus discretionary benefits	(4,157)
(138)	Pension Strain Accrual - Future Years	3
<b>2,310</b>	<b>Net transfer to Pensions Reserve</b>	<b>5,356</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 2021		31 March 2022
7,341	Houses	7,382
633	Bungalows	634
5,240	Flats/Bedsits	5,253
171	Maisonettes	171
352	Retirement complexes	349
<b>13,737</b>	<b>Total</b>	<b>13,789</b>

The Council also has hostels and non-standard/temporary accommodation providing the following:

31 March 2021		31 March 2022
23	Bed spaces in hostels	112
69	Flats in hostels	127
<b>92</b>	<b>Total</b>	<b>239</b>

## 6. Capital Expenditure and Capital Financing

2020/21		2021/22
£000		£000
<b>290,232</b>	Opening Capital Financing Requirement	<b>301,370</b>
	<b>Capital Expenditure:</b>	
52,625	Property, Plant and Equipment	58,054
0	Intangible assets including intangible AUC	0
0	Investment Properties	0
1,006	Expenditure on REFUS	3,342
0	Appropriation of land	12,536
	<b>Sources of Finance:</b>	
(2,357)	Capital Receipts	(1,276)
(24,340)	Government grants and other contributions *	(33,872)
(2,400)	Direct revenue contributions and reserves	(2,400)
(13,396)	Prudent revenue and capital provision for loan repayment	(13,015)
<b>301,370</b>	<b>Closing Capital Financing Requirement</b>	<b>324,739</b>
	<b>Explanation of movements in year:</b>	
11,138	Increase / (Decrease) in underlying need to borrow (unsupported by government financial assistance)	23,369
<b>11,138</b>	<b>Increase in Capital Financing Requirement</b>	<b>23,369</b>

\* £9.557 million (£9.511 million in 2020/21) of Major Repairs Allowance grant was received from Welsh Government and applied in the year.

## 7. Capital Receipts

Proceeds from the disposal of HRA Assets during 2021/22 were as follows:

- Council Dwellings and Home Purchase Contributions £256,509 (£236,000 in 2020/21)
- Land £0.541 million (£2.142 million in 2020/21)

## 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.

2020/21		2021/22
£000		£000
9,490	Council dwellings	8,933
1,789	Land and buildings	2,117
740	Vehicles, plant & equipment, intangibles, Surplus and AUC	380
<b>12,019</b>	<b>Total Depreciation, Amortisation and Impairment</b>	<b>11,430</b>
47,684	Council dwellings	21,013
590	Land and buildings	1,643
0	Vehicles, plant & equipment, intangibles, Surplus and AUC	52
<b>48,274</b>	<b>Total Revaluation</b>	<b>22,708</b>
<b>60,293</b>	<b>Total</b>	<b>34,139</b>

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

2020/21		2021/22
£000		£000
	<b>Expenditure:</b>	
1,006	Buildings not owned by Cardiff Council	3,222
0	Grants awarded not housing grants	120
<b>1,006</b>	<b>Charged to Income and Expenditure Account</b>	<b>3,342</b>
	<b>Funded by:</b>	
902	Grants and Contributions	3,311
104	Borrowing, Receipts and other Capital Resources	31
<b>1,006</b>		<b>3,342</b>



# Group Accounts



## ***Introduction***

The group accounts that follow comply with the requirement of the 2021/22 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 2021/22 accounts for Cardiff Bus are in draft status.

The final audited statements for Cardiff Bus for the year ended 2020/21 can be found on the Companies House website and the link [here](#). The accounts for that year included a large technical adjustment in respect of vehicle impairment and also an audit view of material uncertainty related to going concern.

The company, in common with many public transport operators, continues to be significantly impacted by changes in travel patterns since March 2020. In 2021/22, the company repaid £1 million of emergency financial support received from the Council in June 2020 and is in receipt of Welsh Government Bus Emergency support grant along with all other bus operators. The company has continued to prioritise the safety and well-being of staff and our customers and have taken decisive action to protect the long-term sustainability of the business including investing in new fleet.

In March 2021, the Company issued 7 million ordinary shares in return for £7 million in cash from the shareholder, who also took on responsibility as being the statutory and principal employer for the pension fund. The latter followed the entering of a Flexible Apportionment Agreement with company, trustees and Council on 3 March 2021. During 2021/22, the Council injected the final Tranche of £6.6 million of equity into the Company as part of its financial viability and turnaround plan approved by Council in October 2020.

With continued uncertainty in respect of travel patterns, labour shortages, regulatory changes as well as economic and cost factors, it remains difficult to predict the likely return of passenger numbers over the foreseeable future. In response to the challenges faced by the company, it continues to work with partners to review its business planning, cost base and investing in fleet and infrastructure to provide vital services.

The Council also has interests in the following subsidiaries: Cardiff Business Technology Centre (CBTC), Atebion Solutions Ltd and Cardiff Heat Network 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 2021/22. Details of the Council's interests in these organisations are included in note 20 to the Core Financial Statements.

## ***Basis of Consolidation***

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

## ***Accounting policies***

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

### **Retirement Benefits**

Cardiff City Transport Services Ltd. operated two defined benefit funded pension schemes which it accounts for in accordance with FRS102. From March 2021 the liabilities for the pension schemes are included with the Council's Statement of Accounts. 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.

### **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.

### **Goodwill**

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

### **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.

## Group Comprehensive Income and Expenditure

2020/21				2021/22		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
18,836	(14,507)	4,329	Corporate Management	30,048	(26,007)	4,041
91,258	(37,826)	53,432	Economic Development	104,509	(45,209)	59,300
379,551	(92,688)	286,863	Education & Lifelong Learning	437,154	(111,419)	325,735
7,915	(1,244)	6,671	Governance & Legal Services	9,634	(2,015)	7,619
8,882	(5,916)	2,966	Harbour Authority	9,314	(5,959)	3,355
111,940	(85,884)	26,056	Housing Revenue Account	96,295	(92,571)	3,724
240,491	(186,579)	53,912	Housing and Communities	249,210	(189,430)	59,780
10,494	(7,281)	3,213	Performance and Partnerships	10,097	(6,793)	3,304
87,898	(52,958)	34,940	Planning , Transport and Environment	100,037	(72,690)	27,347
37,000	(18,415)	18,585	Resources	45,573	(25,730)	19,843
244,435	(59,883)	184,552	Social Services	261,031	(66,997)	194,034
4,967	(9,239)	(4,272)	Summary Revenue Account	259	(4,484)	(4,225)
0	(22,664)	(22,664)	Other Income	0	0	0
<b>1,243,667</b>	<b>(595,084)</b>	<b>648,583</b>	<b>Net Cost of Services</b>	<b>1,353,161</b>	<b>(649,304)</b>	<b>703,857</b>
40,165	0	40,165	Police and Crime Commissioner for South Wales	42,523	0	42,523
446	0	446	Community Council Precepts	458	0	458
18,244	0	18,244	Levies & Contributions	18,632	0	18,632
15,760	(15,081)	679	(Gain)/loss on sale of non-current assets	707	(1,965)	(1,258)
<b>74,615</b>	<b>(15,081)</b>	<b>59,534</b>	<b>Other Operating Expenditure</b>	<b>62,320</b>	<b>(1,965)</b>	<b>60,355</b>
34,148	0	34,148	Interest Payable on debt	34,127	(11)	34,116
18,913	0	18,913	Interest on net defined liability/(asset)	22,180	0	22,180
0	(394)	(394)	Interest & Investment Income	0	(388)	(388)
17,929	(14,345)	3,584	Income and Expenditure in relation to Investment Properties and changes in their fair value	30,453	(12,658)	17,795
0	(148)	(148)	Movement in Financial Instruments	0	0	0
<b>70,990</b>	<b>(14,887)</b>	<b>56,103</b>	<b>Financing and Investment Income &amp; Expenditure</b>	<b>86,760</b>	<b>(13,057)</b>	<b>73,703</b>
0	(87,562)	(87,562)	Recognised Capital Grants & Contributions	0	(127,032)	(127,032)
0	(344,468)	(344,468)	Revenue Support Grant	0	(373,452)	(373,452)
0	(124,579)	(124,579)	Non-Domestic Rates	0	(121,062)	(121,062)
2,135	(230,151)	(228,016)	Council Tax Income	3,081	(240,341)	(237,260)
0	(3,211)	(3,211)	Donated Inventories	0	(6,022)	(6,022)
342	(218)	124	Tax expenses - Corporation Tax	812	0	812
<b>2,477</b>	<b>(790,189)</b>	<b>(787,712)</b>	<b>Taxation &amp; Non-Specific Grant Income</b>	<b>3,893</b>	<b>(867,909)</b>	<b>(864,016)</b>

1,391,749	(1,415,241)	(23,492)	<b>(Surplus)/Deficit on Provision of Services</b>	1,506,134	(1,532,235)	(26,101)
		(25,878)	Revaluation Gains			(46,288)
		1,109	Revaluation Losses			13,671
		233	Impairment losses on non-current assets charged to the Revaluation Reserve			581
		14	(Surplus)/Deficit on Financial Instrument Revaluation Reserve			(90)
		198,203	Actuarial gains/losses on pension assets/liabilities			(307,373)
		3,439	Other gains/losses to be included in the Comprehensive Income and Expenditure			0
		11,159	Group entity adjustment			0
		188,279	<b>Other Comprehensive Income &amp; Expenditure</b>			(339,499)
		164,787	<b>Total Comprehensive Income &amp; Expenditure</b>			(365,600)

The 2020/21 breakdown of the Net Cost of Services has been amended to take account of the changes in structure in 2021/22.

## Group Movement in Reserves

	Council Fund Balance	Council Fund Earmarked Reserves	HRA Balance	HRA Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves Council	Unusable Reserves - Group Entities	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2020 carried forward	14,255	54,894	8,983	878	10,906	0	89,916	385,369	4,387	479,672
<b>Movement in Reserves during 2020/21</b>										
Surplus or (deficit) on the provision of Services	24,927	0	(13,764)	0	0	0	11,163	0	12,329	23,492
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(177,120)	0	(177,120)
Group entity adjustment	0	0	0	0	0	0	0	0	(11,159)	(11,159)
<b>Total Comprehensive Income and Expenditure</b>	<b>24,927</b>	<b>0</b>	<b>(13,764)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,163</b>	<b>(177,120)</b>	<b>1,170</b>	<b>(164,787)</b>
Adjustments between accounting basis & funding basis under regulations	22,683	0	23,105	0	(2,233)	0	43,555	(43,555)	0	0
<b>Net Increase / (Decrease) before Transfers to/(from) Earmarked Reserves</b>	<b>47,610</b>	<b>0</b>	<b>9,341</b>	<b>0</b>	<b>(2,233)</b>	<b>0</b>	<b>54,718</b>	<b>(220,675)</b>	<b>1,170</b>	<b>(164,787)</b>
Transfers to/(from) Earmarked Reserves	(47,610)	47,610	(2,822)	2,822	0	0	0	0	0	0
<b>Increase / (Decrease) in 2020/21</b>	<b>0</b>	<b>47,610</b>	<b>6,519</b>	<b>2,822</b>	<b>(2,233)</b>	<b>0</b>	<b>54,718</b>	<b>(220,675)</b>	<b>1,170</b>	<b>(164,787)</b>
Balance at 31 March 2021 carried forward	14,255	102,504	15,502	3,700	8,673	0	144,634	164,694	5,557	314,885
<b>Movement in Reserves during 2021/22</b>										
Surplus or (deficit) on the provision of Services	8,283	0	14,433	0	0	0	22,716	0	3,385	26,101
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	339,499	0	339,499
<b>Total Comprehensive Income and Expenditure</b>	<b>8,283</b>	<b>0</b>	<b>14,433</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>22,716</b>	<b>339,499</b>	<b>3,385</b>	<b>365,600</b>
Adjustments between accounting basis & funding basis under regulations	40,225	0	(7,546)	0	(1,833)	6,972	37,818	(37,818)	0	0
<b>Net Increase / (Decrease) before Transfers to/(from) Earmarked Reserves</b>	<b>48,508</b>	<b>0</b>	<b>6,887</b>	<b>0</b>	<b>(1,833)</b>	<b>6,972</b>	<b>60,534</b>	<b>301,681</b>	<b>3,385</b>	<b>365,600</b>
Transfers to/(from) Earmarked Reserves	(48,508)	48,508	(6,887)	6,887	0	0	0	0	0	0
<b>Increase / (Decrease) in 2021/22</b>	<b>0</b>	<b>48,508</b>	<b>0</b>	<b>6,887</b>	<b>(1,833)</b>	<b>6,972</b>	<b>60,534</b>	<b>301,681</b>	<b>3,385</b>	<b>365,600</b>
Balance at 31 March 2022 carried forward	14,255	151,012	15,502	10,587	6,840	6,972	205,168	466,375	8,942	680,485

## Group Balance Sheet

31 March 2021		31 March 2022
£000		£000
1,907,928	Property, Plant & Equipment:	2,016,110
58,682	Heritage Assets	58,849
156,238	Investment Properties	150,718
1,711	Intangible Non-Current Assets including AUC	1,135
733	Long-term Investments	705
5,951	Long-term Debtors	10,906
0	Deferred tax asset	584
<b>2,131,243</b>	<b>Total Long-Term Assets</b>	<b>2,239,007</b>
98,882	Short-term Investments	212,912
918	Assets held for Sale	0
6,240	Inventories	12,170
172,790	Short-term Debtors	185,213
47,040	Cash and Cash Equivalents	34,527
<b>325,870</b>	<b>Total Current Assets</b>	<b>444,822</b>
(35,393)	Short-term Borrowing	(31,311)
(132,579)	Short-term Creditors	(181,722)
(1,471)	Pension Strain	(1,035)
(4,999)	Provisions	(4,977)
(3,453)	Deferred Liabilities	(4,277)
<b>(177,895)</b>	<b>Total Current Liabilities</b>	<b>(223,322)</b>
(783,666)	Long Term Borrowing	(832,819)
(25,997)	Provisions	(24,988)
(11,111)	Deferred Liabilities	(10,351)
(22,155)	Capital Contributions Receipts in Advance	(22,388)
(18,008)	Revenue Grants Receipts in Advance	(16,521)
(19,494)	Capital Grants Receipts in Advance	(17,404)
(3,434)	Pension Strain	(1,296)
(1,080,468)	Net Pensions Liability	(854,255)
<b>(1,964,333)</b>	<b>Total Long-Term Liabilities</b>	<b>(1,780,022)</b>
<b>314,885</b>	<b>NET ASSETS</b>	<b>680,485</b>
	<b>Financed by:</b>	
14,255	Council Fund Balance	14,255
102,504	Council Fund Earmarked Reserves	151,012
15,502	Housing Revenue Account Balance	15,502
3,700	Housing Revenue Account Earmarked Reserves	10,587
8,673	Capital Receipts Reserve	6,840
0	Capital Grants Unapplied	6,972
<b>144,634</b>	<b>Usable Reserves</b>	<b>205,168</b>
314,647	Revaluation Reserve	349,693
947,365	Capital Adjustment Account	977,282
5,003	Deferred Capital Receipts	5,003
4,543	Financial Instruments Revaluation Reserve	4,540
(1,085,373)	Pensions Reserve	(867,671)
(17,693)	Accumulated Absences Adjustment Account	(17,054)
3,211	Donated Inventories	9,234

<b>31 March 2021</b>		<b>31 March 2022</b>
<b>£000</b>		<b>£000</b>
(1,452)	Reserves (Group Entities)	14,290
<b>170,251</b>	<b>Unusable Reserves</b>	<b>475,317</b>
<b>314,885</b>	<b>TOTAL RESERVES</b>	<b>680,485</b>

## Group Cash Flow

2020/21		2021/22
£000		£000
(23,492)	Net (Surplus) /Deficit on the provision of services	(26,101)
(169,498)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(235,082)
102,979	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	129,979
<b>(90,011)</b>	<b>Net cash flows from operating activities</b>	<b>(131,204)</b>
146,391	Purchase of property, plant and equipment, investment property and intangible assets	191,372
23,337	Purchase of short-term and long-term Investments	111,150
(17,098)	Other payments for investing activities	15,560
(15,436)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,649)
(98,976)	Capital Grants and Contributions	(126,516)
<b>38,218</b>	<b>Net cash flows from investing activities</b>	<b>188,917</b>
(3,111)	Cash receipts from short-term and long-term borrowing	(72,479)
20,618	Other receipts from financing activities	(2,487)
3,253	Cash payments for the reduction of outstanding liabilities relating to finance leases	2,233
22,287	Repayments of short-term and long-term borrowing	27,533
<b>43,047</b>	<b>Net cash flows from financing activities</b>	<b>(45,200)</b>
<b>(8,746)</b>	<b>Net (increase)/ decrease in cash and cash equivalents</b>	<b>12,513</b>
38,294	Cash and cash equivalents at the beginning of the reporting period	47,040
<b>47,040</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>34,527</b>

## Notes to Group Accounts

The following notes to the Group Accounts provide additional information in relation to Cardiff Bus. Further information can be found in the accounts of Cardiff City Transport Services Ltd (Cardiff Bus) company number 02001229.

### 1. Remuneration

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

Number of Employees	Remuneration band £	Number of Employees
2020/21		2021/22
0	60,000-69,999	1
1	70,000-74,999	0
1	75,000-79,999	1
0	80,000-84,999	3
0	85,000-139,999	0
1	140,000-144,999	1
0	145,000-149,999	0
<b>3</b>	<b>Total</b>	<b>6</b>

The year-to-year change in the above remuneration banding is a result of a change to the management structure and the associated part year effects.

### 2. Related Parties Disclosures

Related party transactions and balances of the group are as contained in note 10 to the single entity financial statements. Cardiff Bus 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. Exceptional Items

There are no exceptional items included in the Group Accounts.

### 4. 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.

### 5. Prior Period Adjustment

There are no prior period adjustments.



# Trust Funds



## Trust Funds

During 2021/22, 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 by the Council on the 22nd March 2022 to the Norwegian Church Cardiff Bay Charitable Incorporated Organisation. This new Charitable body enhances the cultural, arts programmes and the links between Wales and Norway of this important visitor attraction on the Cardiff Bay Waterfront.

**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.

**Heath Public Recreation or Pleasure Ground** (524135) – Land is held as a public recreation and pleasure ground. There are no balances or income and expenditure for this trust.

**King George's Field the Heath** (1140393) – Land to be used to provide a public playing field. There are no balances or income and expenditure for this trust.

**Playing Field** (524139) – Land is held for educational use. There are no balances or income and expenditure for this trust.

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 2022 have yet to be examined. This is to be undertaken during 2022 within the statutory deadlines.

The Council administers the following charities, the purposes of which are outlined below: -

**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, where relevant, for each fund follows. Detailed financial statements may be obtained from:

Christopher Lee  
Corporate Director Resources  
County Hall  
Cardiff  
CF10 4UW

	Balance as at 31 March 2021 £	Income £	Expenditure £	Asset Revaluation £	Balance as at 31 March 2022 £
<b>Funds for which the Council is Sole Trustee</b>					
Llandaff War Memorial Fund	1,418	0	(10)	0	1,408
Maindy Park Foundation	79,394	0	(10)	0	79,384
Norwegian Church Preservation Trust	(122,809)	253,325	(130,516)	0	0
Cardiff Further Education Trust/Craddock Wells	24,604,513	113,585	(32,015)	163,166	24,849,249
<b>Total funds for which the Council is Sole Trustee</b>	<b>24,562,516</b>	<b>366,910</b>	<b>(162,551)</b>	<b>163,166</b>	<b>24,930,041</b>
<b>Funds administered by the Council</b>					
R Fice Memorial Trust	62,683	1,860	(2,173)	1,568	63,938
The Howardian Trust	38,414	808	0	367	39,589
<b>Total funds which are administered by the Council</b>	<b>101,097</b>	<b>2,668</b>	<b>(2,173)</b>	<b>1,935</b>	<b>103,527</b>
<b>Total</b>	<b>24,663,613</b>	<b>369,578</b>	<b>(164,724)</b>	<b>165,101</b>	<b>25,033,568</b>

There will be differences in the income and expenditure figures quoted above compared to those included in the return to the Charity Commission. The figures above are calculated on an accruals basis whereas the returns are calculated on a cash basis.



# 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. The financial statements that follow are an extract from the accounts of the County Council of the City and County of Cardiff and have been prepared in line with International Financial Reporting Standards (IFRS) as well as the requirements of the Companies Act 2006.

This narrative report replaces the Director's report required by the Companies Act 2006.

### **Annual Governance Statement**

The Harbour Authority is not a separate entity to the Council and the financial transactions and systems, governance and controls of the Harbour Authority are integrated into those of the Council.

### **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 28 January 2022.

### **Review of the Financial Year**

For the financial year 2021/22, the Council worked with Welsh Government to identify achievable efficiencies, service reductions and savings against the approved Fixed Costs budget to the same level as 2020/21 of £4.961 million. The Asset Renewal funding requirement for non-critical assets was £460,000 with no requirement identified within the ten-year asset management programme to replace any critical assets. Subsequent to this, in October 2021, an additional allocation of £100,000 was awarded to cover increased scheme costs. In addition, in January 2022, a further grant award of £249,000 was approved for the delivery of brought forward asset renewal works originally planned for 2022/23. This resulted in a total approved 2021/22 budget for the Cardiff Harbour Authority (CHA) of £5.770 million.

Income above target for harbour dues, site fees and special events was offset by a shortfall on car parking. The position included overspends on litter collection and waste management as a result of increases in volume and subsequent additional costs. Other spend above budget included groundwater control and barrage maintenance which reflected materials and contractor price increases. These variances were largely mitigated by underspends on overheads across the general budget headings

The financial deficit after accounting adjustments for the year ended 31 March 2022 was £2.649 million (£2.734 million in 2020/21).

Total capital expenditure incurred during the year was £704,000 funded by grant and included the purchase of a new patrol and materials handling equipment to undertake statutory duties relating to the management of the Harbour, installation of boardwalk decking and upgrading barrage control equipment.

## Key Achievements

Despite another challenging year in 2021-22, as a result of further Covid-19 restrictions, staff achieved a great deal operationally through adaptability, commitment and ingenuity in responding to the situations presented to ensure services could still be delivered where possible. Achievements against the Harbour Authority action plan and performance indicators which form part of the Business Plan reported quarterly to the Welsh Government are:

- Delivered an online water safety project to school with Theatre Na Nog and Arts and Business Culture Step grant to warn of the dangers of swimming and tombstoning in the Bay. An online film was sent to 182 Cardiff and Vale of Glamorgan schools with 4,710 pupils known to have watched the film and made available publicly online with more than 33,000 reach
- Retained Green Flag Status following judging for the Barrage, Cardiff Bay Wetlands and FlatHolm Island
- ISO14001 audit resulted in retention of the award for Cardiff Harbour Authority ensuring excellent environmental management
- 199 tonnes of waste were removed from the rivers and bay
- 75,410 Cardiff Bay Wetlands users throughout the year
- 1,025,131 Barrage users throughout the year
- 20,670 Social Media followers
- Successful high profile four day Titan music event on Alexandra Head in September 2021 with 34,000 attendees generating income and interest in future events
- 99% compliance on Dissolved Oxygen performance indicator for the bay
- Completion of asset Management Plan in conjunction with Welsh Government
- Completion of parts one and two of the Aspiring Managers Correspondence Course for 6 attendees
- Supported delivery of the Cardiff 10k run and Cardiff Half Marathons
- Cardiff Bay Water Activity Centre hosted two Paralympic rowing training camps for the next group of paralympic athletes on their pathway to Paris 2024.

## ***Guide to the Financial Statements***

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

### **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 Harbour Authority's assets, liabilities, cash balances and reserves at the year-end date.

## ***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 except where policy changes have been noted in these accounts.
- made judgements and estimates that were reasonable and prudent.

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 2021/22 and financial position of the Harbour Authority at 31 March 2022.

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

**Date:**

# ***The Independent Auditor's Report of the Auditor General for Wales to those charged with governance of Cardiff Harbour Authority***

## **Opinion on financial statements**

I have audited the financial statements of Cardiff Harbour Authority for the year ended 31 March 2022 under the Public Audit (Wales) Act 2004.

The Cardiff Harbour Authority's financial statements comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet and related notes.

The financial reporting framework that has been applied in their preparation is applicable law and the International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Cardiff Harbour Authority as at 31 March 2022 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and international accounting standards.

## **Basis of opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. 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**

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Cardiff Harbour Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

## **Other Information**

The other information comprises the information included in the narrative report other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the narrative. 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.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## 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 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 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, or returns adequate for my audit have not been received from branches not visited by my team;
- 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.

## 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- enquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to Cardiff Harbour Authority's policies and procedures concerned with:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;

detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and

the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.

- considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals; and
- obtaining an understanding of Cardiff Harbour Authority's framework of authority as well as other legal and regulatory frameworks that Cardiff Harbour Authority operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Cardiff Harbour Authority.

- 

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Governance and Audit Committee about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Body;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of Cardiff Harbour Authority's controls, and the nature, timing and extent of the audit procedures performed.

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.

## 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.

Adrian Crompton  
Auditor General for Wales  
March 2023

24 Cathedral Road  
Cardiff  
CF11 9LJ

## *Accounting policies used when formulating the accounts*

In accordance with the Accounts and Audit (Wales) Regulations 2014, this Statement of Accounts summarises the Harbour Authority's transactions for the 2021/22 financial year and its financial position at 31 March 2022. 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:

### *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. There is a de minimis threshold of £500 under which income and expenditure may not be accrued.

### *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 within the Employees expenditure 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 Authority 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 Income 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 are treated as revenue income and credited to 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.

### *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 Overheads and Support Services Costs

Cardiff Council makes recharges in respect of the cost of support services to the 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.

## 6 Non-Current Assets

### 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, those used for the promotion of culture and knowledge and those expected to be used during more than one financial year.

### Investment Properties

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.

### Intangible Non-Current Assets

Intangible assets are those that do not have physical substance but are identifiable and controlled by the Harbour authority. In the case of Computer software and licences, these will be capitalised where they relate 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.

### 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 Harbour Authority 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.

Once assets have fully depreciated, they are disposed of and the carrying value is removed from the asset register.

### 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	11-54
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	2-118

Intangible Assets	Amortised Historical Cost	4-7
Investment Properties	Fair Value	n/a
Surplus Assets	Fair Value	n/a
Vehicles, Plant, Furniture & Equipment	Depreciated Historical Cost	1-15

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

### Revaluations:

Land and buildings are revalued as part of a three year rolling programme.

Investment Properties and Surplus Assets are reviewed annually for any material changes as a result of the overall Market with a formal revaluation of Investment properties at least every two years.

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:

The Capital charges line on the Harbour Authority Comprehensive Income and Expenditure Statement is 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 grants 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 Capital charges line 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).

## 7. *Reserves*

The Harbour Authority holds a general reserve for accumulated operational surpluses and deficits and a revaluation reserve to manage the accounting processes for non-current assets.

## 8. *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. These accounts have been prepared exclusive of VAT, except where deemed irrecoverable.

## Comprehensive Income and Expenditure Statement

2020/21		2021/22
£000		£000
	<b>Expenditure</b>	
2,927	Employees	2,975
1,223	Premises	1,354
40	Transport	120
1,461	Supplies and Services	1,601
436	Support Services	434
2	Third Party Payments	3
2,793	Capital Charges	2,826
<b>8,882</b>	<b>Total Expenditure</b>	<b>9,313</b>
	<b>Income</b>	
(5,533)	Government Grants	(4,979)
(232)	Capital Grants Applied	(704)
(383)	Fees and Charges	(981)
<b>(6,148)</b>	<b>Total Income</b>	<b>(6,664)</b>
<b>2,734</b>	<b>Net Expenditure for the Year</b>	<b>2,649</b>

## Balance Sheet

31 March 2021		Note	31 March 2022
£000			£000
157,789	Property, Plant and Equipment	2	162,304
56	Heritage Assets	2	56
63	Intangible Assets	2	123
333	Investment Properties	2	483
<b>158,241</b>	<b>Total Long Term Assets</b>		<b>162,966</b>
434	Inventory	3	437
69	Debtors	4	2,719
209	Cash		(2,995)
<b>712</b>	<b>Total Current Assets</b>		<b>161</b>
(926)	Creditors	5	(900)
<b>(926)</b>	<b>Total Current Liabilities</b>		<b>(900)</b>
<b>158,027</b>	<b>Net Assets</b>		<b>162,227</b>
	<b>Funded by:</b>		
153,538	General Reserve	1	150,889
4,489	Revaluation Reserve	1	11,338
<b>158,027</b>	<b>Total Reserves</b>		<b>162,227</b>

## Notes to the Financial Statements

### 1. Reserves

Held within the General Reserve is an earmarked amount reserved for project activities and contingencies. This amount is £104,000 as at 31 March 2022 (£126,000 as at 31 March 2021).

2020/21			2021/22	
General Reserve £000	Revaluation Reserve £000		General Reserve £000	Revaluation Reserve £000
156,272	4,489	Balance as at 1 April	153,538	4,489
(2,734)	0	Movements in Reserves	(2,649)	6,849
153,538	4,489	Balance as at 31 March	150,889	11,338

### 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	Community Assets	Surplus Assets	Assets under construction	Total Property, Plant & Equipment	Investment Properties	Heritage Assets	Intangible Assets
Movements in Cost or Value	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>1 April 2020</b>	6,577	1,359	1,103	43	0	9,082	333	56	0
Additions	0	237	0	0	0	237	0	0	79
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
Derecognition - Disposals	0	(193)	0	0	0	(193)	0	0	0
Other Reclassifications - Transfers	0	0	0	0	0	0	0	0	0
<b>At 31 March 2021</b>	6,577	1,403	1,103	43	0	9,126	333	56	79
Additions	0	471	0	0	105	576	0	0	89
Revaluations Increases/(Decreases) recognised in the RR	6,696	0	0	0	0	6,696	0	0	0
Revaluations Increases/(Decreases) recognised in the SDPS	(14)	0	0	0	0	(14)	0	0	0
Derecognition - Disposals	0	(155)	0	0	0	(155)	0	0	0
Other Reclassifications - Transfers	(150)	0	0	0	0	(150)	150	0	0
<b>At 31 March 2022</b>	13,109	1,719	1,103	43	105	16,079	483	56	168
<b>Movements in Depreciation/Impairment</b>									

<b>1 April 2020</b>	<b>145</b>	<b>817</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>962</b>	<b>0</b>	<b>0</b>	<b>0</b>
Depreciation Charge	71	188	0	0	0	259	0	0	16
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	(193)	0	0	0	(193)	0	0	0
<b>At 31 March 2021</b>	<b>216</b>	<b>812</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,028</b>	<b>0</b>	<b>0</b>	<b>16</b>
Depreciation Charge	224	206	0	0	0	430	0	0	29
Depreciation written out to the RR	(153)	0	0	0	0	(153)	0	0	0
Depreciation written out to the SDPS	(62)	0	0	0	0	(62)	0	0	0
Derecognition - Disposals	0	(155)	0	0	0	(155)	0	0	0
<b>At 31 March 2022</b>	<b>225</b>	<b>863</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,088</b>	<b>0</b>	<b>0</b>	<b>45</b>
<b>Net Book Value:</b>									
<b>At 31 March 2021</b>	<b>6,361</b>	<b>591</b>	<b>1,103</b>	<b>43</b>	<b>0</b>	<b>8,098</b>	<b>333</b>	<b>56</b>	<b>63</b>
<b>At 31 March 2022</b>	<b>12,884</b>	<b>856</b>	<b>1,103</b>	<b>43</b>	<b>105</b>	<b>14,991</b>	<b>483</b>	<b>56</b>	<b>123</b>

<b>2020/21</b>	<b>Net Book Value</b>	<b>2021/22</b>
149,691	Infrastructure Assets	147,313
8,098	Other PPE Assets	14,991
<b>157,789</b>	<b>Total PPE Assets</b>	<b>162,304</b>

In accordance with the Temporary Relief offered by the update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

As detailed in the revised guidance applicable to all authorities, the authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

The authority has determined in accordance with Regulation 24L Wales of the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 (as amended) that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure, is nil.

The Infrastructure Assets Net Book Value is as follows:

<b>2020/21</b> <b>£000</b>	<b>Infrastructure Assets</b>	<b>2021/22</b> <b>£000</b>
<b>152,173</b>	<b>Net Book Value at 1 April</b>	<b>149,691</b>
35	Additions	39
(2,517)	Depreciation	(2,417)
0	Other movements in cost (Reclassification)	0
<b>149,691</b>	<b>Net Book Value at 31 March</b>	<b>147,313</b>

### 3. Inventory

31 March 2021		31 March 2022
£000		£000
352	Balance as at 1 April	434
82	Stock adjustment	3
434	Balance as at 31 March	437

### 4. Debtors

31 March 2021		31 March 2022
£000		£000
0	Central Government Bodies	2,649
69	Trade Receivables	70
69	<b>Total Debtors</b>	<b>2,719</b>

### 5. Creditors

31 March 2021		31 March 2022
£000		£000
(29)	Central Government Bodies	(133)
(897)	Trade Payables	(767)
(926)	<b>Total Creditors</b>	<b>(900)</b>



# Glossary of Accounting Terms



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

**Accruals Basis**

The accruals principle is that income is recorded when the goods or services are provided rather than when the payment 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.

### **Community Assets**

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

### **Contingent Liabilities or Assets**

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

### **Council Dwellings**

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

### **Council Fund Balance**

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

**Credit Criteria**

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

**Credit Rating**

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

**Creditors**

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

**Current Service Cost (Pensions)**

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

**Current Value**

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

**Curtailement (Pensions)**

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

**Debtors**

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

**Deferred Capital Receipts**

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

**Defined Benefit Scheme (Pensions)**

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

**Defined Contribution Scheme (Pensions)**

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

**Depreciation/Impairment/Amortisation**

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

**De-recognition**

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

**Direct Revenue Financing**

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

**Earmarked Reserves**

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

**External Audit**

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

**Fair Value**

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

**Finance Lease**

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

**Financial Instruments**

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

**Heritage Asset**

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

**Housing Revenue Account (HRA)**

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

**Impairment**

A reduction in the value of assets below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in an asset's market value or recoverability 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 hold temporary cash balances, receive income and/or make capital gain at a future time.

**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 amounts set aside for future use (usable) or required for accounting purposes only (unusable). 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) maintained as a matter of prudence.

**Revaluation Reserve**

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

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

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

**Revenue Support Grant**

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

**Settlement (Pensions)**

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

**Surplus Assets**

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

**Term Deposits**

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

**Treasury Management**

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

**Trust Funds**

Funds held in trust which are administered by the Council.

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# **Cardiff Council**

## **Annual Governance**

### **Statement 2021/22**

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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. Cardiff Council has five wholly owned subsidiary companies which traded in 2021/22, one of which is Cardiff City Transport Services Ltd. (Cardiff Bus). 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.
3. 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.
4. The Council has adopted the 'Delivering Good Governance in Local Government' framework, developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE). This 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.

## **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 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 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:
  - Statements from Senior Management, the Audit Manager and the Governance and Audit Committee (the 'Audit Committee' was renamed 'Governance and Audit Committee' following the financial year-end in accordance with the provisions of the Local Government and Elections (Wales) Act 2021. Its opinion was provided following the financial year-end)
  - Supporting analysis mapped to the core and supporting good governance principles that provides a judgement that is based on supporting information and evidence
  - A Senior Management judgement 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 the

Governance 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.

The diagram in fig. 1 sets out the components of this assessment.

**Fig.1**



### **Assurance Statements**

12. 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**

13. The set of senior management assurance statements are used a core measurement of assurance on good governance within each directorate and for the Council overall
14. As a Senior Management Team, we have undertaken a review of the self-assessment exercise to maintain assurance that the areas of consideration remain the right areas to judge the organisation upon and to address an identified action from last year’s AGS relating to the five ways of working. This review identified that whilst the majority of the assurance statements remained

appropriate, there was a need to change the focus of some statements to effectively capture the constituent parts of the five ways of working and Future Generations. In addition, Safeguarding and Information Governance have been reviewed in order to ensure that there is a heightened level of compliance across the Council.

15. We continue to apply the self-assessment exercise as a primary means of measuring our delivery of good governance and this has been supplemented this year by each Directorate having an action plan which identifies the key areas of improvement. There continue to be Challenge sessions chaired by the Chief Executive through which consideration is given to the current assurance position for each Directorate.
16. Our good governance assessment exercise has been undertaken during a prolonged period of uncertainty primarily due to the pandemic which has resulted in some areas in the curtailment of services, additional demand and / or the need to implement alternative ways in delivering services. We, as a Senior Management Team continue to ensure that the self-assessment exercise reflects the current reality of service delivery so that any matters or improvement actions are captured.
17. The Senior Management Team has continued to meet on average twice on a weekly basis. There were times during 2021/22 that the Senior management Team met more regularly to ensure that there was a swift, corporate, appropriate and measured response to any pressing issues. The focus of these meetings throughout the year has been to ensure that resources are used appropriately, outcomes delivered, and controls remain in place or amended to reflect the environment of the time.
18. Throughout this year, the attention of Senior Officers has been firmly focussed on the Council's response to the pandemic and upholding effective communication, decision making and control. The pandemic has impacted on services with some having to seek different means to deliver services whilst some services have had to shut down for most of the year. Whilst Health and Safety has remained the main priority for both those who deliver and receive services from the Council this was in conjunction with the need to retain strong levels of control where needed.
19. The Senior Management Team has engaged with the self-assessment assurance process for 2021/22. The Senior Management Team took the opportunity to review the 2021/22 half yearly and end of year position and considered the body of work delivered over the last six months, including a reflection on the continued response of the Council to the pandemic.
20. The Senior Management Team considers that the 2021/22 end of year Senior Management Assurance Statement offers a true and fair reflection of the governance maturity of the Council for the year overall. This end of year assessment was based on the governance maturity which we could evidence within each Directorate against the half year position, the performance against individual directorate action plans and identifying any change in position.

21. Accordingly, the Senior Management Team considers that despite the challenging external environment the Council is 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'.
22. This assessment has highlighted opportunities to further build on the three SMT Actions set out in last year's Annual Governance Statement. We recognise improvements have been made in the areas of performance, compliance and the way we work but believe further improvement can be made. We continue to survey the assurance landscape and look for any weaknesses that need to be addressed through robust recovery procedures as well as looking to improve areas of strength. The Senior Management Team recognises that it is faced with a period of prolonged uncertainty both in terms of service recovery and responding to increased and different levels of demand across the spectrum of services offered. To support these aims it remains a priority to both implement actions for improvement and to retain a focus on needing to prioritise actions for enhancement to enable strong evidence of application across all areas going forward.
23. In relation to the work of the Senior Management Team in 2021/22 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.
24. The Chief Executive continues to emphasise that areas of weakness need to be addressed. As noted, the last couple of years have presented great challenge and uncertainty and this will continue for the forthcoming period thus underlying the importance of maintaining the achievement of consistent standards of governance and control across all directorates.

### **Audit Manager Statement and Annual Opinion 2021/22**

25. The Public Sector Internal Audit Standards (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.
26. This opinion has been prepared by the Audit Manager (Chief Audit Executive for the purpose of the PSIAS), based on the provisions of the PSIAS. In preparing and forming this opinion, several sources of information, assurance and insight have been taken into account, including:

- **Assurance Audit Engagements** – The risk-based annual audit plan has been delivered through an approach 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, monitoring of Council activity, strategy, risks, and wider assurance sources. Following the completion of assurance audits last year of new systems established because of the pandemic, during 2021/22, the full senior management team was engaged in a corporate audit of directorate recovery planning, which concluded that the Council has positioned itself in a way that it can strategically respond to the challenges that it has and will face regarding recovery. During the pandemic, audits of performance management and business continuity and incident management have provided corporate assurance on governance and control arrangements. For all audits, current risks, pressures and priorities continue to inform the audit scope and the testing completed.
  - **Consultancy Audit Engagements** - In the context of the ongoing pandemic, the majority of audit consultancy related to the design and application of sound controls in administration of Welsh Government grant and relief payments. The team has provided insight and guidance on areas of control during process development / change, such as in policy development in respect of the Payment Card Industry Data Security Standard.
  - **Discussion with Senior Managers** – There has been quarterly relationship manager meetings with Directors or their representatives, Audit Manager attendance at Senior Management Team meetings where assurance items have been considered, and regular meetings with the Chief Executive and Corporate Director Resources (Section 151 Officer).
  - **Risk & Governance Reviews** – Risk Registers and Senior Management Assurance Statements which underpin the Council's Annual Governance Statement are subject to regular audit review, and assurance audit engagements.
27. Based on the programme of audit work undertaken to assess the framework and application of governance, risk management and control, the annual opinion for 2021/22 is ***effective with opportunity for improvement***. This opinion is based on the delivery of a sufficient Audit Plan, and with an acknowledgment of the significant pressure on resources in the context of an ongoing pandemic in both demand and budgets, which has been managed through a resilient performance culture.
28. The audit opinion comprises assessments of governance, risk management and control, and includes an evaluation of the adequacy and effectiveness of controls in responding to risks within the governance, operations and information systems.

- All planned fundamental system reviews have been completed, of which the audit of income and debtors concluded shortly after the financial year-end.
  - In accordance with an approach communicated to the Governance and Audit Committee, the majority of corporate governance audit engagements were completed during the year, supported by a spread of directorate-level assurance audit engagements.
  - The standard systems for corporate and directorate risk management have been maintained during the year, and COVID-19 specific risks have continued to be recorded, monitored and reported.
  - The Council was required to administer emergency relief and grant payments on behalf of the Welsh Government at pace. Over the year, the Council distributed a significant amount of grant and relief funding, and the Internal Audit and Investigation Teams advised management on the design of systems and counter-fraud checks in accordance with scheme requirements as part of a multidisciplinary team and participated in data matching checks through the National Fraud Initiative . Post assurance manual and data matching checks and analysis have not identified material cases of fraud or error to date in the context of the value of payments, although a number of case reviews are ongoing.
29. The control environment for core financial systems, and for the majority of audits overall (75%), was considered as adequate, and allocated an opinion of 'effective' or 'effective with opportunity for improvement'. Nineteen audits have been given an audit opinion of 'insufficient with major improvement needed' recognising the need for attention to achieve sound controls, and one audit (in respect of Cardiff West Community High School) was given an 'unsatisfactory' opinion and has an agreed set of management actions.
30. Waste Management has been an area where a greater proportion of adverse audit opinions have been allocated in recent years. Through the audit work in this area, and engagement with management, the position is recognised to be continuing to improve. Audit assurance and support continues to target and follow up on high-risk areas.

### **Governance and Audit Committee Statement**

31. Based on the evidence presented to the Governance and Audit Committee during 2021/22, it is the considered view of the Governance and Audit 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 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 2022/23, include:

### **Budget Management**

32. The 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 control

improvements are needed, and management attention and actions are required in directorates to achieve budget savings proposals put forward. Budget management is particularly pertinent at this time given the pressures facing local authorities as they respond to the ongoing pandemic and other emerging challenges and issues.

33. Welsh Government support has been received this year to mitigate the impact of the pandemic on budgets, and there has been considerable officer attention and effort to record, verify and submit claims to recover eligible expenditure that has increased, and eligible income that has been lost during the crisis. The settlement to the Council for the year ahead from Welsh Government represents a significant increase in cash terms compared to previous years. However, there have been additional costs to consider, including the introduction of a Real Living Wage in the Care Sector, and there will be no 2022/23 Hardship Fund from 1 April 2022.
34. The Committee is keen to observe effective arrangements for budget management and control during 2022/23. The Committee will carefully consider budget management arrangements over the year to come, through observing the use of appropriate management controls and interventions and continuing to reinforce expectations for delivery.

### **Internal Control**

35. Assurance on compliance and control is essential. For a number of years there have been continued constraints on resources, together with a growing population and greater demand for public services. As the Council faces significant challenges in how it delivers services, it remains essential that internal controls are not neglected or impaired, and that strong controls operate throughout reformed processes and systems. Additionally, the pandemic has necessitated the adaptation of systems, and in some cases the design of new systems, in order to respond to new priorities. We have been advised of the consultation, advice and guidance provided by the Internal Audit and Investigation Teams to support management to design and uphold robust controls as they have navigated new priorities and responsibilities. The Committee has noted the inherent risks associated with the Council's requirement to administer and distribute a significant amount of Welsh Government emergency funding at pace this year. It has been important for the Committee to receive relevant assurances during the year, and over the last two years we have received briefings on the arrangements for up-front controls, post award assurance checks and the progression and outcomes of cases identified for investigation.
36. The Committee has invited senior officers to attend its meetings this year, to account for their delivery of good governance, risk management and control. In addition, the Committee has continued to receive the details of all Internal Audits completed, and the respective assurance ratings. This year we have observed isolated internal control gaps through reports of insufficient assurance, and one unsatisfactory audit opinion. Whilst the number of unsatisfactory Internal Audit opinions remain low, management must maintain sound systems of internal control and promptly address identified weaknesses.

37. We have maintained close interest on the robustness of controls in relation to the Waste Management function. In recent years, alongside a police referral and investigation, a wide-scale internal investigation into allegations of fraud was completed and disciplinary proceedings have concluded. We have received a confidential briefing (as at 31 May 2021) referring to the disciplinary cases and outcomes, which links to the targeted work completed by Internal Audit to verify the operation of key controls, the management of risk and the overall control environment.
38. The Committee met the Director responsible for Waste Management this year, to discuss governance, internal control and risk management within the service. We heard from the Director and the Audit Manager that there has been steady and sustained progress in recent years in the internal control environment, led by the senior management in place. Our Committee has been advised that there are mechanisms for delivering and acting on improvement actions, and that there is a constructive two-way relationship with Internal Audit, in the planning of, and response to, assurance work. We recognise the progress made for which continued management attention and assurance are required.
39. 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 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 Committee has considered and approved the Internal Audit Plan for 2022/23 and will closely monitor its progress and findings over the year ahead.

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

40. In a position of constrained finances, the Committee will continue its consideration of the framework for financial decisions. The Committee has received regular updates on financial resilience and, in recent years has welcomed the independent assurance of the Council Treasury Management activities, by the Council's Treasury Management advisors, further to the regular assurance provided by Internal Audit.
41. The Governance and Audit Committee will continue to look to gain assurance of adequacy of treasury management practices and risk profile. This is vital work, which will both safeguard and deliver best value from the Council's borrowing and investments. The Committee has and will continue to seek assurance that borrowing and investment activities are appropriate and in line with the Treasury Management Practices, Strategy and Reports presented.

### **Schools Governance & Compliance**

42. The Committee has sought regular reports from senior management in the Education and Lifelong Learning directorate for a number of years, following concerns raised through Internal Audit reports on good financial management

in school-traded services and on school governance. We have also sought ongoing assurance on the arrangements to manage school balances, and to address audit recommendations.

43. In view of an ongoing need for regular school governance assurance, we arranged early engagement with the new Director of Education and Lifelong Learning after their appointment, and we discussed the arrangements for monitoring controls and progress of governance improvements in schools. We were advised that actions had been taken with new staff resources and responsibilities assigned to support coordination and improvements. The Director has attended our Committee a further time, and we received an account of the governance arrangement in place to manage various aspects of the directorate control environment, together with an acknowledgement that further improvements are being sought.
44. Our Committee has noted the positive improvements made, as recognised in a recent Estyn report, and we will continue to keep a keen interest in the governance arrangements and assurance we receive in respect of schools and the wider education portfolio. This is with the understanding that the Governance and 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 sufficient.
45. 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 Committee and we continue to support the production and use of best practice guidance in schools to strengthen financial stewardship and control.

## ii) Governance Framework - Supporting Information

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

46. 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
47. The Director of Governance and Legal Services is the Monitoring Officer and 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.

48. 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.
49. In 2021/22, the Monitoring Officer was notified of a total of twenty complaints relating to Member conduct. The Public Services Ombudsman has considered ten of the complaints and determined that nine complaints to have insufficient evidence of a breach of the Code, so there would be no further investigation. The Council is awaiting the determination of the remaining complaint. Three complaints were informally resolved with five complaints subject to ongoing informal discussions. One complaint was referred to the Hearings panel which found that there had been no Breach of the Code. One complainant was referred to the Ombudsman.
50. Prior to relinquishing the role of the Chair of the Standards and Ethics Committee the outgoing Chair presented the Committee's Annual Report 2020/21 to full Council in 21 October 2021 and outlined the work of the Committee. The report identified actions in respect to reviewing the Whistleblowing Policy, continuing to observe Council and Committee proceedings and ensuring that training on the Members' Code of Conduct was in place to be delivered following the local government elections in May 2022. In addition, the Committee was keen to ensure that group leaders were supported in ensuring any training requirements were met in connection with their new statutory duties in relation to Member conduct. The Committee firmly believes that presentation of its Annual Report to Council serves to promote Members' understanding of the important role of the Committee and its work; and that further Member briefings will continue to be issued as and when required.
51. Members and Co-opted Members are required to register their personal interests in any business of the authority, and to comply with the rules on personal interests set out in the Members Code of Conduct. Significant work has been undertaken this year to ensure that all relevant forms are completed by all Members. All personal interests disclosed by Members are published on the Council's website within the Member's profile information. The Council's Policy on Officers' Personal Interests & Secondary Employment requires all 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.

52. 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.
53. 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
54. The Council takes fraud, corruption and maladministration very seriously supported by the following strategy and policies to prevent, and manage such occurrences
  - Counter-Fraud and Corruption Strategy
  - Financial Procedure Rules
  - Contract Standing Order and Procurement Rules
  - Whistleblowing Policy
  - Fraud, Bribery and Corruption Policy
  - Anti-Money Laundering Policy
  - ICT Security Policy
  - Data Protection Policy & Procedure
  - HR policies regarding investigation and discipline of staff
55. The Counter-Fraud and Corruption Strategy has been in place since July 2019 with over 5000 staff and school governors having undertaken the course or attended face-to-face training / workshops. The Council continues to be supported by a range of policies, procedures and regulations which are reviewed for appropriateness, including those relating to Financial Control, Data Protection, Health & Safety, Equalities and IT Security.
56. During 2021/22, the Council continued to be required to assist in the administration of a significant amount of grant assistance within both Social care and business settings. A multidisciplinary team of colleagues from Social Care, Economic Development, Business Rates, Audit, Accounts Payable, IT and Information Governance worked closely together to ensure that up-front controls were robust, anomalies were investigated, and payments were reviewed. Post payment verification and assurance has included:

- Manual checks of entitlement / eligibility, using information submitted on the payment file, and open-source information.
  - Participation in two data matching exercises for wider verification.
57. 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). In 2021/22 a total of three whistleblowing cases have been reported to the Monitoring Officer.
58. The Corporate Director Resources has both overall responsibility for the financial administration (S151 Officer) and the information governance arrangements of the Council (SIRO). The Council's financial management arrangements conform to the governance requirements of the Role of the Chief Financial Officer in Local Government) which is set out in the CIPFA Financial Management Code (2020).
59. For the year 2021/22 CIPFA formally adopted the Financial Management (FM) Code. The focus of the code is to improve the financial resilience of organisations by embedding enhanced standards of financial management. Inevitably, the impact of Covid-19 as well as wider geopolitical and economic factors continued to test that financial resilience in 2021/22. The CIPFA Financial Management (FM) Code is intended to support good practice in financial management and assist Local Authorities in demonstrating their financial sustainability. The Code translates principles of good financial management into a series of standards against which Local Authorities should measure themselves.
60. During 2021/22 a self-assessment against the FM code was undertaken by senior Accountancy officers and the results presented to the Section 151 Officer to identify opportunities for improvement. Considering the significant financial uncertainty facing the Council, the Section 151 Officer agreed that the self-assessment identified three areas which should be the focus in the next twelve months. Firstly, where data is available to consider increasing the range of suitable sensitivity analysis when determining the Medium-Term Financial Plan. Secondly, the financial resilience of the Council will be enhanced by further strengthening of the link between Business cases and plans to spend. The third recommendation was to focus on service area budget spend both In respect to maintaining the improved level of budget savings delivered but also to identify any financial issues quickly to have time to put remedial action in place.
61. The requirements of the FM Code and the need for evidence has been a major consideration in the development of the Council's key financial strategies such as the Medium-Term Financial Plan, Capital Strategy and the Treasury Management Strategy.

**B. Ensuring openness and comprehensive stakeholder engagement.**

62. 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.
63. The legacy of the pandemic has meant that 2021/22 saw most meetings still needing to be held remotely. Meetings have remained open to the public to attend except where confidential or exempt information is being discussed, as defined by the law. Full Council meetings continued to include a facility for public questions, and the Council’s Scrutiny Committees have virtually invited stakeholder contributions to their scrutiny programme, both through research and consultation exercises and through direct access to Committees. During 2021/22, the number of webcast Council and Committee meetings continued to increase by a further 50% building on a similar increase from the previous year which reflected the full calendar of business in 2021/22 compared to 2020/21.

<b>Webcasting Data</b>				
Year	2018-19	2019-20	2020-21	<b>2021-22</b>
Number of Meetings webcast	37	54	105	<b>155</b>
Number of Committees (Types) webcast	8	10	21	<b>19</b>
Total Hours Webcast	95:15:44	126:50:24	202:36:54	<b>269:39:22</b>
Live views	1674	1960	4594	<b>3965</b>
Archive Views	3376	6909	10963	<b>13644</b>
Total Views	5050	8869	15557	<b>17609</b>

64. There has been 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 Governance & 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 role continues within the SMT environment where the Chief Executive, and Directors discuss aspects of the assurance, for example safeguarding, procurement compliance, performance management, outcomes and progress on audit recommendations made by internal and external auditors, bodies and regulators. This continues to highlight the connections between these assurance pieces and created a more joined up version of the assurance picture. The meetings between the Chief Executive, Directors and Cabinet Members to agree actions arising from an open debate of performance and service delivery challenges have continued for 2021/22.

65. 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.
66. 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 is used to inform proposals and decisions of priorities and planning for the provision of services. The participation levels for these engagement sessions continue to leave room for improvement particularly in respect to building up participation numbers.
67. Regular meetings are held with institutional stakeholders to whom the Council is accountable, which include the Welsh Government and the Council's External Auditors (Audit Wales). 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.
68. 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 city's Wellbeing Plan. The Wellbeing Plan, which responds to the evidence from the Wellbeing Assessment, focusses on the areas of public service delivery which fundamentally require partnership working between public and community services, and the citizens of Cardiff. The Wellbeing Assessment was agreed by the PSB in March 2022 and the draft Wellbeing Plan will be considered in September 2022 prior to public consultation. Cardiff PSB is supported by partnership governance and delivery arrangements, reporting by exception into the PSB on a quarterly basis. Over the course of the pandemic, the Cardiff PSB has met on a more regular basis to lead a co-ordinated strategic response to critical issues across the city's public services. The annual report on the Wellbeing Plan was considered by the Cardiff PSB in July 2022.

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

69. Following the local government elections on 5 May 2022, a new Council administration was formed. To make clear its ambitions for the city, the administration set out a new policy programme and associated delivery commitments for the coming municipal term, entitled 'Stronger, Fairer, Greener'. This is to be agreed / considered by Cabinet at its meeting of 14 July 2022, and it sets out the Council's policy agenda and programme for delivery for the next five years, based on the following commitments to make Cardiff:

- **A stronger city**, with an economy creating and sustaining well-paid jobs, with an education system that helps our young people reach their potential, with good, affordable housing in safe, confident and empowered communities, all supported by well-resourced, efficient public services.
  - **A fairer city**, where the opportunities of living in Cardiff can be enjoyed by everyone, whatever their background, where those suffering the effects of poverty are protected and supported, where a fair day's work receives a fair day's pay, and where every citizen is valued and feels valued.
  - **A greener city** which, through our One Planet programme, takes a lead on responding to the climate emergency, which celebrates and nurtures biodiversity, with high-quality open spaces within easy reach for rest and play that are connected by convenient, accessible, safe sustainable transport options.
70. Where 'Stronger, Fairer, Greener' provides a clear articulation of the administration's policy priorities, the Council's policy framework will translate these into organisational objectives with associated delivery milestones, key performance indicators and the necessary resources to ensure progress.
71. The Corporate Plan, therefore, plays a key role in translating the administration's policy ambitions into clear organisational objectives. In this way, the Corporate Plan sets out what the Council wants to achieve, and how it will organise itself to achieve it. In accordance with the requirements of the Well-being of Future Generations (Wales) Act 2015, the Corporate Plan is framed by Well-being Objectives, Steps and performance measures. The Corporate Plan is set at a strategic level and is supported by directorate delivery plans, which set out in greater detail how Corporate Plan objectives will be delivered, as well as how directorate business will be taken forward.
72. An enhanced process for developing and monitoring delivery of the Corporate Plan was agreed by Cabinet in February 2022 in response to the new performance requirements placed on local authorities by the Local Government and Elections Act (Wales) 2022. This includes:
- A Mid-Year Self-Assessment which is considered by Cabinet in December, following engagement with the Policy Review and Performance (PRAP) Scrutiny Committee. This commences the process of refreshing the Corporate Plan.
  - Thematic Challenge Sessions which are convened by Well-being Objective each January/February. The challenge sessions are chaired by the Leader and Cabinet Member for Finance, Modernisation and Performance and involve the lead Cabinet portfolio holders, Chief Executive and relevant Directors. The challenge sessions consider progress and challenges in relation to each of the Well-being Objectives within the Corporate Plan, and

provide an opportunity to consider priorities, steps, Key Performance Indicators and targets for the year ahead.

- Engagement with the Performance Panel each January/February. The Performance Panel allows the Chairperson of each Scrutiny Committee, to:
    - Consider the Mid-Year Assessment and make recommendations for improvement as well as strategic policy suggestions for consideration as part of Corporate Plan development
    - Corporate Plan development; with a focus on the priorities, steps, Key Performance Indicators and targets proposed for inclusion within the revised Corporate Plan.
  - Engagement with all Scrutiny Committees including PRAP Scrutiny Committee as part of pre-decision scrutiny of the Corporate Plan in February.
  - Formal consideration by Cabinet and Council in February/March. The Corporate Plan is part of the Council's Policy Framework and this, as set out in the Constitution of the Council, ensures that the Corporate Plan is formally subject to consideration by all elected members.
73. The development of the Annual Well-being Report, in effect the Council's self-assessment of performance, will involve the political and managerial leadership of the Council, with enhanced roles for both Scrutiny and the Governance & Audit Committee. This will include:
- Directorate self-evaluation of service performance, governance & financial challenges and priorities;
  - Performance and budget assurance sessions with each Director that are convened by the Chief Executive and Section 151 Officer to consider findings of directorate self-assessment;
  - Progress and performance session with Cabinet and the Council's Senior Management Team;
  - The Performance Panel, convened by the Chair of the PRAP Scrutiny Committee, and involving the Chairs of each of the Council's Scrutiny Committees
  - Consideration by the PRAP Scrutiny Committee.
  - Consideration by the Governance & Audit Committee.

- Consideration of the End-of-Year Assessment (the Annual Well-being Report) by Council.
74. The Corporate Plan is developed alongside the Council's Budget, thereby ensuring that the Council's resources are aligned behind the delivery of its policy priorities. The Corporate Plan and Budget are approved alongside one another by Council in February of each financial year. Progress against the existing objectives set out in the Corporate Plan will continue to be monitored and reported through the Council's strengthened Planning and Performance Framework, which was approved by the previous Cabinet on 24 February 2022.
75. The financial uncertainty due to the pandemic and the economic outlook led to delays in Budget Settlement from Welsh Government for both 2021/22 and 2022/23. Therefore, consultation on the Council's 2021/22 budget proposals "Changes for Cardiff" ran from 13 January 2021 to 10 February 2021 and the budget consultation for 2022/23 budget proposals was for the period 14 January 2022 to 6 February 2022. Looking forward to future budget settlements, A Budget update will be submitted to Cabinet on 14 July 2022 which will set out the budget timetable including consultation. As outlined under principle B of this AGS, ensuring openness and comprehensive engagement, several mechanisms were used to ensure the consultation was as accessible as possible, but improvements are required in the number of engagements achieved. 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.
76. Building on the approach to the Council's Budget Strategy over the last few years is key to planning for future years. The Council identified for 2022/23 a budget gap of £69.2 million gap for the period 2023/24 to 2026/27. The outlook over the short term looks very challenging as services look to recover from the impact of the pandemic both in managing the increase in demand for some services and recovering lost income levels in other areas such as cultural venues and school catering. Looking further forward, Cabinet will consider a Budget Update refresh on 14 July 2022 which will provide an update on the Budget gap. The medium term remains a matter of concern and the Budget Report 2022/23 detailed the challenges in respect of the recovery post-pandemic and considerable economic uncertainty for the near future along with the difficulty of setting and realising year on year budget savings. A deliverable Budget Plan will continue to be a key document to review but this will require even closer monitoring and a potential reshaping of the strategy as services (and demand) evolve into their future shape and size.
77. Delivering the 'Stronger, Fairer, Greener' policy agenda will also require coordinated action by the Council and its partners. The Cardiff Public Services Board (PSB), chaired by the Leader of the Council, brings together the city's public and third sector leaders, and builds on the long-established platform of partnership working in the city. The Well-being of Future Generations Act has placed in statute the role of PSBs and requires PSBs to publish an assessment

of local wellbeing, a local wellbeing plan and annual progress reports. The Cardiff PSB has produced its statutory [Well-being Assessment](#), which sets out how Cardiff is performing across the partnership's seven city outcomes. This assessment was approved by the Cardiff PSB on 9 March 2022 for publication by May 2022. Using the evidence provided in the Well-being Assessment, the Cardiff PSB is required to review its objectives for improving the well-being of Cardiff and develop a revised PSB Well-being Plan for 2023-27 by 5 May 2023, which will set out how public services will work in partnership to address the major long-term challenges facing the city. The Council will work with PSB members to ensure that the priorities identified in the Wellbeing Plan reflect the priorities set out in 'Stronger, Fairer, Greener' and that the partnership governance and delivery arrangements are reviewed and refocussed to ensure that they are ready to deliver against these priorities.

78. The refreshed policy and delivery framework is therefore characterised by the following key components:

- **Corporate Plan:** The Corporate Plan 2023-26 will set out the Council's objectives in order to deliver the administration's ambitions.
- **Budget Strategy:** The Council's Budget Strategy will be reworked to support the delivery of the administration's priorities.
- **Partnership Planning and Delivery:** The Council's policy position will inform the development of the Cardiff Public Services Board's Well-being Plan, which will be launched for public consultation in Autumn 2022 and considered by the Council and all PSB members by April 2023.
- **Performance Management Framework:** The delivery of the Corporate Plan will be monitored through the Council's strengthened performance management framework.

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

79. As in previous years, it continues to be the case that all Cabinet and Council decisions taken by Members are supported by written reports from Officers on the legal, HR, property and financial implications arising from the decision. These reports are also required to outline the economic, social and environmental outcomes, member consultations, the key risks and alternative courses of action which are available.

80. To meet requirements of the Well-being of Future Generations (Wales) Act 2015, the Council has published well-being objectives and a well-being statement as part of the development of the Corporate Plan. As referenced in the March 2022 Council the Corporate Plan does ensure ongoing consideration of the sustainable development principle with a focus placed on considering the 5 ways of working at the earliest stage of policy development. Policy development, across the organisation, is encouraged to consider:

- **Long term:** Defined as the trends that affect Cardiff both today and in the future.
- **Prevention:** Intervening earlier to prevent problems affecting citizens from occurring or worsening.
- **Involvement:** Engaging with citizens, particularly the most vulnerable in society.
- **Integration:** Working across boundaries to deliver the administration's policy agenda for the city.
- **Collaboration:** Working with others to have a greater impact.

81. The Council uses several sources of information to self-assess progress against Well-Being Objectives, including:

- **Progress against the Council's Key Performance Measures** – Several performance measures are identified within the Council's Corporate Plan which help show the progress made in delivering the Well-Being Objectives. Where applicable, targets are set against these performance measures to demonstrate the desired level of achievement. Performance measures are assigned a RAG status: GREEN where the measure is on or above target, AMBER where the result is within 10% of the target and RED where the result is greater than 10% from the target.
- **Progress against the Steps in each Well-being Objective** – The Council included a number of Steps in the Corporate Plan to help achieve the Well-Being Objectives. Monitoring the progress of these Steps provides an understanding of what has been achieved and where further work is required.
- **Inspection Reports** – The Council is subject to inspections from regulatory bodies including the Wales Audit Office, Estyn (Education) and the Care and Social Services Inspectorate Wales (CSSIW). Their findings help the Council to assess areas of strong performance, as well as identifying areas that require improvement.
- **Surveys and Citizen Feedback** – The annual Ask Cardiff survey, as well as more specific consultation and engagement work, provide residents an opportunity to share their views on a wide range of the Council's services. From this, areas of strong performance can be identified, along with those areas where Cardiff's citizens feel the Council needs to improve. Similarly, complaints and compliments provide a valuable source of information on performance, and the Annual Wellbeing Report is considered by Cabinet alongside the Annual Complaints Report.
- **Finance Monitoring** – The Council's Outturn Report and Budget Monitoring
- **Feedback from Scrutiny Committee and the Governance and Audit Committee** – The Council responds to the issues raised and recommendations made by Committees, which help inform performance improvement.

- **Risk** – The Council’s Corporate and Directorate Risks are considered as part of a rounded view of performance, and the Annual Well-being Report is prepared and considered by Cabinet alongside the Council’s Annual Corporate Risk Report. Reviewing this information assists the Council to develop a balanced picture of the Council’s improvement journey over the year.
82. By utilising this information, the Council can monitor progress but also identify areas of improvement. The Council also has in place a robust performance and accountability regime which involves the wider political governance of the Council. In developing the self-assessment of performance, the following steps have been undertaken to ensure a full and balanced assessment:
- Directorate Analysis of Performance
  - Assurance Sessions convened by the Chief Executive with each Director
  - Assurance Sessions, convened by Cabinet, with the Chief Executive and the Council’s Senior Management Team
  - Performance Panel Review, convened by the Chair of the Policy Review and Performance Committee, and involving the Chair of each of the Council’s Scrutiny Committees.
  - Consideration by the Policy Review and Performance Scrutiny Committee
83. By utilising this information, the Council can identify areas of improvement and celebrate success and identify areas where performance may not have been as good, and therefore the areas that may require further attention.
84. During 2021/22, The Council’s education Service was inspected by Estyn. The inspection concluded that in recent years, Cardiff has demonstrated a sustained and incremental improvement in the quality and effectiveness of its education service. Estyn identified four recommendations for improvement and three areas where it invited Cardiff Council to prepare case studies so that those areas of excellent practice could be shared. Actions to build upon the strengths identified in the report and to address the recommendations for improvement will be built into the Directorate’s 2022/23 Delivery Plan for the forthcoming year and will be carefully monitored through systematic performance evaluation processes.
85. As noted in last year’s AGS, there was a marked increase in the communication to staff from the Chief Executive in order to ensure that staff were aware of the latest developments as the impact of the pandemic ebbed and flowed throughout the year. This continued into 2021/22 as some services returned to a level of normality whilst others remained virtual. To ensure staff were consulted, and involved in decision making, various channels of communication were used including the Chief Executive’s Update, Core Brief, Staff Information messages, the Staff App, and DigiGov (the Council’s HR system).
86. 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 project-based decision making, the Council has in place 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. The Capital Programme for 2022/23 referenced certain projects that would be considered for 2023/24 Budgetary consideration only on the completion of a robust full Business Case.

87. 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. The themes for savings in the Budget Strategy for 2022/23 were categorised as Efficiencies and Income Generation and was both a reflection of the better than anticipated Budget Settlement but also reflecting the impact on Services wrought by the pandemic. As reported last year, there has been an increasing confidence in the delivery of savings with a focus on efficiency savings being primarily in place in advance of the beginning of the Financial Year in question both 2021/22 and 2022/23. There continues to be a lower level of savings proposals attached to income generation and this reflects the impact on many of those services both during and post pandemic but where opportunities arise they continue to be taken.
88. Cardiff City Transport Services Ltd. (Cardiff Bus), one of the Council’s wholly owned subsidiary companies determined to co-opt two independent non-executive directors with proven skills in governance and transport services. At its meeting of 28 January 2021, the council agreed that the two Independent Non-Executive Director appointments should be further extended for a 20-month period until October 2022 following the council elections in May 2022 to enable both individuals to continue to contribute their respective skills and expertise to the work of the Board and Company during the continuing Covid-19 pandemic and restructuring impacts. Any recruitment process will commence in summer 2022.
89. At its meeting in October 2020 Council agreed a package of financial viability support was agreed including injection of equity and becoming statutory employer for the Company pension scheme. As part of this , the second tranche of equity injection of £6.6 million was undertaken in 2021/22 to strengthen the balance sheet. The Council, led by the Corporate Director Resources, worked closely with the Trustees of the Pension Fund to successfully complete the triennial valuation of the fund as at 31 March 2021 and resolve a number of legacy issues. It is recognised that the company board and new management team are making significant progress considering significant challenges impacting on the bus industry across Wales including cost increases, driver shortages and reductions in patronage. The Welsh Government are also consulting on changes to the bus industry as part of a proposed white paper, which could have significant implications for Municipal Bus companies and the

vital services delivered. The implications of this on bus services across the city will need to be considered carefully by the company as part of wider service delivery objectives.

90. During 2021/22, a request for information was issued to all subsidiaries which asked questions about the respective governance arrangements in place. This will inform a self assessment of used to identify any improvement opportunities including for those undertaking the shareholder role..

**E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.**

91. 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.
92. 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 portfolio Cabinet members whom he/she nominates for approval by the Council. For 2021/22, The Cabinet comprised of the leader and nine other councillors, but the legislation now provides for Cabinet Members to job share and that has been considered for 2022/23 with two portfolios being shared. The Cabinet must 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 to decide.
93. The senior management structure of the Council for 2021/22 did not change. The statutory responsibility for Social Services was delegated to the Corporate Director of People and Communities. The Statutory roles of the S151 Officer (Finance) and the Monitoring Officer continue to be discharged by the Corporate Director (Resources) and the Director of Governance and Legal Services, respectively.
94. 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 Members attend an induction programme to introduce them to the Council and its values, objectives, policies and procedures. Preparation was undertaken during 2021/22 to ensure that a complete Member training package was ready to roll out post elections 2022. The number of councillors was also increasing from 75 to 79 and the number of new councillors elected in May 2022.
95. All new officers undertake the appropriate level of induction which includes a suite of mandatory e-learning training modules. Each mandatory training module has its own target date for full compliance. An in-house Cardiff Manager

Programme represents a commitment to increasing the learning and development of staff with line management responsibilities. The programme continues to be offered more widely across the officer body without the requirement to sit a formal ILM level 3 qualification.

96. 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 has a developed several learning and development programmes and courses which can be accessed and delivered remotely.
97. 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.
98. The Council will publish the next Annual Wellbeing Report in September 2022, if approved by Council, in accordance with the requirements of the Wellbeing of Future Generations (Wales) Act. This provides a retrospective summary evaluation of performance for 2021/22 and identifies areas of focus moving forward.

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

99. Risk management is an integral part of strategic decision making, forming a key element of business planning, budget proposals, budget strategy, and 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 2021/22 to provide a transparent representation of the status of corporate risks and to support a proportionate management response.
100. The Risk Management Strategy and Policy 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. There has been an increasing trend to highlight target dates for individual risk actions for each area of the Corporate Risk Register and this will look to be extended across all Corporate risks in the next year.

101. The Council's five standing Scrutiny Committees are designed to support the Cabinet in providing accessible, efficient and effective services for citizens. For the year 2021/22, the Scrutiny Committees were able to meet throughout the year. There were 51 Scrutiny Committee meetings held during the municipal year 2021/22.
102. Scrutiny Committees undertake pre-decision scrutiny, policy monitoring and review and launch in-depth inquiries to help the Cabinet develop and review policies and services. Most recommendations raised to Cabinet following Scrutiny Inquiries are fully accepted. A number of the Council's collaborative activities are governed by Joint Committees which can be identified on the Council's website.
103. The Council has robust arrangements for internal control which are set out within the three statements contained within this report from the Audit manager, Governance and Audit Committee and Senior Management, respectively.
104. The pandemic led to a more frequent engagement on Health and Safety between appointed Elected Members, Union Representatives and relevant Council Officers. The Health and Safety Forum met four during the year with the focus being on ensuring the most up to date guidance was available and implemented appropriately for each of the different services the Council delivers.

**G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.**

105. The Council continues to aim to ensure that all reports for the public and other stakeholders to be written in a fair, balanced and understandable way. It remains the case that there is a need to achieve a balance between providing full and complete information to demonstrate clear transparency without being onerous or overly complex.
106. The Council also aims for information to be easy for the Council and the public to find and use. The Council has where practicable looked to publish information in advance rather than await Freedom of information Requests. The Council takes careful consideration of the model publication scheme set out by the information Commissioner which sets out the classes of information that should be routinely available. The Council acknowledges that it has not fully conformed with the model publication scheme due to practical reasons such as capacity and ease of accessing information. However, the Information Commissioner's has recently revised its model publication scheme and the Council will review its position against the new expectations and look to improve its adherence to the expectations set out in the document.
107. The Council's Annual Wellbeing Report evaluates performance, summarising the findings of several 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).

108. 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. The continued impact of the pandemic has had an impact on service delivery both at heightened times of infection rates and interim periods of normalcy. The need for reactive solutions in some services and alternative delivery models in other areas have been taken into account in the determination of the Senior Management Assurance Statements (SMAS). 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 for 2021/22 and 2022/23 are both included in the following section.
109. In May 2021, the Council met to establish Committees: their size, terms of reference and allocation of seats. Most meetings continued to be delivered through virtual channels, but the development of hybrid meeting technology has been undertaken with the first hybrid meetings being held in June 2022. The Council's Constitution is reviewed regularly by the Constitution Committee and sets out the terms of reference for each of its Committees and the decisions that can be taken by each of those Committees. 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.
110. 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 strategy and policy require clear risk management arrangements in whichever model of service delivery is used.
111. Peer challenges, reviews, and inspections from regulatory bodies are welcomed by Cardiff Council to provide assurance over service delivery or identify opportunities for improvement.

## 2021/22 AGS Action Plan – Significant Governance Issues

112. An Action Plan of Significant Governance Issues is owned by the SMT and is formally reviewed and updated on a bi-annual basis. The review is supplemented by Challenge sessions for each Directorate chaired by the Chief Executive and accompanied by the Corporate Director of Resources. In addition, each directorate developed actions to address the three corporate actions identified for 2021/22 and to address any matters for the individual directorate.
113. SMT considered that the three actions identified for 2021/22 have seen progress as demonstrated below. However, the three areas continue to be considered as the main areas of focus for governance improvement and are therefore recommended to be carried forward into 2022/23 to maintain and build on the momentum of progress made in 2021/22. The Actions and Progress to date are set out below.

### **Actions**

**Extend and deepen the areas of SMT investigation in respect to compliance, risk and outcomes.**

### **Progress**

Compliance reports on areas such as Safeguarding, Procurement, Sickness Absence, Performance Reviews and Internal Audit recommendations have been received during the year. Data has accompanied reports that enable SMT to identify areas of improvement and to ensure that progress where needed is achieved.

### **Action**

**Extend the assurance on the quality of performance reviews through evidence gathering at Directorate level.**

### **Progress**

SMT have regularly received reports on compliance on Performance reviews. The Directorate delivery plans continue to be the source of personal and team objectives although it is acknowledged that this is not the case at all levels due to the scope and scale of some directorates. The quality of performance reviews has been an area of interest in the CEX Challenge sessions where directors have set out how performance is measured, and it is recognised that further improvements are required to ensure that this is fully embedded throughout individual directorates.

## **Action**

**Embed into the self- assessment on Assurance the Five ways of Working in respect to the Future Generations Act.**

## **Progress**

The Self– Assessment on assurance was amended to include a specific set of questions which covered the Five ways of Working in respect to the Future Generations Act. In addition, Individual directorates identified specific actions in respect to FGA and have been monitoring their progress throughout the year.

## **Cardiff & Vale of Glamorgan Pension Fund 2021/22 AGS Action Plan – Significant Governance Issues**

114. There were two significant issues brought forward from 2020/21 that related to the completion of the transfers to the WPP Global Equity sub-funds and Low Carbon Equity Fund and the creation of the Wales Pension Partnership pooled funds for Emerging Market (EM) Equity. During 2021/22 both actions were completed in July 2021 and October 2021 respectively and the monitoring of both funds has been subsumed into the regular monitoring and review process. In considering significant governance challenges going forward, it has been determined that a new action will be introduced which will look to build on existing processes and identify ways to further improve the transparency and robustness of decision making in respect of decisions influenced by Environmental, Social and Governance (ESG) factors.

## **Certification by the Leader of the Council and the Chief Executive**

**Councillor Huw Thomas, Leader of Cardiff Council**

**Date:**

**Paul Orders, Chief Executive**

**Date:**

# Audit of Accounts Report – The County Council of the City and County of Cardiff

Audit year: 2021-22

Date issued: March 2023

Document reference:3330A2023

## **Purpose of this document**

This document is a draft supplied in confidence solely for the purpose of verifying the accuracy and completeness of the information contained in it and to obtain views on the conclusions reached.

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

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

# Contents

We intend to issue an unqualified audit report on your Accounts. There are some issues to report to you prior to their approval

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## Introduction

- 1 We summarise the main findings from our audit of your 2021-22 statement of accounts in this report.
- 2 We have already discussed these issues with Corporate Director of Resources and Head of Finance.
- 3 Auditors can never give complete assurance that accounts are correctly stated. Instead, we work to a level of 'materiality'. This level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled.
- 4 We set this level at £14.5million for this year's audit.
- 5 There are some areas of the accounts that may be of more importance to the reader and we have set a lower materiality level for these, as follows:
  - Senior officer remuneration £1,000
  - Senior officer exit packages £20,000 (bandings)
  - Related party transactions (non-corporate only) £10,000
- 6 We have now substantially completed this year's audit. In our professional view, we have complied with the ethical standards that apply to our work; remain independent of yourselves; and our objectivity has not been compromised in any way.
- 7 However, in our Audit Plan dated July 2022, we brought to your attention one potential conflict of interest. This relates to the Financial Audit Manager who is a former colleague and friend of the Council's Operational Manager for Information Governance, Transactional Finance and Programme Management within the Resources Directorate. I can confirm that planned safeguards set out in the Audit Plan have operated as intended in respect of this matter. I can also confirm that, all other members of my team are independent of the Council and its senior officers.

## Accounting for Infrastructure Assets

- 8 In common with all Welsh other local authorities and following discussion with Audit Wales, the Council has taken advantage of a recent and temporary statutory relief for reduced disclosures related to infrastructure assets. This relief is permitted as a result of an update to the Accounting Code and Specifications for Future Codes for Infrastructure Assets and the 2022 amendments to the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003.
- 9 In applying the relief the Council has not disclosed gross cost and accumulated depreciation for infrastructure assets, because historical reporting practices and resultant information deficits mean gross cost and accumulated depreciation are not measured accurately, and would not faithfully represent the asset position to the users of the financial statements.

- 10 The relief is a temporary expedient that is intended to allow authorities to address the information deficits and prepare robust information to support the carrying value of infrastructure assets. The temporary reliefs are only applicable for financial years up to and including 2024-25.
- 11 The **Exhibit 1** shows the impact of this issue on the audit timetable and financial statements.

**Exhibit 1 – impact of infrastructure issues**

<b>Timetable</b>	<p>Given the continuing slippage arising from the COVID-19 pandemic and national issues relating to the audit of infrastructure assets, the Welsh Government provided flexibility in terms of both the accounts preparation deadlines and the audit deadlines:</p> <ul style="list-style-type: none"> <li>• The timescale for completing your accounts was revised by the Welsh Government from 31 May 2022 to 31 August 2022.</li> <li>• We received the draft accounts on 22 June 2022.</li> <li>• Our deadline for completing our audit was changed from 31 July 2022 to 31 January 2023.</li> <li>• The revised deadline of 31 January 2023 was not able to be met due to there being outstanding information from the Council’s external valuer’s in relation to the revaluation of Council Dwellings and schools which was received in February 2023 (see paras 19 – 23 below).</li> <li>• We expect your audit report to be signed on 31 March 2023.</li> </ul>
<b>Financial statement disclosures</b>	<p>The historic cost and accumulated depreciation balances relating to infrastructure assets have been removed from the accounts. This means the infrastructure column has been removed from note 14 and the net book value of infrastructure assets is shown in the balance sheet.</p> <p>Additional narrative has been added to note 14 in relation to this adjustment.</p>

## Proposed audit opinion

- 12 We intend to issue an unqualified audit opinion on this year’s accounts once you have provided us with a Letter of Representation based on that set out in **Appendix 1**.
- 13 We issue a ‘qualified’ audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.

- 14 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards along with confirmation of other specific information you have provided to us during our audit.
- 15 Our proposed audit report is set out in **Appendix 2**.

## Significant issues arising from the audit

### Uncorrected misstatements

- 16 There are no misstatements identified in the accounts, which remain uncorrected.

### Corrected misstatements

- 17 There were initially misstatements in the accounts that have now been corrected by management. However, we believe that these should be drawn to your attention and they are set out with explanations in **Appendix 3**.

### Other significant issues arising from the audit

- 18 In the course of the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you. There is one matter to bring to your attention.

## Valuations of Property, Plant and Equipment

- 19 Audited bodies across all sectors are required to account for property, plant and equipment (PPE assets) in accordance with IAS 16 Property, Plant and Equipment or FRS102 for UK GAAP, except where adaptations to fit the public sector are detailed in the respective accounting code (FReM, CIPFA/LASAAC Code, Charities SoRP etc).
- 20 The audit of asset valuations has been an area of focus across the audit profession for some time. This focus increased in 2021-22, highlighting that it may no longer be appropriate for audited bodies to rely on valuations of assets carried out in previous financial years to demonstrate that carrying values remain materially consistent with current values at 31 March 2022. This means that audited bodies need to have sufficient procedures in place to ensure that carrying values are not materially different from current value at 31 March 2022.
- 21 To address this issue, the Council instructed its external valuers to provide updated valuations for its Council Dwellings and School assets impacted by this to identify whether there were any potential material movements that would be required to be considered for inclusion within the draft financial statements. The Council's external valuers undertook a full professional valuation over the period June to

December 2022 which identified decreases in asset valuations of £61.37million, on a gross basis. This information was subsequently passed to us for audit testing.

- 22 Our audit work involved a high-level check of the valuation against our expectation as well as detailed testing of a sample of items. This resulted in additional enquiries being made with the external valuers to confirm how they had calculated the valuation figures and some of the assumptions upon which these calculations were based. These additional enquiries led to further work being undertaken by the valuer which ultimately identified further changes to the original valuation, reducing the decreases by £9.27million on a gross basis.
- 23 The overall change was a decrease in the valuation of £52.1million, on a gross basis (£15.49million on a net book value basis).

## New Fixed Asset Register

- 24 One of the key risks referred to in our 2021-22 Audit Plan, issued in July 2022, referred to the fact that the Council had introduced a new Fixed Asset Register System during the year which would be used for the production of all of the figures relating to Property, Plant & Equipment in the 2021-22 financial statements. Our review of the implementation of the new system and the migration of the data did not identify any significant issues or concerns and we were satisfied that the migration of data and implementation of the new system had been appropriately managed. We are content that the balances transferred from the old system to the new system produced opening balances that were consistent with expectations.

## Recommendations

- 25 Following the audit certification by the Auditor General, we will issue a separate report to management, the Audit of Accounts Addendum Report. This will set out some key findings and recommendations, as well as management's responses to those recommendations with the aim of continuing to work with the Council's finance team to further improve the accounts production process for 2022-23.

# Appendix 1

## Final Letter of Representation

### The County Council of the City and County of Cardiff Letterhead

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

30 March 2023

### Representations regarding the 2021-22 financial statements

This letter is provided in connection with your audit of the financial statements of the County Council of the City of Cardiff for the year ended 31 March 2022 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 CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021-22; 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.

The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

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 the County Council of the City and County of Cardiff

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 Members of the County Council of the City and County of Cardiff on 30 March 2023.

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:  
Corporate Director Resources

Date: 30 March 2023

Signed by:  
Chair of the Council – signed on behalf of  
those charged with governance

Date: 30 March 2023

# Appendix 2

## Proposed Audit Report

### **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**

#### **Opinion on financial statements**

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 2022 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, 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, 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 UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22.

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 and the County Council of the City and County of Cardiff's Group as at 31 March 2022 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22.

#### **Basis of opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. 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**

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

## **Other Information**

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the annual report. 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.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## **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 2021-22;

- 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:

- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my team;
- 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.

### **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 Group financial statements which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- enquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to the County Council of the City and County of Cardiff's policies and procedures concerned with:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals; and
- obtaining an understanding of the County Council of the City and County of Cardiff's framework of authority as well as other legal and regulatory frameworks that Cardiff Council operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Cardiff Council.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Governance and Audit Committee about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance, the Cabinet and Council; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the County Council of the City and County of Cardiff's controls, and the nature, timing and extent of the audit procedures performed.

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.

### **Certificate of completion of audit**

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

Adrian Crompton  
Auditor General for Wales  
March 2023

24 Cathedral Road  
Cardiff  
CF11 9LJ

# Appendix 3

## Summary of Corrections Made

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 3: summary of corrections made

Value of correction	Nature of correction	Reason for correction
£6.86million	<p><b>Note 13 Property, Plant &amp; Equipment</b></p> <p>School assets valued on a depreciated replacement cost basis had not been revalued in the year to reflect significant changes since the last valuation.</p> <p>Decrease in the gross cost of Schools land and buildings £34.15million</p> <p>Decrease in the gross accumulated depreciation of Schools land and buildings of £27.29million</p>	To correctly disclose the value of Schools land and buildings in line with the Code requirements.
£8.63million	<p><b>Note 13 Property, Plant &amp; Equipment</b></p> <p>Council Dwellings assets valued on an Existing Use Value for Social Housing basis had not been revalued in the year to reflect significant changes since the last valuation.</p> <p>Decrease in the gross cost of Council Dwellings buildings £17.95million</p>	To correctly disclose the value of Council Dwellings land and buildings in line with the Code requirements.

	Decrease in the gross accumulated depreciation of Council Dwellings buildings of £9.32million	
Narrative Disclosure	<p><b>Note 13 Property, Plant &amp; Equipment</b></p> <p>The Council has taken advantage of temporary reliefs for reduced disclosures related to infrastructure assets allowed for in the Update to the Code and Specifications for Future Codes for Infrastructure Assets and the 2022 amendments to the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003</p> <p>As a result the Infrastructure assets figures have been removed from the main table in Note 13 and replaced with a narrative disclosure</p>	To comply with the temporary disclosures required by the Code
£26.30 million	<p><b>Note 17 Short Term Debtors</b></p> <p>Decrease in Other Entities and Individuals including Public Corporations of £25.63million, decrease in Other Local Authorities &amp; NHS Bodies of £0.67million and increase in Central Government of £26.30million</p>	This amendment corrects an error in the classification of short-term debtors
£5.10 million	<p><b>Note 24 Grant Income</b></p> <p>Increase in Other Local Authorities &amp; NHS Bodies and decrease in Other Entities and Individuals including Public Corporations</p>	This amendment corrects an error in the classification of grant income

£1.29 million	<b>Note 14 Non-Current Assets</b> Reduction in additions for Vehicles, Plant & Equipment	This amendment updates an estimate in the accounts with an actual figure.
Various	<b>Note 10 Related Parties</b> Three material related party disclosures were omitted from the financial statements	The amendments have been made to comply with the CIPFA Code and to provide clarification to the reader of the financial statements
Various	<b>Note 8.3 Remuneration</b> Inclusion of details for comparative figures	To ensure this Note is fully compliant with the Code.

There have also been a number of minor amendments and disclosure updates as a result of our work which include for example to contingent assets, Annual Governance Statement, Cashflow Statement, Remuneration bandings and Group accounts.





Audit Wales

24 Cathedral Road  
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

We welcome correspondence and telephone calls in Welsh and English.  
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.

## Audit of Accounts Report – Cardiff Harbour Authority

Audit year: 2021-22

Date issued: March 2023

Document reference: 3458A2023

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.

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

# Contents

We intend to issue an unqualified audit report on your Accounts. There are some issues to report to you prior to their approval

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## Introduction

- 1 We summarise the main findings from our audit of your 2021-22 statement of accounts in this report.
- 2 We have already discussed these issues with Corporate Director of Resources and Head of Finance.
- 3 Auditors can never give complete assurance that accounts are correctly stated. Instead, we work to a level of 'materiality'. This level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled.
- 4 We set this level at £3.25million for this year's audit.
- 5 There are some areas of the accounts that may be of more importance to the reader and we have set a lower materiality level for these, as follows:
  - Related party transactions (non-corporate only) £10,000
- 6 We have now substantially completed this year's audit. In our professional view, we have complied with the ethical standards that apply to our work; remain independent of yourselves; and our objectivity has not been compromised in any way. There are no relationships between ourselves and yourselves that we believe could undermine our objectivity and independence.

## Accounting for Infrastructure Assets

- 7 In common with all Welsh local authorities and following discussion with Audit Wales, Cardiff Council including the Harbour Authority has taken advantage of a recent and temporary statutory relief for reduced disclosures related to infrastructure assets. This relief is permitted as a result of an update to the Accounting Code and Specifications for Future Codes for Infrastructure Assets and the 2022 amendments to the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003.
- 8 In applying the relief the Council and Harbour Authority have not disclosed gross cost and accumulated depreciation for infrastructure assets, because historical reporting practices and resultant information deficits mean gross cost and accumulated depreciation are not measured accurately, and would not faithfully represent the asset position to the users of the financial statements.
- 9 The relief is a temporary expedient that is intended to allow authorities to address the information deficits and prepare robust information to support the carrying value of infrastructure assets. The temporary reliefs are only applicable for financial years up to and including 2024-25.
- 10 The **Exhibit 1** shows the impact of this issue on the audit timetable and financial statements.

## Exhibit 1 – impact of infrastructure issues

<b>Timetable</b>	<p>Given the continuing slippage arising from the COVID-19 pandemic and national issues relating to the audit of infrastructure assets, the Welsh Government provided flexibility in terms of both the accounts preparation deadlines and the audit deadlines:</p> <ul style="list-style-type: none"><li>• The timescale for completing your accounts was revised by the Welsh Government from 31 May 2022 to 31 August 2022.</li><li>• We received the draft accounts on 22 June 2022.</li><li>• Our deadline for completing our audit was changed from 31 July 2022 to 31 January 2023.</li><li>• The revised deadline of 31 January 2023 was not able to be met due to there being outstanding information from the Council’s external valuer’s in relation to the full professional valuation of Council Dwellings and schools in the Council’s main accounts which was received in February 2023.</li><li>• We expect your audit report to be signed on 31 March 2023.</li></ul>
<b>Financial statement disclosures</b>	<p>The historic cost and accumulated depreciation balances relating to infrastructure assets have been removed from the accounts. This means the infrastructure column has been removed from the main note 2 table and disclosed separately.</p> <p>Additional narrative has been added to note 2 in relation to this adjustment.</p>

## Proposed audit opinion

- 11 We intend to issue an unqualified audit opinion on this year’s accounts once you have provided us with a Letter of Representation based on that set out in **Appendix 1**.
- 12 We issue a ‘qualified’ audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 13 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards along with confirmation of other specific information you have provided to us during our audit.
- 14 Our proposed audit report is set out in **Appendix 2**.

## Significant issues arising from the audit

### Uncorrected misstatements

15 There are no misstatements identified in the accounts, which remain uncorrected.

### Corrected misstatements

16 There were initially misstatements in the accounts that have now been corrected by management. However, we believe that these should be drawn to your attention and they are set out with explanations in **Appendix 3**.

### Other significant issues arising from the audit

17 In the course of the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you. There are no matters to bring to your attention.

# Appendix 1

## Final Letter of Representation

### Cardiff Harbour Authority Letterhead

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

30 March 2023

### Representations regarding the 2021-22 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 2022 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 International Financial Reporting Standards (IFRSs); 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 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.

## Financial statement representations

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

The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

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 30 March 2023.

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:  
Corporate Director Resources

Signed by:  
Chair of the Council – signed on behalf of  
those charged with governance

Date: 30 March 2023

Date: 30 March 2023

# Appendix 2

## Proposed Audit Report

### **The independent auditor's report of the Auditor General for Wales to those charged with governance for Cardiff Harbour Authority**

#### **Opinion on financial statements**

I have audited the financial statements of Cardiff Harbour Authority for the year ended 31 March 2022 under the Public Audit (Wales) Act 2004.

The Cardiff Harbour Authority's financial statements comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet and related notes.

The financial reporting framework that has been applied in their preparation is applicable law and the International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Cardiff Harbour Authority as at 31 March 2022 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and international accounting standards.

#### **Basis of opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. 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**

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Cardiff Harbour Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

## **Other Information**

The other information comprises the information included in the narrative report other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the narrative. 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.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## **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 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 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, or returns adequate for my audit have not been received from branches not visited by my team;
- 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.

## 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- enquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to Cardiff Harbour Authority's policies and procedures concerned with:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals; and

- obtaining an understanding of Cardiff Harbour Authority's framework of authority as well as other legal and regulatory frameworks that Cardiff Harbour Authority operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Cardiff Harbour Authority.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Governance and Audit Committee about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Body;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of Cardiff Harbour Authority's controls, and the nature, timing and extent of the audit procedures performed.

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.

## **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.

Adrian Crompton  
Auditor General for Wales  
March 2023

24 Cathedral Road  
Cardiff  
CF11 9LJ

# Appendix 3

## Summary of Corrections Made

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 3: summary of corrections made

Value of correction	Nature of correction	Reason for correction
£0.333million	<b>Note 2 – Movements in PPE and Other Long-Term Assets</b> Incorrect Total Property, Plant and Equipment figure at 1 April 2020, should be £228.969million	This amendment corrects a presentational error in the comparative figure
£0.306million	<b>Balance Sheet</b> Increase in revaluation reserve balance of £0.306million and a corresponding reduction in the cash overdraft position.	This amendment corrects a miscalculation of the revaluation reserve balance.





Audit Wales

24 Cathedral Road  
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

We welcome correspondence and telephone calls in Welsh and English.  
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.



**STRONGER  
FAIRER  
GREENER**



# Financial Update Governance & Audit Committee 21<sup>st</sup> March 2023



**#GweithioDrosGaerdydd  
#GweithioDrosochChi**

**#WorkingForCardiff  
#WorkingForYou**

# Contents



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- Current Year Position 2022/23
- Budget Strategy 2023/24
- Further work planned

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# Current Year Position 2022/23



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- Current Year Position continues to be challenging
- Month 9 report to Cabinet 2<sup>nd</sup> March overspend projection £3.040M (Month 6 overspend of £7.4M)
  - Pressures in Economic Development, Education, Children's Services and Recycling Services
- Services continuing to work to reduce spend and mitigate overspend
- Will be seeking a balanced position overall at year end



# Budget Strategy 2023/24



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Resources Required	£000
<b>Base Budget Brought Forward</b>	<b>743,746</b>
Employee Costs	31,094
Price Inflation	27,126
Commitments, Realignment & Capital Financing	10,547
Demographic Pressures	7,651
<b>GROSS PRESSURES</b>	<b>76,418</b>
<b>Impact on CTRS Budget of 3.95% Council Tax</b>	<b>1,383</b>
<b>Savings</b>	<b>(17,666)</b>
<b>Total Resources Required</b>	<b>803,881</b>

Resources Available	£000
AEF	(593,592)
Council Tax – 2023/24 Tax Base and 2022/23 Rate	(200,856)
<b>Council Tax (before impact on CTRS)</b>	<b>(7,933)</b>
Use of Reserves	(1,500)
<b>Total Resources Available</b>	<b>(803,881)</b>

Red lines are the aspects of Budget Strategy that address the £24.216 million budget gap



#GweithioDrosGaerdydd  
#GweithioDrosochChi

#WorkingForCardiff  
#WorkingForYou

# Gross Pressures - £76.418 million



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**Pay Inflation £31.094m:** Includes 2022/23 pay award shortfall, Updated LGPS and NI Rates, assumed awards for 2023/24 (6% NJC), Teachers per IWRPB recommendations plus a margin in recognition of ongoing industrial action

**Price Inflation £27.126m:** Includes energy price increases (£11.8m), Commissioned Care costs (£9.4m), Fire Levy (£2.4m), Fuel (£0.7m), Home to School Transport (£1.4m), plus ICT, Taxi costs (care), Member Remuneration, Butetown Tunnel

**Commitments: £3.677m:** Includes capital financing, painting of structures & maintenance of public realm, SRS pay contribution, vehicle replacement increase to Voluntary Redundancy budget

**Realignments: £6.870m:** A net figure comprising £16.780m realignments offset by release of £10m Covid-19 Budget

- **Realignments** - inflationary & demand pressure inherent in current year's monitoring position. Includes £8.120m Children's Services, £1.000m School Catering, £3.095m HTS Transport, £1.4m Out of County Ed. & £1.7m for Recycling and NS
- **£10m Covid-19 Budget** - created in 22/23 (fall out of WG C19 Hardship Fund). Has been important in managing pressure in 2022/23 - but combination of further recovery, realignments (above) and earmarked reserves - appropriate to release in 2023/24

**Demographic Pressures (£7.651m):** £3.975m Adult Social Services, £0.850m Out of County Education Placements and £2.826m schools



# Savings



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Savings	£000
Efficiency Savings	(10,090)
Corporate Savings and Measures	(3,000)
Reduction in Financial Resilience Mechanism	(1,800)
Service Change Proposals	(2,776)
<b>TOTAL</b>	<b>(17,666)</b>

Efficiency Savings	£000
Review of Staffing Arrangements	(3,385)
Reduction in Premises Cost	(197)
Reduction in External Spend	(2,813)
Increase in Income	(3,695)
<b>TOTAL</b>	<b>(10,090)</b>

## Efficiency Savings

- Achieving the same output (or more) for less resource, with no significant impact on the resident / customer.

## Corporate Savings and Measures

- £1m reduction in general contingency (from £2m to £1m)
- £1m reduction in Adult Services contingency (from £3m to £2m)
- £1m savings to corporate budgets – including CTRS and Insurance

## Reduction in FRM

- Reduction in FRM by £1.8 million in 2023/24 – leaves £2m
- Reduction is specifically linked to minimising the impact of energy price increases that may prove to be temporary in nature.
- FRM will be reinstated if prices subside in 2024/25 and beyond
- One off use of FRM in 2023/24 (see further slide)

## Service Change Proposals

- See next slide



# Service Changes - £2.776 million



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Dir.	Service Change	£000
ECD	Events Management – Reduce Support for Events	25
ECD	Saint David’s Hall Operating Model (reflects part year)	500
ECD	Cardiff White Water Operating Model (reflects part year)	50
RNS	Recycling Centres – reduce operating hours (one day)	60
EDU	Education – Regional Services	50
P&P	Reform of Third Sector Infrastructure Grant	65
H&C	Volunteers in Hubs and Libraries	90
ADU	Internal Supported Living – transition to Third Sector	300
CHD	New Trusted Adult Model	100
CHD	Future development of model to deliver residential – to manage the market and increased demand	549
ALL	Pay Award avoided through implementing above	137
<b>TOTAL</b>		<b>1,926</b>

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Dir.	Increase Fees and Charges	£000
ECD	Municipal Sports Pitch and Facility Provision in Parks	7
PTE	Bereavement	90
PTE	CPE – Parking Tariffs	447
PTE	Residents’ Permits	306
<b>TOTAL</b>		<b>850</b>



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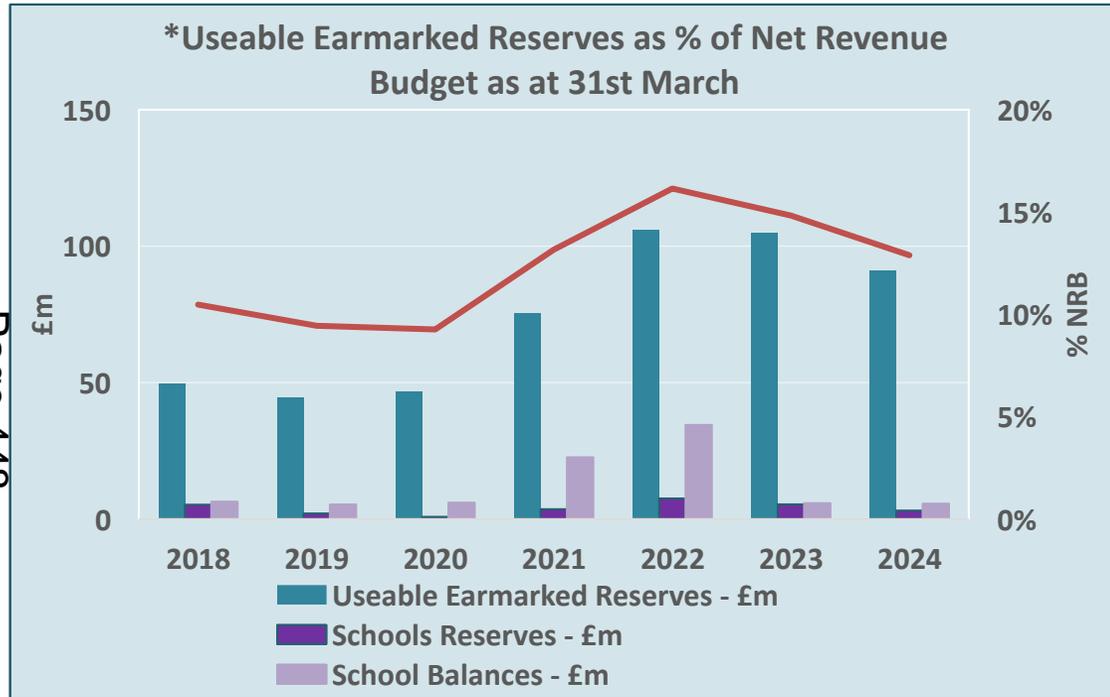
# Reserves



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	Projection at 31 March 2023 £000	Projection at 31 March 2024 £000
General Fund Reserve	14,255	14,255
General Fund Earmarked Reserves	110,332	94,245
HRA General Reserves	10,200	10,450
HRA Earmarked Reserves	15,502	15,502

- The 2023/24 Budget includes £1.5 million use of reserves as budget funding



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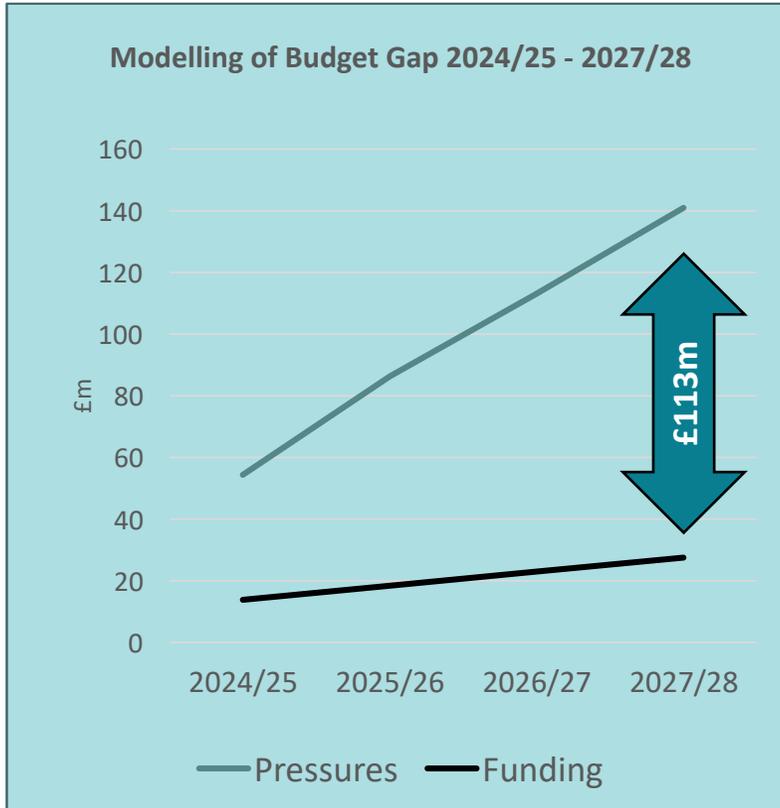
# Medium Term Financial Plan 2024/25 – 2027/28



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Directorate	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
Total Pressures	54,361	31,918	26,826	27,844	<b>140,949</b>
Funding - AEF & Reserves	(13,840)	(4,563)	(4,597)	(4,521)	<b>(27,521)</b>
<b>Total Budget Gap</b>	<b>40,521</b>	<b>27,355</b>	<b>22,229</b>	<b>23,323</b>	<b>113,428</b>
Council Tax - Modelled at 3%	(5,172)	(5,327)	(5,487)	(5,652)	<b>(21,638)</b>
Savings	(35,349)	(22,028)	(16,742)	(17,671)	<b>(91,790)</b>
<b>Budget Strategy Requirement</b>	<b>(40,521)</b>	<b>(27,355)</b>	<b>(22,229)</b>	<b>(23,323)</b>	<b>(113,428)</b>

- C-Tax assumptions are used for modelling purposes only
- Need to continue work on identifying savings and opportunities for transformation beyond the one-year budget cycle
- Above is a base case – other scenarios are considered in the MTFP



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# Capital Investment Programme 2023/24 – 2027/28



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Capital Programme Expenditure	2023/24 Including Slippage £000	Indicative 2024/25 £000	Indicative 2025/26 £000	Indicative 2026/27 £000	Indicative 2027/28 £000	Total £000
Annual Sums	28,894	24,675	22,315	19,765	19,665	<b>115,314</b>
Ongoing Schemes	36,381	35,935	25,478	8,891	585	<b>107,270</b>
New Schemes / Additional Annual Sums	6,170	4,000	1,000	0	0	<b>11,170</b>
Schemes funded by Grants & Contributions (Further grants subject to approval of bids)	92,084	161,308	72,488	22,123	6,775	<b>354,778</b>
Invest to Save	39,398	122,044	110,284	42,390	3,500	<b>317,616</b>
<b>Total General Fund</b>	<b>202,927</b>	<b>347,962</b>	<b>231,565</b>	<b>93,169</b>	<b>30,525</b>	<b>906,148</b>
<b>Public Housing</b>	<b>111,000</b>	<b>102,260</b>	<b>85,745</b>	<b>88,720</b>	<b>118,820</b>	<b>506,545</b>
<b>Total Capital Programme Expenditure</b>	<b>313,927</b>	<b>450,222</b>	<b>317,310</b>	<b>181,889</b>	<b>149,345</b>	<b>1,412,693</b>

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# Capital Programme Funding



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	<u>2023/24</u>	<u>Indicative</u>	<u>Indicative</u>	<u>Indicative</u>	<u>Indicative</u>	<u>Total</u>	
	£000	£000	£000	£000	£000	£000	%
<b>General Fund</b>							
WG Unhypothecated Supported Borrowing	(8,925)	(8,925)	(8,901)	(8,901)	(8,901)	(44,553)	4.9
WG General Capital Grant	(9,166)	(9,166)	(6,135)	(6,135)	(6,135)	(36,737)	4.1
Additional General Capital Grant unallocated from 2021/22	(4,670)	(1,300)	(1,000)	0	0	(6,970)	0.8
Additional Borrowing to balance existing capital programme	(36,097)	(36,381)	(28,947)	(10,410)	(5,004)	(116,839)	12.9
Additional Borrowing - Invest to save/earn schemes to be repaid from revenue savings/incidental income or directorate budgets	(39,398)	(122,044)	(110,284)	(42,390)	(3,500)	(317,616)	35.1
Earmarked Capital Receipts	(7,877)	(2,500)	(300)	0	0	(10,677)	1.2
Non Earmarked Capital Receipts assumption	(3,000)	(3,340)	(3,300)	(3,000)	0	(12,640)	1.4
Direct Revenue Financing	(210)	(210)	(210)	(210)	(210)	(1,050)	0.1
Earmarked Reserves	(1,500)	(2,788)	0	0	0	(4,288)	0.5
External grant and contributions estimates	(92,084)	(161,308)	(72,488)	(22,123)	(6,775)	(354,778)	39.2
<b>Total General Fund</b>	<b>(202,927)</b>	<b>(347,962)</b>	<b>(231,565)</b>	<b>(93,169)</b>	<b>(30,525)</b>	<b>(906,148)</b>	<b>100.0</b>
<b>Public Housing (HRA)</b>							
Major Repairs Allowance WG Grant	(9,570)	(9,570)	(9,570)	(9,570)	(9,570)	(47,850)	9.45
Additional Borrowing	(69,250)	(69,215)	(48,543)	(68,050)	(102,750)	(357,808)	70.64
Revenue / Reserves	(5,400)	(1,400)	0	0	0	(6,800)	1.34
External grant and contributions estimates	(24,280)	(21,575)	(27,132)	(10,600)	(6,500)	(90,087)	17.78
Capital Receipts	(2,500)	(500)	(500)	(500)	0	(4,000)	0.79
<b>Total Public Housing</b>	<b>(111,000)</b>	<b>(102,260)</b>	<b>(85,745)</b>	<b>(88,720)</b>	<b>(118,820)</b>	<b>(506,545)</b>	<b>100.0</b>
<b>Total Capital Programme Resources Required</b>	<b>(313,927)</b>	<b>(450,222)</b>	<b>(317,310)</b>	<b>(181,889)</b>	<b>(149,345)</b>	<b>(1,412,693)</b>	

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# Further Work Planned



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- Year end Accounts Closure 2022/23
- Delivery of 2023/24 and regular Budget Monitoring (Quarterly reporting to Cabinet)
- A refresh of MTFP assumptions and modelling over the summer with an updated MTFP presented to Council in July 2023
- Early work in the summer to consider budget requirements in respect of 2024/25



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**STATEMENT OF ACCOUNTS 2022/23 – TIMESCALES, ACCOUNTING  
POLICIES AND FUTURE REGULATORY CHANGES**

**REPORT OF CORPORATE DIRECTOR RESOURCES**

**AGENDA ITEM: 7.2**

**Reason for this Report**

1. The Governance & Audit Committee terms of reference set out the responsibility for reviewing the financial statements prepared by the authority.
2. This report has been prepared to provide Governance & Audit Committee Members with:-
  - A. Proposed timescales for the 2022/23 statements
  - B. The draft accounting policies on which the Statement of Accounts for 2022/23 will be based, along with the key areas in the accounts where estimates and assumptions are used in preparation of the accounts.
  - C. The key changes expected to be implemented for the 2022/23 accounts arising from the 2022/23 CIPFA Code of Practice (the Code)
  - D. Factors impacting on the preparation of future Statement of Accounts

**Background**

3. Councils are required to prepare the Accounts using a Code of Practice developed by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code is based on International Financial Reporting Standards (IFRSs) and sets out the minimum requirements for financial statements.
4. The Council's Statement of Accounts is a technical document, which relies on information received from many Directorates and relies on technical expertise and capacity in order to meet timescales for preparation. Attached for information, in Appendix 1, is a document introducing the contents and governance process involved in preparing the Council's financial statements. A guide produced by CIPFA on Understanding Local Authority Financial Statements, which may be useful information to members of the Committee to support their role is also attached at Appendix 2.

5. Preparation and audit of the accounts needs to consider the significant assumptions required and materiality of their impact to users of the accounts.
6. The Council works closely with Audit Wales (AW) on a process of continual improvement, including considering materiality of transactions, simplifying wording, removing or adding narrative where this better explains the Councils performance or figures included in the accounts.

### **A - Proposed timescales for the 2022/23 statements**

7. The 2022/23 statutory deadlines are shown in the table below. In the last three years, Welsh Government has continued to recognise resourcing issues in finalising local authority accounts, from preparation, through to external audit and final approval. Extensions to the statutory deadlines were introduced and it is expected that these will continue for 2022/23 pending a wider national review on future approaches.

<b>Item</b>	<b>Statutory Deadline</b>	<b>Extended Deadlines</b>
Draft Statement of Accounts	31 May 2023	31 August 2023
Audited Statement of Accounts	31 July 2023	30 November 2023

The proposed timescales in relation to the 2022/23 accounts are shown in the table below:

<b>Date (Last Working Day)</b>	<b>Item</b>
15 – 30 June 2023	Draft Statement of Accounts signed off by Corporate Director Resources and submitted for external audit.
5 July 2023 (TBC)	Draft Statement of Accounts available for Governance & Audit Committee review and start process of public inspection for 20 working days
5 July 2023 (TBC)	Receipt of Audit Wales Audit Plan
11 July 2023 (TBC)	Draft Statement of Accounts presented to Governance & Audit Committee meeting
31 October 2023	Receipt of all external audit queries – although completion of the external audit is subject to further information coming to light prior to approval by Council
October / November 2023 (subject to audit progress)	Audited accounts presented to Governance & Audit Committee
November 2023 (TBC)	Final audited accounts and accompanying disclosures presented to Full Council for approval
30 November 2023 (TBC)	Publication of Statement of Accounts

8. As well as the current process where Governance & Audit Committee can raise queries with officers on receipt of the accounts at Governance & Audit Committee, it is proposed:
  - to continue the process whereby Committee would have the opportunity to scrutinise the accounts over a longer period, in line with the period of public inspection.

- that officers would consider any comments and questions in relation to the committee's terms of reference in relation to the accounts and provide a response to Governance & Audit Committee as to the outcome of the issues raised.
9. In line with best practice the Finance function will continue to review its approach and resilience to achieving timescales set out above and this will continue to be closely monitored.
10. As is the case with many other local authorities, the delays in completing the audit of the accounts leaves little capacity and time to make and embed improvements, including those that are highlighted during the audit.

### **B - Draft Accounting Policies 2022/23 and significant assumptions used in the Accounts**

11. The Council's draft 2022/23 accounting policies and significant assumptions used in preparing the accounts are included at Appendix 3 and those for the Cardiff & Vale of Glamorgan Pension Fund are included in Appendix 4. Changes in some assumptions could have a significant impact on the values included in the accounts but are often purely an accounting exercise and have no impact on the level of council tax and rent payable, as they are required to be reversed by local authority regulations.
12. There are no changes made to the draft policies or assumptions that would significantly impact on the reporting of financial performance historically or in the future. Amendments are minimal and have been shared with Audit Wales. However, it should be noted that specific areas of consideration following the completion of the 2021/22 accounts include:
- approach to valuation of non-current assets, including timing of valuations, following CIPFA and Audit Wales guidance
  - further clarification of accounting treatment for expenditure and income within the Pension Fund
13. There may also be further changes during the audit and as any further guidance issued by CIPFA is received.

### **C – Key changes in the 2022/23 Code**

14. The main changes in the 2022/23 code issued by CIPFA relate to the treatment of:
- Annual Improvements to IFRS Standards 2018-2020
  - Property Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)
15. These changes are not deemed to impact on Cardiff Council or Cardiff & Vale of Glamorgan Pension Fund accounts.

## **D – Factors impacting on the preparation of future Statement of Accounts**

16. A number of reviews and changes are being proposed for future years which are likely to impact on the Code and Council's approach, where adopted by CIPFA.

### **Leasing**

17. New standards on leasing are permitted to be implemented from 1 April 2022 (2022/23). However, mandatory implementation has been deferred until 1 April 2024. Whilst the benefits of IFRS16 are clear, there are also practical and costs benefit issues in compliance, which form part of the rationale for reasons for the deferral.

### **Valuation of Property Assets**

18. A HM Treasury thematic review is being undertaken to consider the costs and benefits of the current regime and explore possible alternatives. Preliminary findings including consultation has highlighted that:
- The benefits and potential uses for valuations from a fiscal and financial management use as well as consistency, is limited and seeking verifiable audit evidence is challenging.
  - The time and expense incurred in engaging with external parties to provide valuation
  - The high estimation uncertainty; effort involved in the audit process is significant, and seeking verifiable audit evidence is challenging.
19. Any changes are unlikely to be applicable until 2024/25, however the aims of the review are deemed welcome.

### **Infrastructure Assets**

20. Despite being in place for many years, CIPFA was required in January 2023 to introduce temporary solutions to the approach to accounting and disclosure for infrastructure assets. This was done to allow the completion of local authority audits and finalisation of their accounts without disqualification, requiring also changes in regulations in parallel across the country.
21. The above changes provide a temporary relief, pending further work to develop guidance and changes to the Code that might assist with the practitioners and users of local authority statements with representation of meaningful information. This exercise is unlikely to be just accountancy driven, but is likely to cover aspects of valuation, understanding conditions and useful life of assets, understanding conditions and systems for recording asset data and works undertaken. This is likely to involve a corporate approach to meeting any such changes in requirements.

### **Accounts and Audit Regulations**

22. The approach to the 2023/24 statutory deadlines for the Statement of Accounts remains unclear. The Council has paused its approach to meeting the statutory closing deadlines until further clarification is received. In the event that the existing statutory deadlines remain in place, the Council and any other bodies charged with

governance will need to consider carefully the timing of meetings and potentially the responsibility for approving them in the short term and longer term. This includes the timing of Council meetings to approve the accounts and also Governance & Audit Committee for scrutiny of the accounts.

### **Reason for Recommendations**

23. To inform Governance & Audit Committee of the key changes impacting on the Council's Statement of Accounts for 2022/23 and changes expected in the medium term.

### **Legal Implications**

24. There are no direct legal implications as a result of this report.

### **Financial Implications**

25. The changes outlined in this report particularly beyond 2022/23 will continue to require additional workload on the part of the local authority finance function and directorates. Consideration of the cost and benefit of changes will need to be undertaken as part of a continuous process of improvement and implementation particularly in respect of materiality of requirements.

### **Recommendations**

26. Governance & Audit Committee are requested to note:-
- the timescales proposed for the 2022/23 accounts
  - the draft accounting policies and assumptions to be used in preparing the statement of accounts for 2022/23
  - the key changes in the Code of Practice for 2022/23 and changes in the medium term

**CHRISTOPHER LEE**  
**CORPORATE DIRECTOR RESOURCES**  
**21 MARCH 2023**

The following Appendices are attached:

Appendix 1 – Introduction to Financial Statements

Appendix 2 – CIPFA Guide – Understanding Local Authority Financial Statements

Appendix 3 – Draft Accounting Policies and significant assumptions 2022/23 - Cardiff Council

Appendix 4 – Draft Accounting Policies and Assumptions 2022/23 – Cardiff & Vale of Glamorgan Pension Fund

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# Introduction to the Financial Statements



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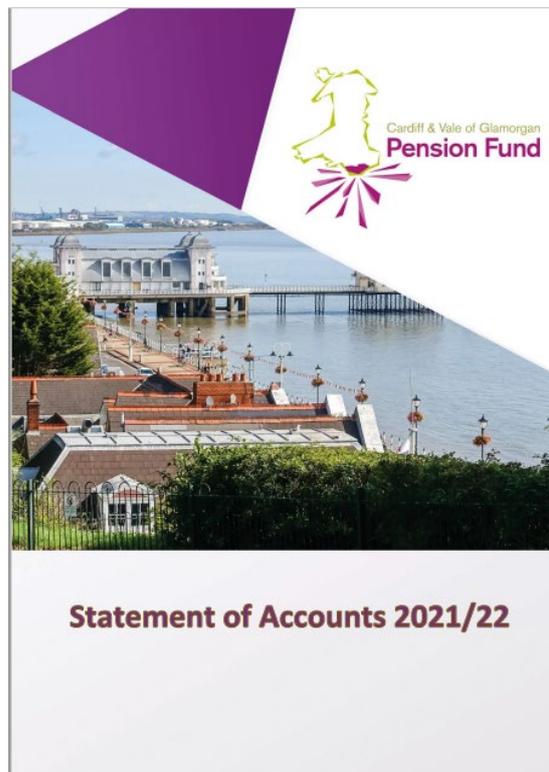
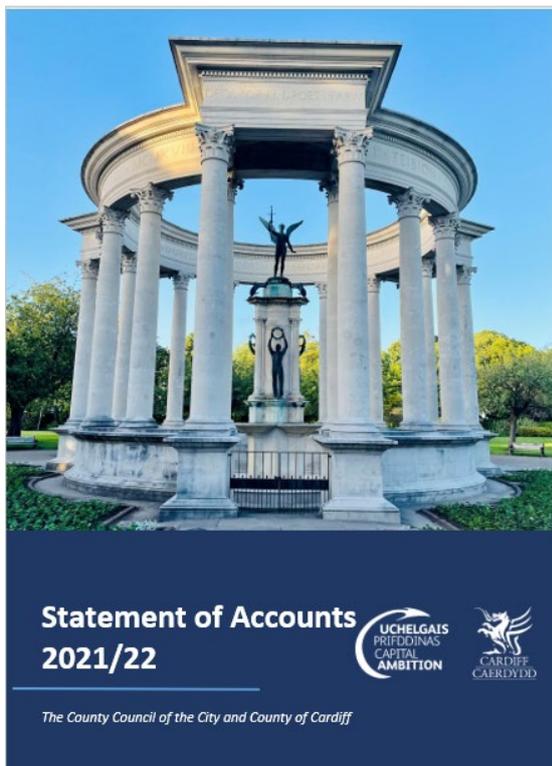
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## What is the Statement of Accounts?



The Statement of Accounts should answer the following questions:

- What did the authority's services cost in the year of account?
- Where did the money come from?
- What were the authority's assets and liabilities at the year end?

## Why are the Statements important?

- Preparation and publication of the Statement of Accounts is a statutory requirement
- They must provide a true and fair view of the Council's financial position
- Provides accountability to electors, tax and rent payers, those charged with governance, funders, employees etc.
- Allows comparison and benchmarking with other organisations
- Allows comparison across financial years
- Allows for consolidation for Whole of Government Accounts
- Public display of accounts allows interested parties to review and raise questions to the Council and its auditor

## The core financial statements

### **1. Comprehensive Income & Expenditure Statement**

Shows the accounting cost of providing services in accordance with proper accounting practices, and whether a surplus or deficit resulted from operations

### **2. Movement in Reserves Statement**

Shows the changes to the Council's reserves over the year:

- Usable Reserves (can be spent) - resulting from the authority's activities
- Unusable Reserves (cannot be spent) - deriving purely from accounting entries & statutory requirements

### **3. Balance Sheet**

Provides a snapshot of the value at the balance sheet date of the assets and liabilities of the Council – net worth and how financed

### **4. Cash Flow Statement**

Shows the changes in cash and cash equivalents of the authority

## Disclosure Notes

The Statement of Accounts also contains:

<b>A Narrative Report</b>	A user-friendly description of performance, identifying key events and the impact on the financial statements
<b>Accounting Policies</b>	Sets out the accounting rules the authority has followed when compiling the financial statements
<b>Critical Judgements</b>	Shows the key areas where officers have made judgements about the application of the accounting policies
<b>Statement of Responsibilities</b>	Responsibilities of those charged with governance and S151 officer in preparing the statements
<b>Notes to the Accounts</b>	Provide further details on the accounts e.g. related parties, liabilities, Joint Committees, provisions and earmarked reserves
<b>Property, Plant and Equipment</b>	Accounting valuation of assets, such as dwellings, property, art. Capital expenditure and how it is paid for. Sale of assets
<b>Employee Remuneration</b>	A note providing details of the pay of the most senior officers, all officers' remuneration disclosed in bands and the cost of redundancies
<b>Financial Instruments</b>	A note identifying the monetary contracts between entities e.g. investments, borrowings
<b>Related Party Disclosures</b>	Identifies any transactions with the Council's related parties (bodies or individuals that have the potential to control or influence the Council, or to be controlled or influenced by the Council)

## Supplementary statements

The Statement of Accounts also contains additional statements to meet specific reporting requirements:

<b>Housing Revenue Account (HRA)</b>	Where income from rents and related expenditure is required to be ring fenced by statute
<b>Trust Funds</b>	Where the Council is a trustee or administers a charity
<b>Cardiff Harbour Authority</b>	To meet requirements of the Harbours Act 1964
<b>Group Accounts</b>	Shows the combined statements where the Council has material interests in subsidiaries, associates and joint ventures e.g. Cardiff Bus

## Governance and Assurance Process

<b>Governance Arrangements</b>	
Prepared in accordance with Accounting Standards	Prepared in accordance CIPFA Code of Practice
Public display of accounts and questions of auditor	Reviewed by Governance & Audit Committee / Signed by S151 / Approved by Council
Prepared in line with CIPFA disclosure checklist and toolkits	Subject to an external audit
Prepared in accordance with Accounts and Audit Regulations (Wales)	Produced by a team with strong, technical accounting expertise
Published in Welsh and English	Completed in line with statutory deadlines

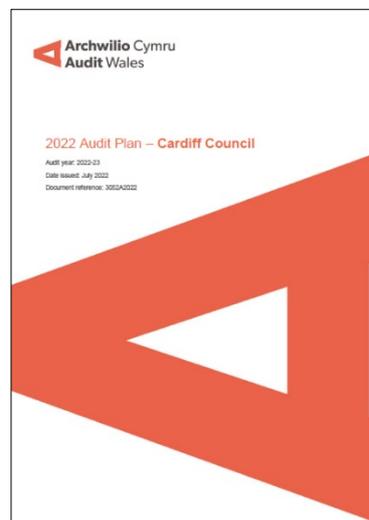
## External audit of the financial statements

### Audit Wales Role re Financial Statements

To determine if the accounts are prepared in accordance with the relevant legislation and accounting standards.

### Concept of Materiality

- Not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes, but adopt a concept of materiality
- The objective is to identify material misstatements, that is, those that might result in a reader of the accounts being misled
- Materiality level is reported to Governance & Audit Committee prior to completion of the audit



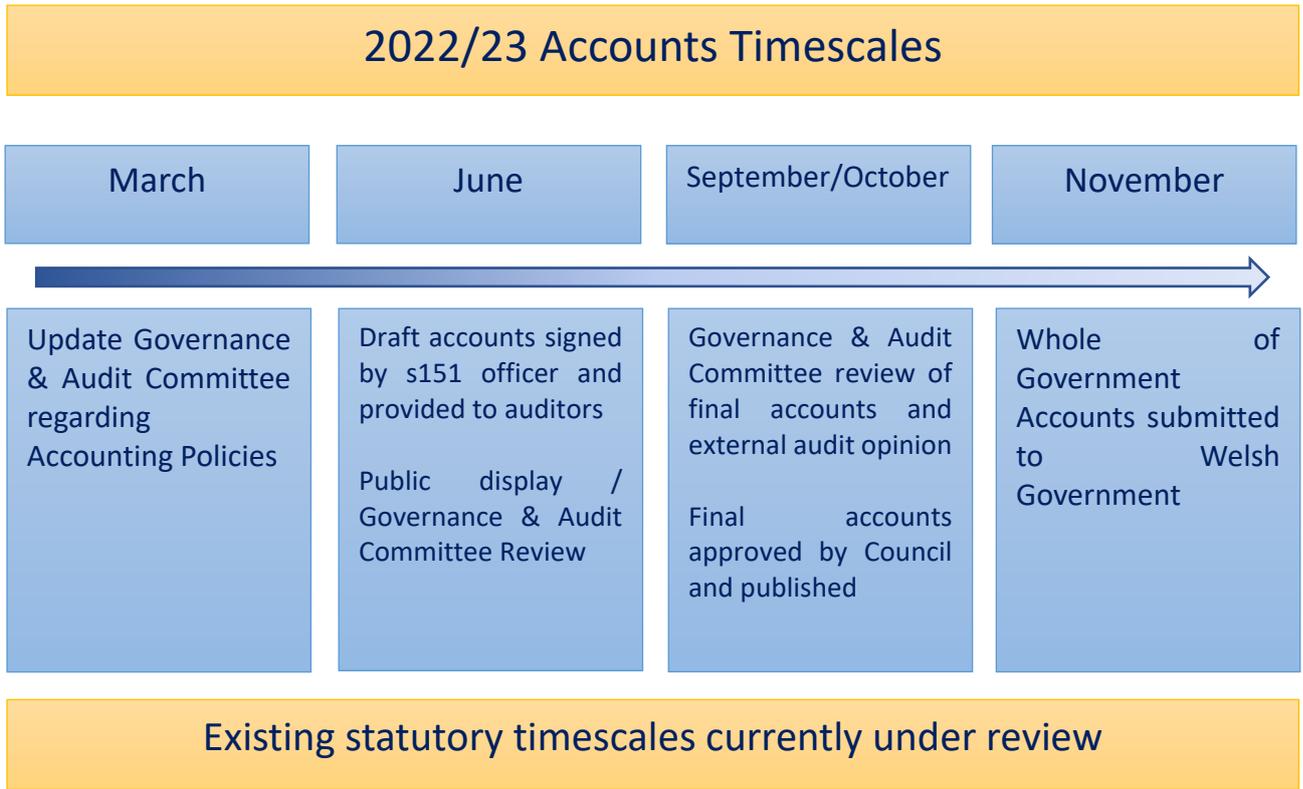
### Audit of Financial Statements Report

Details the results of financial audit – Received by Governance & Audit Committee and Council

- Provides our proposed opinion on the truth and fairness of the Financial Statements
- Summarises the extent of any corrected / uncorrected errors identified from our audit work

Council approves the final audited Statement of Accounts

Timetable



## Potential questions

*to support review of public reporting and accountability*

- Is the narrative report:
  - consistent with financial challenges and risks facing the authority?
  - readable and understandable by a lay person?
- Is there a better way information could be communicated or presented?
- Have significant changes been adequately explained?
- Are there references to additional notes where additional information is available?
- Are the statements consistent with what is known about financial performance over the year?
- Are accounting policies and treatments applied suitable and for material transactions?
- Are movements in borrowing and investments in line with the Treasury Management Strategy?
- Are there clear reasons for the creation of provisions and earmarked reserves?
- Are the accounts clear, concise, and easy to follow?
- Do the accounts or supporting information present any concerns about the Council's financial liabilities, resilience, or sustainability?
- Do officers have the resources, skills, and systems to comply with standards and challenges?
- Does the audit report identify any material weaknesses or risks?
- Is there a cost/benefit assessment to be made?
  - different judgements
  - areas where estimation techniques are required
  - minimum levels / thresholds to which policies should be applied
  - level of disclosure
- Do these transactions or adjustments have any implications for in year performance and Council tax or rent payable? Or are they just technical accountancy adjustments?
- What is an acceptable level of materiality given the size and complexity of the Council?
- Should all audit issues identified require amendment or can a level of materiality be applied?

## Where to find further information

- CIPFA Guide to Understanding Local Authority Financial Statements
- Role of Auditor General / Audit Wales – Member introduction slides
- Published Statement of Accounts - [website](#)

# understanding local authority financial statements

2016

# \ introduction

Local authority financial statements have a key part to play in accountability to taxpayers and other stakeholders as to how public money is used. However, the complexity of the financial statements has not always helped this accountability, particularly allowing the amounts in the statements to be easily reconciled to management accounting and in-year monitoring of budgets.

The introduction of the Expenditure and Funding Analysis to the 2016/17 Code is intended to allow a clear link to be made between in-year monitoring and General Fund information and final outturn as set out in the audited financial statements, thus closing the accountability loop from budgets through to outturn.

A key to achieving the aims of the changes will be to use the information not just in the narrative section of the financial statements to explain performance during the year, but more widely to all stakeholders, including elected members as citizens' representatives, in a range of formats and media to provide a definitive position on financial performance. Local authorities are also urged to look to their balance sheets as a part of this explanation and the key messages that can be drawn out.

At the same time it is important that opportunities are taken to cut the clutter and remove immaterial disclosures or through the use of technical appendices to separate out the more complex disclosures. Working in partnership CIPFA/LASAAC will itself continue to review opportunities for improvement and explore links with other published information to ensure that the definitive position remains clear.

This briefing note is intended to help chief financial officers and other senior staff to present the financial statements to members and other stakeholders by explaining how the formats can be used to convey key information. It is also designed to give elected members and stakeholders an introduction to the format of the accounts and provide them with key questions on the financial statements.

An important element of financial reporting which will assist local authorities to tell the story of their financial performance is the narrative report (management commentary in Scotland). This report accompanies the financial statements and should provide a commentary on how the authority has used its resources to achieve desired outcomes in line with its objectives and strategies. It should provide an explanation of the main messages of financial performance, financial position and cash flows in the financial statements.

This publication includes extract financial statements to demonstrate key issues. It is important to note that the Code sets out the minimum requirements for the financial statements of the authority, but authorities are free to include more detail if they think it will help them to explain the accounts to members and other stakeholders.

This publication also highlights the opportunities to simplify presentation and make the messages clearer in a number of areas:

- comparisons with budgets (General Fund and Housing Revenue Account performance)
- reserves position, and
- cash flows.

# comparisons with budgets

For members, probably the most important issue will be whether the authority has a surplus or deficit on General Fund or Housing Revenue Account (HRA) balances against its budget for the year.

The financial statements will enable individual authorities to demonstrate performance both in the way in which they organise themselves and, more importantly, in how they budget against the General Fund to provide services.

## **The introduction of the new expenditure and funding analysis**

The financial statements primarily follow accounting standards rather than local government legislation. Although some information is provided on General Fund and HRA balances this hasn't always been easy to identify in the past. However, the new Expenditure and Funding Analysis provides users of the financial statements with more information to make that analysis (for example, by comparison with their budget reports).

The Expenditure and Funding Analysis brings together local authority performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the General Fund (including the HRA).

Proper accounting practices measure the resources that have been generated and consumed in the year including such things as the use of property (depreciation) and the value of pensions benefits earned by the employees. Statutory provisions determine how much of the authority's expenditure needs to be met from council tax each year.

The Expenditure and Funding Analysis:

- shows for each of the authority's services or directorates a comparison of the net resources applied and the net charge against council tax, and
- provides an opportunity to explain significant differences between the two within the authority's framework for accountability.

The Expenditure and Funding Analysis promotes accountability and stewardship by providing a more direct link with the annual decision making process of the authority and its budget ie the General Fund. The changes are more transparent and follow the performance framework of the authority.

The Expenditure and Funding Analysis takes the net expenditure that is chargeable to taxation and rents and reconciles it to the Comprehensive Income and Expenditure Statement. To demonstrate accountability and to meet segmental reporting requirements it is necessary to reconcile to the statutory position on the General Fund balance. The service analysis for both the Expenditure and Funding Analysis and the Comprehensive Income and Expenditure Statement are now both provided in the way in which an authority organises itself and manages financial performance.

The Expenditure and Funding Analysis needs to be positioned in the financial statements where it is most accessible and relevant to its users. This means it could be placed before the main statements, to accompany the Comprehensive Income and Expenditure Statement, or even included as the first note. An authority will be able to decide for itself.

## Expenditure and Funding Analysis (extract)

The Expenditure and Funding Analysis analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

20X0/20X1	Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
People Directorate	47,385	898	48,283
Neighbourhoods	5,929	13,608	19,537
Business Change	30	224	254
Corporate and Central Services	19,358	833	20,191
<b>Net Cost of Services</b>	72,702	15,563	88,265
Other Income and Expenditure	(72,658)	(1,019)	(73,677)
<b>Surplus or Deficit</b>	44	14,544	14,588
Opening General Fund and HRA Balance at 31 March 20X0	(25,247)		
Less Deficit on General Fund and HRA Balance in Year	44		
<b>Closing General Fund and HRA Balance at 31 March 20x1*</b>	<b>(25,203)</b>		

\*for a split of this balance between the General Fund and the HRA – see the Movement in Reserves Statement

# comprehensive income and expenditure statement

The Comprehensive Income and Expenditure Statement shows how resources have been generated and expended in accordance with International Financial Reporting Standards. It shows whether the authority's operations resulted in a surplus or deficit. The key lines that summarise performance are highlighted below.

## Comprehensive Income and Expenditure Statement (extract)

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation [or rents]. Authorities raise taxation [and rents] to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Comprehensive Income and Expenditure Statement 20X0/X1	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
People Directorate	74,297	(26,014)	48,283
Neighbourhoods	58,225	(38,688)	19,537
Business Change	11,624	(11,370)	254
Corporate and Central Services	24,021	(3,830)	20,191
<b>Cost of Services</b>	<b>168,167</b>	<b>(79,902)</b>	<b>88,265</b>
Other Operating Expenditure (Note 9)	2,218	–	2,218
Financing and Investment Income and Expenditure (Note 10)	11,340	(2,359)	8,981
Taxation and Non-specific Grant Income and Expenditure (Note 11)	–	(84,876)	(84,876)
<b>(Surplus) or Deficit on Provision of Services</b>			<b>14,588</b>
(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets			(36,597)
(Surplus) or Deficit on Revaluation of Available-for-Sale Financial Assets			(101)
Remeasurement of the Net Defined Benefit Liability (Asset)			(8,444)
<b>Other Comprehensive Income and Expenditure</b>			<b>(45,142)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>(30,554)</b>

Expenditure of continuing operations, analysed by service segment, these lines are reconciled to the General Fund in the Expenditure and Funding Analysis

Operational costs of providing the services of the authority.

Total income and expenditure of the authority for the year, this line is also reconciled to the General Fund in the Expenditure and Funding Analysis

From 2016/17 local authorities are required to report their service segments based on the way in which they operate and manage services. There is no longer a requirement for that service analysis to be based on the definition of total cost or the service expenditure analysis in the *Service Reporting Code of Practice* in the financial statements. This new format means that the service section of the Comprehensive Income and Expenditure Statement supports accountability and transparency as it reflects the way in which services operate and performance is managed.

Where an authority uses alternative service reporting formats it will need to select the presentation most commonly used by the individual or group within the authority who has the most significant role in allocating resources and assessing performance of services when considering the allocation of resources.

This format of the Comprehensive Income and Expenditure Statement is also more meaningful for both local authority members and users of the financial statements as it follows their budget and performance monitoring and other key documents such as their council tax leaflets.

Treatment of overheads will depend on an authority's arrangements for accountability. If an authority operates and manages some or all of its corporate and support services separately then these service segments would be shown separately on the face of the Comprehensive Income and Expenditure Statement and not apportioned.

The test is whether the expenditure relating to these activities is reported to key decision makers as separate activities or spread across services as overheads for the financial statements. Therefore, there is no longer an absolute requirement to apportion support service overheads to services. However, local authorities will not need to change any of their financial reporting requirements for internal management processes. Whatever you are doing internally determines the structure for external reporting statements.

The Comprehensive Income and Expenditure Statement is then split into two parts.

The first part reflects the full economic cost of providing the services of the authority with the results summarised at the Surplus or Deficit on the Provision of Services line, highlighted above. It represents the operating costs of providing the services of the authority in the year. In the private sector this would be equivalent to the profit or loss of a company.

The second part, other comprehensive income and expenditure, shows the gains or losses in the measurement of the assets and liabilities of the authority. These gains or losses arise as a result of changes in market valuations, interest rates or changes in measurement assumptions in relation to pensions assets and liabilities.

# movement in reserves statement

The Comprehensive Income and Expenditure Statement shows the income and expenditure on the authority's services in the year in accordance with International Financial Reporting Standards as adopted by the Code. However, the amount chargeable to council tax and an authority's General Fund is limited by statutory requirements and requires a number of adjustments. The statutory adjustments largely relate to arrangements for funding local authority capital expenditure or the timing with which some items are charged to council tax. The reserves of the authority represent its net worth; the usable reserves show the resources currently available to spend on services.

The movements in the financial position of the authority are summarised in the Movement in Reserves Statement.

The Movement in Reserves Statement shows how:

- the authority has generated and expended resources in the year; and
- the resourcing position is adjusted under statutory rules to show the funds available to be spent at year end.

The Movement in Reserves Statement prescriptions have been reduced to the absolute minimum in the Code. Authorities can provide additional rows to these minimum requirements if they consider that they need to do so to provide a true and fair presentation of their reserves.

## Movement in Reserves Statement (extract)

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can currently be used to fund expenditure or reduce local taxation) and other 'unusable' reserves. It shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax [or rents] for the year. The Net Increase/Decrease line shows the statutory General Fund balance and Housing Revenue Account balance movements in the year following those adjustments.

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve* £000	Major Repairs Reserve** £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 20X0</b>	22,118	3,129	10,065	1,600	450	37,362	1,350,567	1,387,929
<b>Movement in reserves during 20X0/X1</b>								
<b>Total Comprehensive Income and Expenditure</b>	(14,983)	395	–	–	–	(14,588)	45,142	30,554
Adjustments from income & expenditure charged under the accounting basis to the funding basis	14,835	(291)	(750)	–	–	13,794	(13,794)	–
<b>Increase or (decrease) in 20X0/X1</b>	<b>(148)</b>	<b>104</b>	<b>(750)</b>	<b>–</b>	<b>–</b>	<b>(794)</b>	<b>31,348</b>	<b>30,554</b>
<b>Balance at 31 March 20X1 carried forward</b>	<b>21,970</b>	<b>3,233</b>	<b>9,315</b>	<b>1,600</b>	<b>450</b>	<b>36,568</b>	<b>1,381,915</b>	<b>1,418,483</b>

\* Capital Fund Scotland

\*\* Applicable in England Only

An overall increase in usable reserves can arise despite a loss being shown in the Comprehensive Income and Expenditure Statement where statutory provisions allow a different charge to revenue from the authority expenditure incurred (eg replacement of depreciation by minimum revenue provision (MRP)). The adjustment to usable reserves is balanced by a movement in unusable reserves.

Unusable reserves such as the Capital Adjustment Account and the Pensions Reserve with debit balances will need to be funded in the future, even if it is over a long period, so increases in these balances show an increasing burden on future taxpayers.

# balance sheet

The balance sheet in local authorities is very similar to other public sector or private sector balance sheets. The balance sheet presents an authority's financial position, ie its net resources at the financial year end. The balance sheet is composed of two main balancing parts: its net assets and its total reserves. The net assets part shows the assets the authority would have control of after settling all its liabilities. The balance of these assets and liabilities is then shown as being attributable to the various reserves of the authority.

For local authorities balance sheet presentation is split between the usable reserves and unusable reserves. Usable reserves are those which the authority can utilise to support future service provision. Unusable reserves cannot be used to support services and include gains and losses where amounts can only become available to support services if the assets are sold. These gains and losses are referred to as unrealised.

## Balance sheet (extract)

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves represents those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Balance Sheet	Notes	31 March 20X1	
			£000
Property, plant and equipment	12	628,924	The authority's property portfolio
Highways Network Asset	13	1,028,700	The Highways Network Asset (not applicable to district councils). This will be the largest asset balance in a local highways authority balance sheet
Heritage assets	14	3,379	
Investment property	15	4,020	
Intangible assets	16	709	
Long-term investments	17	948	
Long-term debtors	17	3,798	Long term assets ie those expected to provide benefits to the authority beyond 12 months
<b>Long-term assets</b>		<b>1,670,478</b>	
Short-term investments	17	24,060	
Assets held for sale	22	1,409	Current assets ie those anticipated to be consumed in 12 months – the normal operating cycle for the authority
Inventories	18	1,769	
Short-term debtors	20	15,351	
<b>Current assets</b>		<b>42,589</b>	Reconciles to the cash and cash equivalents balance in the cash flow statement
Bank overdraft		(13,767)	
Short-term borrowing	17	(9,500)	
Short-term creditors	23	(21,960)	Current liabilities ie those liabilities anticipated to be settled within 12 months
<b>Current liabilities</b>		<b>(45,227)</b>	
Provisions	24	(4,297)	
Long-term borrowing	17	(89,733)	
Other long-term liabilities	17	(155,327)	Long-term liabilities ie those liabilities that are anticipated to be settled beyond 12 months
<b>Long-term liabilities</b>		<b>(249,357)</b>	
<b>Net assets</b>		<b>1,418,483</b>	Total assets less total liabilities

# \ reserves

Reserves – including the General Fund and (where relevant) the Housing Revenue Account – are an indication of the resources available to an authority to deliver services at the balance sheet date. The key messages that members will be looking for in terms of reserves – especially the General Fund and the HRA – are how the balances have changed over the year, whether the balances are still adequate, and what the balances mean in terms of future budgets and services.

Information on the level of reserves can be found in the balance sheet and related notes, and in the Movement in Reserves Statement (and related notes). This latter statement will be more useful in explaining the changes that have taken place during the year.

	Notes	31 March 20X1 £'000
Usable reserves	24	36,568
Unusable Reserves	25	1,381,915
		<u>1,418,483</u>

The minimum requirement in presenting resources is to include only two lines – usable reserves (such as General Fund) and unusable reserves (such as the Revaluation Reserve and the Capital Adjustment Account).  
If there are some reserves you do want to show on the balance sheet, that's fine, as long as these totals are shown.

While the balance sheet aims to show those reserves over which members have control, don't forget that some of the unusable reserves will become a charge against the revenue account – or usable reserves – over time. And in some cases, such as the Unequal Pay Back Pay Account, this might be within a year or two.

As indicated above, not all reserves can be used to deliver services, and the Code reflects this by reporting reserves in two groups – 'usable' and 'unusable' reserves. Usable reserves such as the General Fund are those where members will be involved in deciding on the levels maintained, and their use. Unusable reserves such as the Revaluation Reserve and the Capital Adjustment Account are not subject to such member influence.

# cash flows

The final statement required by the Code is the cash flow statement.<sup>1</sup> The cash flow statement shows changes in cash flows of the authority during the financial year. It shows net cash flows split into three activities: operating, investing and financing. The cash flow statement shows the resulting movement in the authority's cash and cash equivalents. Cash and cash equivalents include short term investments that are readily convertible and which are subject to only insignificant risk of changes in value.

## Cash Flow Statement (extract)

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the authority.

	20X0/X1 £000	
Net (surplus) or deficit on the provision of services	14,588	Surplus or deficit taken from the Comprehensive Income and Expenditure Statement
Adjustments to net surplus or deficit on the provision of services for non-cash movements	(36,267)	
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	11,523	Three groups of transactions: <ul style="list-style-type: none"> <li>■ Operating</li> <li>■ Investing</li> <li>■ Financing</li> </ul>
Net cash flows from Operating Activities (Note 26)	(10,156)	
Investing Activities (Note 27)	(24,585)	
Financing Activities (Note 28)	35,140	
Net increase or decrease in cash and cash equivalents	399	
Cash and cash equivalents at the beginning of the reporting period	(14,166)	
<b>Cash and cash equivalents at the end of the reporting period (Note 19)</b>	<b>(13,767)</b>	Cash and cash equivalents figure in the balance sheet

<sup>1</sup> Note the format of the cash flow statement shown is produced under the indirect method.

# a checklist of questions to ask about a local authority's financial statements

To assist with the understanding of local authority financial statements a checklist about the core financial statements and the Expenditure and Funding Analysis has been included below.

<b>Checklist</b>	
<b>Expenditure and Funding Analysis</b>	
1	Have any significant differences between budget reports and net expenditure chargeable to General Fund and Housing Revenue Account balances been explained?
2	Are the major statutory adjustments clearly explained and easily understood?
<b>Comprehensive Income and Expenditure Statement</b>	
3	Is the purpose of the Comprehensive Income and Expenditure Statement clear (ie does it show actual financial performance under accounting standards before fiscal adjustments)?
4	Do the service net expenditure figures clearly demonstrate the financial performance of the services on the face of the Comprehensive Income and Expenditure Statement during the year?
5	Are the material items of income and expenditure in the Comprehensive Income and Expenditure Statement presented separately on the face of the Statement or explained in the notes?
6	Do the notes to the Comprehensive Income and Expenditure Statement provide easily understandable information relating to the Statement (or lines within the Statement)?
7	Are there any unexplained significant variances between current and previous year information?
<b>Movement in Reserves Statement</b>	
8	Can the major movements in net worth that occur within the Movement in Reserves Statement be easily identified? Are these explained within the financial statements or Narrative Report?
9	Do the opening balances in the Movement in Reserves Statement match with the closing balances of the preceding year? Are any adjustments to opening balances explained on the face of the Statement and/or in the notes?
10	Is there a clear explanation of the statutory adjustments in the adjustments from income and expenditure charged under the accounting basis to the funding basis line in the Movement in Reserves Statement? (Note this may be linked with the Expenditure and Funding Analysis.)
11	Do the entries on the statutory adjustment line net to nil?
12	Do the related notes on reserves clearly explain the line or columnar items not explained in the Statement?

## Checklist

13	Does the Total Comprehensive Income and Expenditure line in the Movement in Reserves Statement agree with the information in the Comprehensive Income and Expenditure Statement?
14	How have the balances of usable reserves moved during the year? Are these balances sufficient to support an authority's financial plans in the immediate future and over the medium term?

## Balance Sheet

15	Does the property, plant and equipment information tell the story of the authority's property portfolio during the year (including the major movements in that portfolio ie major disposals and acquisitions)? Do these balances reflect the authority's asset management strategy?  (Note the same question can be asked for local authorities with substantial portfolios of investment properties.)
16	For highways authorities – do the movements in the Highways Network Asset represent the transport management/investment decisions of the authority?
17	Has there been any substantial movement in the pension asset or liability? If yes, has the reason for such a movement been explained and the subsequent consequences described in the financial statements or the Narrative Report?
18	Have there been any new provisions or significant movements in provisions in the year? If yes, have the reasons for making these provisions been set out in the financial statements or any material movements been explained?
19	Have there been any significant movements in the authority's borrowings during the year? Are these movements reflected in your council's borrowing strategy and what impact will this have on the prudential indicators or future investment plans?
20	Are there any significant movements in an authority's investment portfolio? Do these agree with the plans in the authority's treasury management strategies and statutory investment plans?
21	Are there any other significant movements in balances in the balance sheet that are not clearly explained?
22	Do the balance sheet reserves agree with the totals in the Movement in Reserves Statement?

## Cash Flow Statement

23	Do the cash balances in the cash flow statement agree with the relevant balances in the balance sheet?
24	Are the council's cash balances reflected adequately in the council's treasury management strategies?

# reminders and questions raised on the IFRS-based code

## **IFRS – what is it?**

International Financial Reporting Standards (IFRSs) are a suite of accounting standards used across the world. The Code of Practice on Local Authority Accounting is based on IFRS standards as adapted or interpreted for local authority circumstances.

## **The pension deficit is meaningless – why do we have to show it?**

The deficit doesn't have to be funded from this year's budget, but it's still a true cost estimated by actuaries – it represents the amount that will need to be found from future budgets to pay for pension entitlements already incurred in delivering services. So it's a real call on future funding arising from past activity. Not showing this would hide the liability that the authority has incurred.

This also applies to other reserves. Like the Pension Reserve, the Capital Adjustment Account, the Unequal Pay Back Pay Account and similar reserves all do one thing: they hold expenditure that the authority has incurred but not yet financed. Think of them as being a bit like a credit card balance – these amounts will have to be funded in future, either from taxation or from usable reserves.

Concerns have been expressed that all these reserves make the balance sheet incomprehensible. But all that needs to be shown on the balance sheet itself are 'usable reserves' and 'unusable reserves' – the details can all go in a note. This will help to declutter the balance sheet.

## **The financial statements do not clearly demonstrate traditional measures of local authority performance ie General Fund and HRA balances**

The IFRS-based Code sets out that local authority financial statements are intended to be used for assessing the stewardship of local authority resources and for making economic decisions. Thus the information is intended for two purposes. The Comprehensive Income and Expenditure Statement presents information on the real economic cost of providing services in the year and it does not show the movement in General Fund and HRA balances. This reconciliation is provided in the Movement in Reserves Statement, whose bottom line shows the General Fund and HRA resources available at year end. CIPFA has reviewed options for making this even clearer. The new Expenditure and Funding Analysis brings together both the accounting measures of performance and the performance against General Fund for council tax setting purposes.

## **The accounts are too long!**

Yes, the accounts can be long, but local authorities have a complex story to tell. But notes only need to be produced if they are material – leaving out notes that aren't material or required by legislation is a good start. CIPFA/LASAAC as standard setter is continuously challenging the need to introduce disclosures and reporting requirements for local government.

## What changes were made to the 2016/17 Code?

CIPFA and CIPFA/LASAAC consulted widely in preparation for these changes, particularly the Telling the Story consultation in the summer of 2015. CIPFA also engaged a working group to consider a wide range of proposals for change. Following feedback from consultations from local authority accounts preparers and the work of the Working Group, the Telling the Story consultation set out proposals for change that CIPFA/LASAAC considers will reconnect the financial statements of local authorities with the way those authorities are both organised and funded.

The changes to the 2016/17 Code therefore have two main strands:

- to allow local authorities to report on the same basis as they are organised by breaking the formal link between the Service Reporting Code of Practice (SeRCOP) and the Comprehensive Income and Expenditure Statement
- to introduce a new Expenditure and Funding Analysis which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the Comprehensive Income and Expenditure Statement in a way that is accessible to the lay reader. This analysis is supported by a streamlined Movement in Reserves Statement and replaces the current segmental reporting note.

The changes to the Code will for the first time allow local authorities to bring together the funding framework and the accounting framework in one analysis.

# further reading

*Financial Statements: A Good Practice Guide for Local Authorities* (CIPFA, 2013)

*Clear out the Clutter* (Public Finance, April 2014)

*Simplified Accounts: Small Isn't Always Beautiful* (Public Finance, September 2015)

*Code of Practice on Local Authority Accounting in the United Kingdom* (CIPFA, issued annually)

*Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for Practitioners*  
(CIPFA, issued annually)



Registered office:

77 Mansell Street, London E1 8AN

T: 020 7543 5600 F: 020 7543 5700

[www.cipfa.org](http://www.cipfa.org)

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## 1. *Accounting Standards issued but not yet adopted*

International Financial Reporting Standard 16 – Leases was adopted in the 2022/23 Code. Following a consultation with local authorities and auditors, the timescale for required adoption has been pushed back to the financial year beginning 1 April 2024 or earlier if deemed possible. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for most leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Whilst this is expected to have no impact on the Council Tax or Rent payer, work has continued during 2022/23 to ensure significant lease type arrangements in respect of property and vehicles are identified and recorded. This includes a review of existing and creation of new processes for managing and recording 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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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
- there is a de minimis threshold of £500, under which income and expenditure may not be accrued
- 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, the net balance on all of the Council's bank accounts including balances of cheque book schools. It includes deposits with financial institutions that are repayable on notice of not more than 24 hours without significant penalty. It also includes investments maturing and interest received on the first working day of April.

#### 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.

Disposals greater than £10,000 are treated as capital receipts and are credited to the Capital Receipts Reserve.

#### 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 is also the principal employer and sole statutory employer of the Cardiff City Transport Services Pension Schemes.

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 Teachers' 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. Cardiff City Transport Services has a defined contribution scheme which carries a guaranteed minimum return for its members, which is closed to new members. The assets and liabilities of the scheme is shown in the Balance Sheet.

### Defined Benefit Schemes

The Cardiff and Vale of Glamorgan Pension Fund is a defined benefit scheme. There is also a Cardiff Transport Services Defined Benefit Scheme which is closed to new members. 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 unitised 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 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.

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 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 valuations 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. A valuation is undertaken every 3 years by an external expert for insurance purposes. A valuation of paintings, artefacts and civic regalia took place during 2022/23.

### **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 3-7 years, and reversed in the Movement in Reserves Statement via transfer to the Capital Adjustment Account. Once intangible assets are fully amortised, they are reviewed in terms of materiality and if necessary, disposed of with the carrying value removed from the asset register.

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.

The balance of inventories that have been donated rather than purchased are held in the Donated Inventory Account.

### **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 valuation is completed every year, the most recent of which was undertaken by Jones Lang LaSalle in 2022/23.

Investment properties are not depreciated. Gains and losses on revaluation and disposal in addition to rentals received are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. However, revaluation and disposal gains and losses are not permitted to have an impact on the Council Fund Balance and 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*

Subject to materiality and exposure to risk, the relevant proportion of Joint Committees are included within the Council's accounts reflecting the transactions and balances for those Joint Committees.

## 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 recognise 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 recognise 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. *Local Authority Maintained Schools*

The Code confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements. Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

## 20. *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, those used for the promotion of culture and knowledge and those 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.

Once assets have fully depreciated, they are reviewed in terms of materiality and if necessary, disposed of with the carrying value removed from the asset register.

## 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:

Asset Type	Measurement	Valuation Frequency	Last Valuation	Surveyor for Last Valuation	Next Valuation	Depreciation*
<b>Assets under Construction</b>	Depreciated Historical Cost	n/a	n/a	n/a	n/a	n/a
<b>Community Assets</b>	Depreciated Historical Cost	n/a	n/a	n/a	n/a	n/a
<b>Council Dwellings</b>	Existing Use Value for Social Housing	Every 2 years	2021/22	Savills	2023/24	Land: n/a Buildings: 50 years
<b>Infrastructure</b>	Depreciated Historical Cost	n/a	n/a	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	Every 3 years	2021/22	Cooke & Arkwright	2024/25	Land: n/a Buildings: 1-100 years
<b>School Assets</b>	Detailed Depreciated Replacement Cost (Modern Equivalent Asset)	Every 3 years	2021/22	Cooke & Arkwright	2024/25	Land: n/a Buildings: 2-50 years
<b>Surplus Assets</b>	Fair Value	Every year	2021/22	Jones Lang LaSalle	2022/23	n/a
<b>Vehicles, Plant, Furniture &amp; Equipment</b>	Depreciated Historical Cost	n/a	n/a	n/a	n/a	5-20 years

\* Calculated on a straight-line basis over the below estimated useful lives, unless there is not a determinable finite useful life.

\*\* 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 including schools, are required to be valued periodically. The valuations consider not only cost variables but a number of other essential variables such as condition and changes in use. Asset valuations take place with an effective date at 1 April or 31 March where a full professional valuation of a full class of assets indicates that there may be a material change at the final balance sheet position.

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 significantly 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 and valuation changes are averaged out at least over a three year period.

Revaluations of the Council's property assets are undertaken on a minimum three 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. It should be noted that revaluation movements are an accounting exercise only and do not impact on the financial performance of the Council, including where such assets are continued to be intended to be held for service delivery purposes.

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 £1.5 million at the end of the financial year
- significance of component. For individual assets meeting the above threshold, where services within a building (boilers / heating / lighting / ventilation etc.), or items of fixed equipment (kitchens / cupboards) is a material component of the cost of that asset (> 30%), then those services/equipment will be valued separately on a component basis
- difference in rate or method of depreciation compared to the overall asset. Only those elements that normally depreciate at a significantly different rate from the non-land element as a whole, or that require a different method of depreciation will be identified for componentisation.

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

## **21. 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.

## **22. 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 line 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.

## **23. Reserves**

The Council sets aside useable reserves for future policy purposes or to cover contingencies. Certain reserves are unusable and are maintained to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits. These do not represent usable resources for the Council and there are no net impacts on council tax or rent.

## **24. 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 and Assumptions*

### **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 remains a degree of uncertainty about future levels of income and expenditure for the Council and its subsidiaries. However, the Council has determined that this uncertainty is not 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.
- 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/or 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 2023 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  Page 499	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 discount factors for social housing etc. 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.  The Council’s approach to undertaking valuations on a more frequent basis than the minimum 5 year period required by the CIPFA Code ensure that changes in all variables impacting on a valuation are captured as soon as possible in the next full and professional valuation.	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 Worth.	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 Revaluation Reserve.
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 are 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

Accounting Policies, Critical Judgements and Assumptions

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Item	Uncertainty	Effect if Actual Results Differ from Assumptions
Arrears	<p>The Authority is 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. It is not certain however that this impairment allowance would be sufficient as the Council cannot assess with certainty which debts will be collected or not.</p> <p>The current economic situation has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts which may or may not be sufficient.</p>	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	<p>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 caused by geo-political and macro-economic factors.</p> <p>Professional actuaries are engaged to provide the Council with expert advice about the assumptions to be applied.</p>	It is difficult to measure the effects on the net pension liability of changes in individual assumptions, as they can result in multiple variations to the figure. A sensitivity analysis is provided in Note 13.

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## 1. 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 14c.

### **Cash and Cash Equivalents**

Cash is represented by cash in hand, the net balance on all of the Council's bank accounts. It includes deposits with financial institutions, including investment managers and the custodian, that are repayable on notice of not more than 24 hours without significant penalty. It also includes investments maturing and interest received on the first working day of April.

### **Foreign Currency Transactions**

Overseas investments in foreign currencies have been converted at WM/Reuters closing spot rates of exchange at the end of the reporting period.

### **Taxation**

<b>Taxation</b>	<b>Treatment</b>
<b>UK Income Tax</b>	The fund is an exempt approved fund able to recover UK Income Tax.
<b>UK Capital Gains Tax</b>	No Capital Gains Tax is Chargeable.
<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.
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## 2. 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.

## 3. 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 £X million. There is a risk that this investment may be under, or overstated in the accounts. Further information is provided on the sensitivity of these assets within the accounts.
<b>Pooled Property Funds</b>	Valuation techniques are used to determine the carrying amount of pooled property funds.	The total pooled property fund investments in the financial statements are £X million. 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. Further information is provided on the sensitivity of these assets within the accounts.
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**GOVERNANCE & AUDIT COMMITTEE:  
21 MARCH 2023**

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**CORPORATE RISK MANAGEMENT - QUARTER THREE 2022/23****REPORT OF CORPORATE DIRECTOR RESOURCES AGENDA ITEM: 9.1**

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**Reason for this Report**

1. To update Governance & Audit Committee on the processes for managing risk and set out the risk management position at quarter three 2022/23 and to highlight any changes from the quarter two 2022/23 report.
2. The Governance & 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. Governance & Audit Committee receives a risk management update each financial quarter with the opportunity to make comments. The last Governance & Audit Committee review was on the 29<sup>th</sup> of November 2022, at which time the risk management position at quarter one 2022/23 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. The considerations undertaken for each of these types of risks are set out in paragraphs 8 and 10 respectively.
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. This reporting process allows SMT to determine if any changes are required to the CRR each quarter. The remaining escalated risks continue to be held on DRRs and are reviewed by SMT each quarter until it is agreed that mitigation is sufficient for risk ownership to transfer back to the Directorate.

## Issues

### Current Process

7. The Corporate Risk Register and Directorate risk registers respectively consider a set of questions which when answered provide the basis for evaluating the current position of that particular risk (residual risk). This evaluation then provides the platform for considering whether or not the risk level needs to be further reduced, the timeframe for achieving that and any future actions required to either deliver that target risk or maintain the current risk level.
8. The Corporate Risk Register considers the following :
  - **Description of the Risk** – What could go wrong?
  - **Potential impact of the risk materialising** - Service Delivery disruption
  - **Type of impact** – E.g. Financial cost / Service delivery failure
  - **What has been done / achieved currently** - that has impacted on managing / lowering the risk
  - **What action is planned going forward** – that will impact on managing / lowering the risk
  - **Does this risk link in with any other risks – Are there any interdependencies between Corporate risks** E.g. Financial Resilience and Budget Monitoring
  - **What is used to monitor the risk - key measures / indicators** - Evidence
9. The Directorate Risk Registers are presented on a regular basis at the Directorate Management teams and the risk evaluations are considered for appropriateness. Where it is identified that there are risks rated Red or Red / Amber they are escalated to SMT, accompanied by suggested next steps.
10. Each Directorate has at least one Risk Management champion who acts as a liaison with the officers charged with coordinating Risk Management across the Council. There has been good engagement across the directorates but there remain opportunities for improvement. The areas that have been identified for improvement include the following;
  - Risk Reports need to concisely focus and emphasise the impact of any actions undertaken and to be undertaken in managing the risk
  - Ensuring the information and data used to evaluate the residual risk remains appropriate for that risk
  - Increase assurance that risks on the horizon are being brought into Directorate Risk Registers early enough to allow pre-emptive actions to be undertaken
11. Each Director has worked with their Risk Champion(s) to undertake their quarter three risk management review. The Risk Management Team has also provided advice and guidance on the measurement and reporting of risks. The quarter three risk assessments are presented on the Corporate Risk Register Summary Snapshot (Appendix A) and the Detailed Corporate Risk Register (Appendix B).
12. The Risk Management Review process has two tiers (Directorate and Corporate) and the actions at each for quarter three are detailed as follows.

## Directorate Risks

13. At the quarter three position, 255 risks were reported from Directorate Risk Registers.. This reflects a reduction of 18 risks from that reported in Quarter 2. All escalated risks and requests for de-escalation were discussed and approved in SMT on the 10 March 2023. The escalation risk process is adopted to ensure that there is corporate oversight of a coordinated response to potential risks in order to ensure effective mitigations are put in place.
14. It was agreed that sixteen Directorate risks would be taken forward as SMT escalated risks at quarter three. The additional risk is the effective management of Freedom of information/ Subject Access Requests during a period of data being transferred to a new system. Senior Management Team will continue to receive updates on those escalated risks, ten of which are targeted for de-escalation by Q1 2023/24.

<b>Directorates</b>	<b>Directorates Risks</b>	<b>Escalated Risks</b>
Economic Development (inc Waste)	38	3
Education	19	0
Housing & Communities	32	4
Performance & Partnerships	15	1
Adult Social Care	11	2
Children's Social Care	8	5 (1 Shared)
Planning, Transport & Environment	23	0
Resources	94	1
Governance & Legal Services	15	1 (1 Shared)
<b>Total</b>	<b>255</b>	<b>16*</b>

\* Includes 1 shared

## Corporate Risks

15. SMT collectively reviewed the escalated directorate risks and corporate risk updates at the end of quarter three.
16. At quarter three, SMT considered and agreed to a revised residual risk rating of the Financial Resilience corporate risk. This was a change from the previous quarter and reflects both the uncertainty of the external environment and the mitigations that are being undertaken to provide a level of assurance in determining a strategy that delivers sustainable financial resilience to the Council. The Financial risk analysis for Q3 formed part of the comprehensive budget papers that were considered by Cabinet and Council on 2<sup>nd</sup> March 2023 and 9<sup>th</sup> March respectively. In looking towards the medium term, the

budget papers also included the Councils Medium Term Financial Plan, Capital Strategy, Housing Revenue Account and Treasury Management Annexes each of which set out a series of assumptions and a framework within which the Council operates.

17. In respect to the risk of ineffectively managing increasing demand in Children's Services the risk has been reduced for Quarter 3. The reason for the decrease is that the numbers of contacts / referrals has stabilised, numbers of children on the Child Protection register have decreased and numbers of children looked after have not increased at the same rate as referrals. The position will continue to be closely monitored over the forthcoming period through the suite of risk indicators such as Number of people supported by the Family Support Team, Percentage of assessments completed for children within statutory timescales and number of children looked after.

### **Reason for Recommendation**

18. To enable the Governance & Audit Committee to consider how the risk management process is undertaken and provide any comments
- 19.
20. To enable the Governance & Audit Committee to monitor risk management activity and consider the Risk Management Review – quarter three 2022/23.

### **Legal Implications**

21. 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**

22. 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**

23. Governance & 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.

**Chris Lee**  
**Corporate Director Resources**

The following Appendices are attached:

**Appendix A** - Detailed Corporate Risk Register – Q3 2022/23

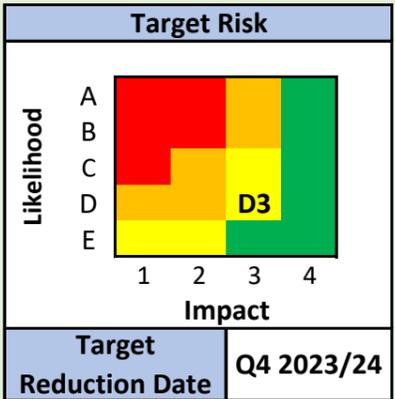
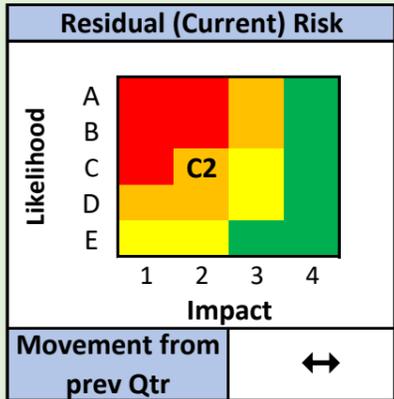
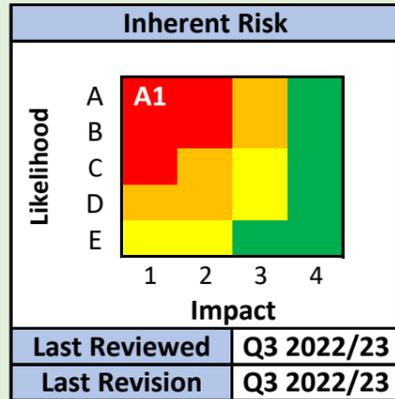
*The following background papers have been taken into account:*

- *Directorate Risk Registers Q3 2022/23*

# Non-completion of Statutory Building Equipment Maintenance

**Description**

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.



**Risk Owner(s)**

Neil Hanratty (Donna Jones)	Councillor Russell Goodway Investment & Development
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**Potential Impact(s)**

Potential consequences of non-compliance with statutory maintenance:

- Fatalities or serious injuries
- Closure of part or whole of facilities with major disruption to service delivery
- HSE interventions and consequential actions including fines and prosecution;
- Significant additional expenditure requiring realignment of Corporate budgets;
- Temporary relocation of staff
- Temporary loss of operational service
- Invalidation of insurance policy
- Serious adverse impact on reputation
- Damage to fabric of building or other equipment

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

**Contractor**

- Building Services have appointed a competent contractor to undertake Statutory Planned Preventative Maintenance (PPM) for which it is responsible. Consequential remedial work identified on test certificates.
- Improved statutory maintenance contracting arrangements in place from Q1 2019/20 inc. use of SFG 20 as specification for statutory obligations testing and new risk based specification for legionella management supported by RAMIS.
- FM competent person(s) review all test certificates, remedial work captured and communicated to client as necessary/applicable
- 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.

**RAMIS IT Software**

- RAMIS implemented across the Council with bi-monthly reporting on statistics to SMT;
- 500 Building Managers have received training in their responsibilities and use for the RAMIS system, including schools estates staff and Head teachers.
- 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.
- 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.

**Corporate Landlord Programme**

- 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. County Estates - Assistant Director appointed October 2020.
- The 'One Front Door' approach was rolled out across the corporate estate by end of Q4 19/20.

**Statutory Obligation Compliance**

- Continue to commission work to undertake required compliance testing (and works required) where Building Services has responsibility to do so, as defined on RAMIS.
- Continue to share testing/remedial performance statistics with all Directorates on a monthly basis.

**COVID-19**

- Following initial restrictions on the type of statutory compliance testing being undertaken in Council buildings a full testing programme is now in place. Access issues to some buildings following the COVID pandemic has caused delays to the undertaking of some testing and remedial works which has impacted upon the compliance statistics (service area responsibilities - target 80%, actual 68%; Building Services responsibilities - target 80%, actual 89%; completion of remedial works - target 50%, actual 74%)
- Resolved remaining access issues to buildings that remained closed following COVID-19 all required statutory obligations testing has resumed and resulting remedial works identified.

**Landlord / Occupancy Agreement**

- Service area / County Estates building management principles established as business as usual in the Corporate Property Strategy 2021-26.
- Ongoing management through the established asset management / county estates controls and business processes

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

Statutory Obligation Compliance

- Continue to commission investigations / work to complete required compliance testing (and works required) in respect of 'gaps' in compliance identified by reports from RAMIS. **ONGOING**
- Complete a review of arrangements in place to contract statutory inspections/maintenance for non-domestic Council premises, which are currently not being commissioned through the Statutory Maintenance Team (team moved to SED pending restructure) **(Q4 23/24)**.

**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>Partnership</li> <li>Community &amp; Environment</li> <li>Stakeholder</li> </ul>
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**Linked Risks**

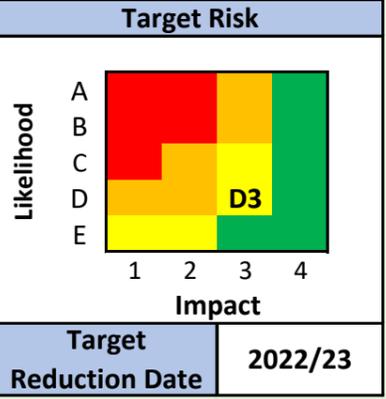
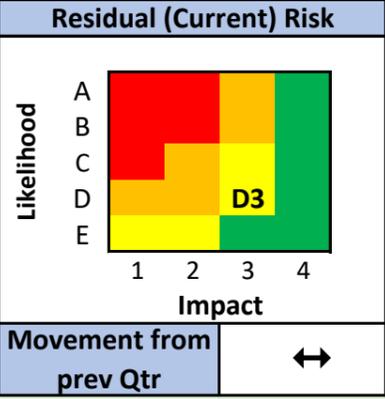
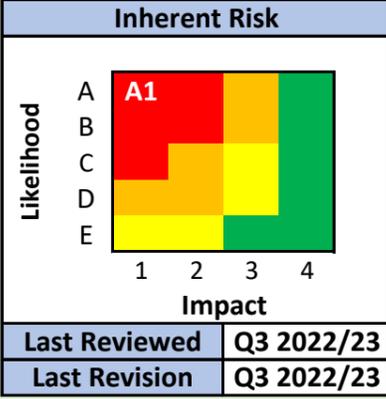
Health & Safety

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

Compliance stats from the Corporate Health & Safety Team.

# 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)**

Neil Hanratty  
 (Donna Jones)

Councillor Chris Weaver  
 Finance, Modernisation and Performance

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

- RAMIS - reporting recommenced using the new platform, reports submitted to Corporate Health & Safety Forum and Senior Management Team.
- Condition Surveys School Buildings - Complete Dissemination of Condition Survey information to schools as and when COVID-19 restrictions permit.
- Due to the continued pandemic H&S and OH resources will continue to be repurposed to support the workforce and limit the transmission of the virus in Council workplaces, as well as setting policy and guidance in relation to infection control and mental health and wellbeing support. From September 2021 the H&S Team resumed normal operations in addition to supporting issues related to COVID-19. In Q4, 2021/22 OH resumed face to face appointments and health surveillance.
- HSE visited 10 Cardiff Schools to review COVID-19 arrangements went well with positive feedback provided and no corrective actions required.
- Procedures to support the safe operation of the fire suppression system in Lamby Way MRF completed and Fire Risk Assessment updated, closing out insurance fire safety improvements.
- Training webinars for building management for community organisations operating Council premises to roll out when COVID-19 restrictions permit.
- Continue Asbestos Training - Online and face to face in line with COVID-19 Safety measures is currently taking place, the Asbestos Team recently gained approval from UKATA to deliver Non-Licensable Asbestos training. Commenced briefing sessions for technical departments and Building Managers to ensure they understand their responsibilities under the Corporate Asbestos Management (CAM) Plan.

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

- Continue to monitor embedding of current controls to reduce the overall risk **ONGOING**

**Potential Impact(s)**

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

**Type(s) of Impact**

- Service Delivery
- Reputational
- Legal
- Financial

**Linked Risks**

Non-completion of Statutory Building Equipment Maintenance

**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.



## 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>				<b>Mel Godfrey</b> (Richard Portas)	<b>Councillor Sarah Merry</b> Deputy Leader & Education, Employment & Skills								
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="background-color: #d9e1f2;">Last Reviewed</td> <td>Q3 2022/23</td> </tr> <tr> <td style="background-color: #d9e1f2;">Last Revision</td> <td>Q3 2022/23</td> </tr> </table>	Last Reviewed	Q3 2022/23	Last Revision	Q3 2022/23	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="background-color: #d9e1f2;">Movement from prev Qtr</td> <td style="text-align: center;">↔</td> </tr> </table>	Movement from prev Qtr	↔	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="background-color: #d9e1f2;">Target Reduction Date</td> <td>Q4 2022/23</td> </tr> </table>	Target Reduction Date	Q4 2022/23		
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Target Reduction Date	Q4 2022/23												
Potential Impact(s)			What we've done/are currently doing to achieve the Residual Risk Rating										
<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 and does not support the new curriculum</li> <li>Risk that in the current situation, learners do not have access to ICT equipment to support distance learning</li> </ul>			<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. SOP reports for Fitzalan, Doyle Avenue, Cathays and St Mary the Virgin have been considered by Cabinet under Band B. Progression of these schemes was delayed as a result of COVID-19 but are now under way. A review of Band B has been completed and identified the priority projects to progress. Further work is required to establish Band C priorities.</li> <li>A draft strategic plan for ALN provision has been submitted to Cabinet in October 2021.</li> <li>Successfully negotiated COVID-19 clauses with contractors for ongoing projects such as Fitzalan.</li> <li>Work is ongoing to make sure that all learners have access to digital devices, network and infrastructure to support mobile and distance learning.</li> <li>Robust governance model, in line with Corporate Landlord approach is in place and is supporting consistent decision making.</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. The Council is considering additional asset funding in light of the pressing needs.</li> <li>Implementing more robust management and monitoring processes for the asset improvement programme, including the three "D" category High Schools, Fitzalan, Cantonian and Willows.</li> </ul>										
Type(s) of Impact			What we plan to do to meet target										
<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>Develop a high level SOP Strategy that outlines the short/ medium and long term aims of the whole programme. The SOP Strategy will be underpinned by the ongoing Band B review. Q4 22/23</li> <li>Strengthening of the capacity of the SOP team critical to ensuring effective delivery of the different elements of the programme. Developing capacity includes ensuring that corporate colleagues in departments including legal, strategic estates, capital projects, ICT, planning and highways and transportation are available. Q4 22/23</li> <li>Prioritise population data development to underpin accurate projections and forecasts for existing resident populations and to support effective s106 negotiations going forward. Ongoing</li> <li>Ensure consistent monitoring and reporting of all risks to Schools Programme Board. Ongoing</li> <li>Continue to move forward with digital projects to support distance and mobile learning and embed into a long term and sustainable model. Ongoing</li> <li>Starting to develop the WESP for the Council to meet the policy requirements. Ongoing</li> </ul>										
Linked Risks			Key Indicators / Measures used to monitor the risk										
			<ul style="list-style-type: none"> <li>Spend against the asset programme 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>										

## 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>				<b>Mel Godfrey</b> (Neil Hardee)	<b>Councillor Sarah Merry</b> Deputy Leader & Education, Employment & Skills								
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	<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>As at 31st March 2022, two schools have a deficit balance. Both schools have long term plans to emerge from deficit. For the 2022/23 financial year, four schools applied to set deficit budgets.</li> <li>The Education Directorate receives regular detailed budget monitoring reports from the LA Financial Services team and manages its budgets within the parameters set by the LA.</li> <li>There is good engagement with schools on financial issues through the well established School Budget Forum arrangements with all papers and meeting agenda and minutes made available on the Council's website.</li> <li>There is an agreed protocol for dealing with schools in deficit and the LA has agreed local parameters for managing schools surplus balances. These were temporarily amended at the end of the 2020/21 financial year to take account of the increased level of balances following the distribution of grants from Welsh Government in March 2021.</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>A working group was established to examine the impact of the 2021/22 budget settlement for schools, with the aim of reviewing the formula used to distribute school funding and the assumptions underpinning the medium term financial planning process. A report on the conclusions and recommendations from the task groups has been presented to the School Budget Forum.</li> <li>The LFMS team have undertaken an exercise to project from each schools Month 7 position an estimated year end balance. Given the higher than expected pay awards for both teaching and non teaching staff initial projections indicate that there may be as many as 31 schools ending the financial year in deficit and a significant proportion of schools would reduce their unallocated balance.</li> </ul>			<p>There has been a significant reduction in the number of schools with deficit budgets. This is currently two schools. The Directorate will:</p> <ul style="list-style-type: none"> <li>Continue to work with schools projecting a deficit following the LFMS exercise in Q4 2022/23</li> <li>Work with Financial Services to explore whether the LA is able to make a contribution to schools towards the higher than budgeted for pay award costs Q4 2022/23</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> <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>	<ul style="list-style-type: none"> <li>As at 31st March 2022, two schools have a deficit balance. Both schools have long term plans to emerge from deficit. For the 2022/23 financial year, four schools applied to set deficit budgets.</li> <li>The Education Directorate receives regular detailed budget monitoring reports from the LA Financial Services team and manages its budgets within the parameters set by the LA.</li> <li>There is good engagement with schools on financial issues through the well established School Budget Forum arrangements with all papers and meeting agenda and minutes made available on the Council's website.</li> <li>There is an agreed protocol for dealing with schools in deficit and the LA has agreed local parameters for managing schools surplus balances. These were temporarily amended at the end of the 2020/21 financial year to take account of the increased level of balances following the distribution of grants from Welsh Government in March 2021.</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>A working group was established to examine the impact of the 2021/22 budget settlement for schools, with the aim of reviewing the formula used to distribute school funding and the assumptions underpinning the medium term financial planning process. A report on the conclusions and recommendations from the task groups has been presented to the School Budget Forum.</li> <li>The LFMS team have undertaken an exercise to project from each schools Month 7 position an estimated year end balance. Given the higher than expected pay awards for both teaching and non teaching staff initial projections indicate that there may be as many as 31 schools ending the financial year in deficit and a significant proportion of schools would reduce their unallocated balance.</li> </ul>			<p>There has been a significant reduction in the number of schools with deficit budgets. This is currently two schools. The Directorate will:</p> <ul style="list-style-type: none"> <li>Continue to work with schools projecting a deficit following the LFMS exercise in Q4 2022/23</li> <li>Work with Financial Services to explore whether the LA is able to make a contribution to schools towards the higher than budgeted for pay award costs Q4 2022/23</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>	<p>Linked risk to Covid 19 issues particularly with regard to decrease in income, impact on grants and inability to manage staffing changes.</p>			<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>									

## Education - School Improvement & Attainment

Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)									
<p>The risk that school improvement is not delivered as planned, in light of changing accountability and assessment arrangements and National Reforms (Curriculum and Additional Learning Needs).</p>				<b>Mel Godfrey</b> (Mike Tate)	<b>Councillor Sarah Merry</b> Deputy Leader & Education, Employment & Skills								
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Target Reduction Date	Q4 2022/23												
	<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>Education and Lifelong Learning is supporting schools across the city in returning 'back to normal' operations where possible, moving forward with the new processes that have been embedded over the past two years. The LA is providing continued support to schools to ensure that pupils sitting summer exams have the best possible environment to achieve their best.</li> <li>The LA and CSC are supporting schools to prepare to introduce Curriculum for Wales 2022. There is flexibility in implementing the curriculum considering challenges faced as we continue to manage the pandemic and with ongoing operational issues faced by schools.</li> <li>Estyn concluded in their full inspection of Cardiff Education Services in February 2022 that there has been a sustained and incremental improvement in Cardiff Education in recent years. Inspection outcomes are strong, especially in the primary sector. Outcomes for outcomes for pupils across key stage 4 have been above or well above expectations in the majority of schools in the three years up to the pandemic. Outcomes for pupils that are eligible for free-school meals (efsm) has generally been above that of the same group nationally.</li> <li>Estyn noted that the LA has established strong working relationships with the regional consortium and there are robust processes for the support and challenge to schools causing concern.</li> <li>School inspections have resumed in Q4, with a number already under way, these include school inspections that were delayed as a result of COVID-19, with additional schools scheduled for May and June of this year.</li> </ul>			<ul style="list-style-type: none"> <li>Following the November '21 Inspection, Estyn recommended that the LA ensures that the work of the regional consortium (CSC) is focused appropriately on Cardiff's strategic priorities. Actions to align the work of the LA and CSC more closely will be carried forward into the new Directorate Delivery Plan. Q4 2022/23</li> <li>Closely monitor school exclusions and school attendance, paying particular attention to investigating alternatives to exclusions on a case-by-case basis; also by providing further support to families as well as making sure they are more involved in the process. ONGOING</li> <li>Work with CSC to provide support to schools to develop teaching and learning approaches in line with Curriculum for Wales 2022 and prepare for new assessment arrangements. ONGOING</li> <li>Continue to support schools to prepare for ALN Reform including developing effective systems for quality assuring IDPs and IDP reviews. Q4 2022/23</li> <li>Enhance processes for All Schools Risk monitoring and Schools Causing Concern. Enhanced governance of ASR and SCC processes reporting each half term to Cabinet Member and CEX. Q4 2022/23</li> <li>Develop the Team Around the School approach, which is currently being piloted in the East and West of the city, to ensure that integrated support is offered to schools where there are specific concerns. Q4 2022/23</li> </ul>									
<b>Potential Impact(s)</b> <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> </ul> Impact on Estyn judgements Value for money - CSC													
<b>Type(s) of Impact</b> <ul style="list-style-type: none"> <li>Reputational</li> <li>Legal</li> <li>Financial</li> </ul>	<b>Linked Risks</b>		<b>Key Indicators / Measures used to monitor the risk</b>										
			KS4 2018/19 School Performance, Outcomes from Estyn Inspections up to 2020.										

## Ensuring Access

**Description**

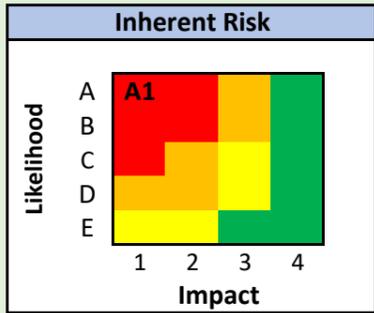
Failure to meet our statutory requirements to provide education to all learners of statutory school age, in particular those with Additional Learning Needs associated with Emotional Health and Wellbeing. Associated safeguarding risks due to vulnerable children not being at school, financial risks due to escalating costs of placements and reputational risk to the Council, evidenced by increasing volume of complaints.

**Potential Impact(s)**

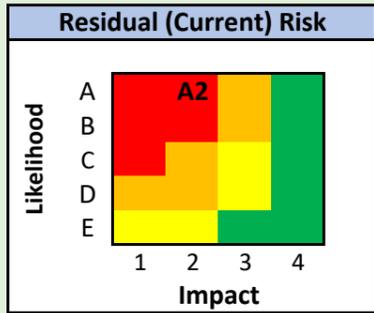
Increase in OOC spend. Children not in education pending identification of suitable ALN provision. Children and young people who are not in an environment where they can be safeguarded could be at risk of significant harm. Outcomes for young people who requiring provision for their ALN related to EHW do not improve and face difficulties in making a positive transition Post 16. Young people with complex mental health needs do not receive psychological support. Children not in education whilst parents attempt to secure places of choice. Financial impact of providing temporary accommodation. Reputational risk due to public interest groups protesting about available places.

**Type(s) of Impact**

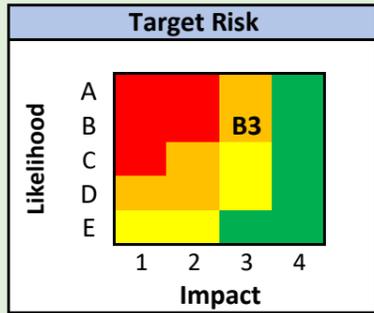
Safeguarding   Legal   Financial  
Social   Reputational



Last Reviewed Q3 2022/23  
Last Revision Q3 2022/23



Movement from prev Qtr ↔



Target Reduction Date Q1 2023/24

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

- An emergency plan has been created to identify the Phased Process steps to provide a timeline for weekly review at EMT
- Review of pupils who are not in provision to identify specialist provision to accommodate their needs
- An emergency financial plan has been created to highlight the cost of providing the statutory provision

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

- Phase 1: Urgent Initial Steps
- Step 1: Spot purchasing – Horizon
  - Begin scope and purchase of places to appoint places to those most in immediate need. Begin making use of 'Collective decision making' when moving to Panel. January 2023
  - Step 2: LA Capacity Model – Basic Plan
  - Put together a basic plan for building our own capacity taking into consideration the Horizon Model. Plan to include Scope, Staff, Timescales, Location and Management. February 2023
  - Step 3: Complex Learning Needs
  - Confirm extra capacity for September 2023. Q4 2022/23
  - Update on current places and review predicted numbers for next Academic Year. Q4 2022/23
  - Step 4: Identify Appropriate Primary locations with EHWB for 2 classes (7/8 pupils each) March 2023
  - Hold discussion with Headteachers at Baden Powell, Pen Y Bryn and provide feedback and next steps. Q4 2022/23
- Phase 2: Parallel Process
- Step 1: Work with External Providers
  - Begin conversation and process with Procurement to specify how to correctly progress with utilising external providers. (ID providers) Q4 2022/23
  - Establish a 'Best Approach' by testing the market, scope the current provision. Ongoing
  - Establish a list of possible sites, buildings and areas that will meet appropriate need, to lease for the next 5 years at least.
  - Step 2: Building our Capacity
  - Open a new purpose-built Pupil Referral Unit and Carnegie Centre. September 2023
  - Engage with providers and scope of partnerships across the city to incrementally increase places: PRU = 48 places and Carnegie = 48 Places September 2023
  - Long term vision - Establish basic Budget Plan for operational capacity and Establish basic long term Management Board plan. April 2023
  - Develop New post – to include scope of role and vision, structure, costs and benefits within the role. September 2023
  - Look to use the Executive Head Model with 2 Heads of Centre and 1 joint Management Board. Q4 2022/23
- Phase 3: Approval
- Agreed Actions - Reporting on progress to EMT - Breakdown - Lead officer(s)
  - Step 1: Link to Greenhill Paper Highlighting COVID implications, stresses on the system and gaps in provision, also highlighting long term cost implications as things stand. Q4 2022/23
  - Step 2: Link to COVID Impact Paper Highlight the added stresses to these school places as a result of COVID, general state of heightened anxiety for young pupil and dangers of Young People not in provision at all. Q4 2022/23
  - Step 3: Prepare Cabinet Briefing Paper – Lead to political Engagement Add date
  - Prepare a paper to outline the vision for Special School Places and provision long term Q4 2022/23

**Risk Owner**

Mel Godfrey

Councillor Sarah Merry  
Deputy Leader &  
Education, Employment & Skills

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

- Phase 1: Urgent Initial Steps
- Step 1: Spot purchasing – Horizon
  - Begin scope and purchase of places to appoint places to those most in immediate need. Begin making use of 'Collective decision making' when moving to Panel. January 2023
  - Step 2: LA Capacity Model – Basic Plan
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**Linked Risks**

Risk to relocation of vulnerable children to Cardiff as part of Children's Services

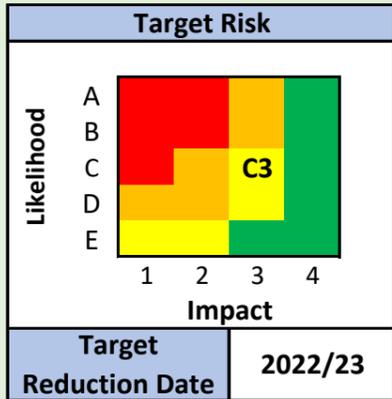
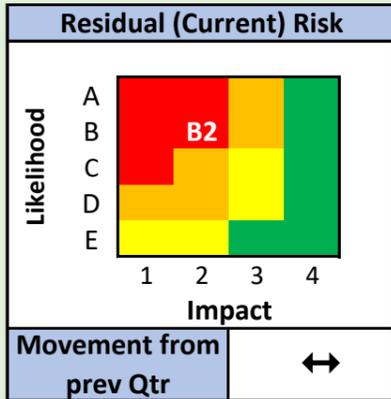
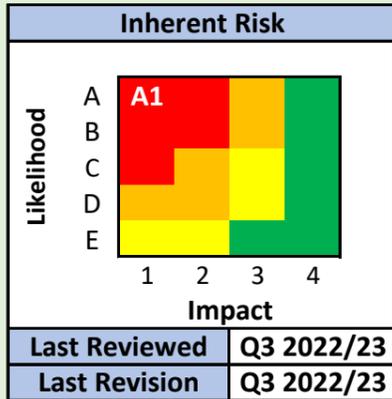
**Key Indicators / Measures used to monitor the risk**

Numbers of Children Not In Education Provision   Out of County Placement Spend

# Air Quality & Clean Air Strategy

**Description**

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.



**Risk Owner(s)**

**Andrew Gregory**  
(Jason Bale)

**Councillor Caro Wild**  
Climate Change

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

RESIDUAL RISK RATING AFTER CURRENT CONTROLS BELOW - B2 = LIKELY/ SIGNIFICANT

Monitoring

- Non-automatic nitrogen dioxide (NO<sub>2</sub>) monitoring sites at 136 locations.
- Data includes monitoring at schools as part of the TRO pilot projects at schools
- There are three live 24/7 monitoring stations:
  - Cardiff Frederick Street: measuring levels of NO<sub>2</sub>, PM<sub>10</sub> & PM<sub>2.5</sub>, SO<sub>2</sub>, CO and O<sub>3</sub>
  - Richard's Terrace, Newport Road: measuring levels of NO<sub>2</sub> & PM<sub>10</sub>
  - Castle Street measuring levels of NO<sub>2</sub> PM<sub>10</sub> and PM<sub>2.5</sub>
- 7 near real time indicative automatic analysers located predominantly in Cardiff's City Centre (5), one in Llandaff within the established AQMA and one in Canton on Landowne Road. These sites measure on a 24/7 basis, continuously monitoring for Nitric Oxide, Nitrogen Dioxide, Ozone, PM<sub>10</sub> & PM<sub>2.5</sub>, and does so every 15 minutes
- Vortex to install up to 46 indicative low cost sensors – final positions have now been confirmed and installation is taking place in Q4 22/23 this has been funded through One Planet Cardiff.

Air Quality Management Areas (AQMA's)

- Cardiff has 4 existing declared Air Quality Management Areas (AQMA's) all as a result of elevated NO<sub>2</sub> concentrations from road traffic emissions.

Clean Air Plan

- Provisional annual average for Castle Street was is 33.8 µg/m<sup>3</sup> for NO<sub>2</sub> for 2022.
- Interim Castle Street Option still being implemented
- Mitigation measures to be detailed to WG if annualised results exceed agreed two threshold values of 35 µg/m<sup>3</sup> and 38 µg/m<sup>3</sup>.
- Construction of Ph1 City Centre West scheme (Wood St & Central Square) – ongoing due completion Q4 22/23.
- Completion of Bus Retrofitting Programme of 49 buses – buses have been fitted with exhaust technology which reduces NO<sub>x</sub> emissions from the buses by 90%
- Further assessment works for permanent scheme for Castle Street are progressing. Transportation modelling completed end of December. This will allow updated detailed air quality modelling to be completed in January 2023. Ongoing discussions with WG on Castle Street Options in terms of agreement for timescales / funding.

Taxi Scheme

- 5 WAV EV taxis - Concession agreement contract with Days Hire Limited to facilitate leasing of vehicles. Welsh Gov has agreed to establish a T&F group to assess how better the taxi lease scheme can be taken up due to failure of uptake. Still not leases taken up as of end of Dec 22

Clean Air Strategy and Action Plan - A wider Clean Air Strategy and Action Plan has been developed to satisfy the requirements of LAQM. The strategy includes measures that will likely provide further AQ improvements including AQMA's.

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

TARGET RISK RATING AFTER ACTIONS BELOW - C3 = POSSIBLE/ MODERATE

'Implement Clean Air Plan

- Package of measures as detailed in Final Plan:
- Further assessment on Castle Street to undertake more detailed modelling on revised scheme - ongoing dialogue with WG re timescales with proposed dates set out as follows:
  - Jan 2023 Completion of data/modelling assessment, identification of preferred option and production of a Cabinet Report for decision in March/April.
  - May 2023 Complete the tender process and New Cabinet Paper (to award Tender)
  - June 2023 On site (with the road closed - this will be achieving compliance)
  - June 2024 Castle St scheme completed

Clean Air Strategy and Action Plan

- Roll out of measures (subject to grant bids/ funding)
  - Pilot project Non Idling Zones – Work with WG and Active travel team on potential, targeted around schools – Q4 2022/23
  - Living Walls and other Green Infrastructure – Q1-Q4 2022/23 ongoing work with two new Green Wall Projects in conjunction with colleagues in Parks -Ysgol Mynydd Bychan and Birchgrove Primary Green wall project. This is in addition to ongoing monitoring of two other green wall projects at Kitchener Primary School and Dusty Forge Centre.
    - Progression of EV Infrastructure - Q2-Q4 2022/23
    - Update Air Quality Planning Guidance
    - Schools Active Travel - Q1-Q4 2022/23 continued support on TRO projects and expansion of project.
    - Behavioural Change Promotion, Consolidation of a dedicated Behavioural Change Programme linked to the Behavioural Change Strategy to be developed for One Planet Cardiff.

Review of Clean Air Strategy and Action Plan in 2023/2024

**Potential Impact(s)**

**Health & Safety**

- No improvement to health
- Increased burden on health care
- Further deterioration of related health conditions

**Legal & Regulatory / Financial**

- Breach of legal / statutory requirements
- Potential significant financial penalty

**Type(s) of Impact**

- Health
- Regulatory
- Financial
- Strategic
- Reputational

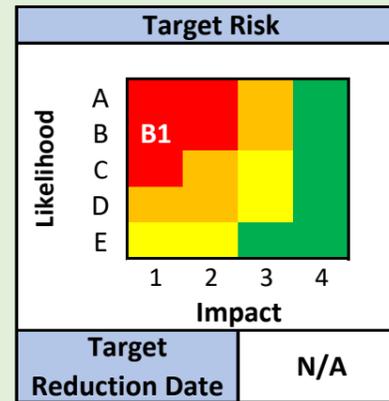
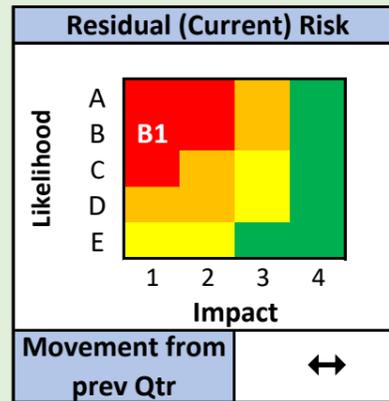
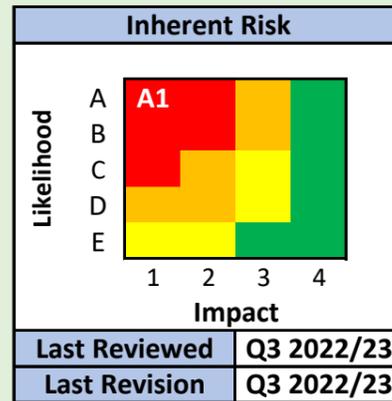
**Linked Risks**

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

- Implementation Plan for measures (funding dependent)
- Monitoring and Evaluation Plan for Clean Air Plan
- Ongoing monitoring and reporting under LAQM

# City Security

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



**Risk Owner(s)**

Chris Lee  
(Gavin Macho)

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
- Areas protected against the threat of hostile vehicles include the Principality Stadium, St Mary Street, Queen Street, St David's Dewi Sant and 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

The Cardiff Council Protective Security Preparadness Group (PSPG) as chaired by the Chief Executive remains the focus for the Protect Duty. This Duty is now being prepared to go through the current Parliamentary programme.

The Home Office is to run an event on line on the 1st March to brief the UK on the delivery programme for the Protect Duty and how it will work.

On the 18 January National Counter Terrorism Organisation (NACTSO) along with Counter Terror Police Wales (CTPW) the Cardiff Resilience Unit (CRU) and For Cardiff delivered a briefing for South East Wales and the West on where we stand currently in relation to Counter Terrorism in the UK.

All the indications of the NACTSO briefing delivered on the 18th showed that CTPW, CRU and partners are on track to produce a process that will ensure the Duty can be delivered successfully.

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

- The PSPG Chair has commissioned a Director led review across all relevant Service areas to assess current operational and tactical arrangements for City Security to see if they are effective. All opportunities for improvement to captured and costed. **ONGOING**
- The PSPG is broadening its remit by taking on a more comprehensive portfolio of security issues inclusive of Cyber Security, Insider threat and personal security. Training and development being planned, projects managed at director level. **ONGOING**
- Consideration to be given to incorporating structured and strategic conversations about security and counter terrorism into pre application stage of major developments. **ONGOING**
- The PSPG will try to engage with Government to find funding to improve and develop Cardiff's security arrangement. Shovel ready projects ready to go. **ONGOING**
- Q4** The Security Partnership will develop training and awareness products for City Centre Partners.

**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

# Climate Change & Energy Security

Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)
<p>Cardiff is 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.</p>	<p style="text-align: center;">Likelihood</p> <p style="text-align: center;">Impact</p> <p style="text-align: center;">Last Reviewed Q1 2022/23 Last Revision Q1 2022/23</p>	<p style="text-align: center;">Likelihood</p> <p style="text-align: center;">Impact</p> <p style="text-align: center;">Movement from prev Qtr ↔</p>	<p style="text-align: center;">Likelihood</p> <p style="text-align: center;">Impact</p> <p style="text-align: center;">Target Reduction Date 2022/23</p>	<p><b>Andrew Gregory</b></p> <p><b>Councillor Caro Wild</b> Climate Change</p>
Potential Impact(s)	What we've done/are currently doing to achieve the Residual Risk Rating			What we plan to do to meet target
<p><b>Flood &amp; Storm</b></p> <ul style="list-style-type: none"> <li>• Loss of life and risk to life</li> <li>• Direct damage to property, utilities and critical infrastructure</li> <li>• Blight of Land and Development</li> <li>• Disruption to service delivery</li> <li>• Contamination and disease from flood and sewer water and flood on contaminated land</li> <li>• Increase in health issues</li> <li>• Break up of community and social cohesion</li> <li>• Increase cost of insurance</li> <li>• Migration of ecosystems</li> <li>• Inconsistent energy supply</li> <li>• Increased costs</li> <li>• Inability to deliver public services</li> <li>• Decrease in economic output</li> <li>• Disruption to the supply of utilities</li> <li>• Increased fuel poverty</li> </ul>	<p>The Council has declared a Climate Emergency and instigated a One Planet Cardiff Strategy as its strategic response to this.</p> <p>The following specific risk areas have been identified:</p> <ul style="list-style-type: none"> <li>• COASTAL EROSION (see separate tab for details)</li> <li>• FLOODING</li> <li>• EXTREME WEATHER</li> <li>• ENERGY SECURITY &amp; DECARBONISATION</li> <li>• BIODIVERSITY</li> </ul>			<ul style="list-style-type: none"> <li>• Develop strategic response to the Climate Emergency Declaration to incorporate carbon neutral target.</li> <li>• See separate tabs for details</li> <li>• COASTAL EROSION</li> <li>• FLOODING</li> <li>• EXTREME WEATHER</li> <li>• ENERGY SECURITY &amp; DECARBONISATION</li> <li>• BIODIVERSITY</li> </ul>
Type(s) of Impact	Linked Risks	Linked Documents	Key Indicators / Measures used to monitor the risk	
<ul style="list-style-type: none"> <li style="width: 50%;">• Service Delivery</li> <li style="width: 50%;">• Health &amp; Safety</li> <li style="width: 50%;">• Reputational</li> <li style="width: 50%;">• Partnership</li> <li style="width: 50%;">• Legal</li> <li style="width: 50%;">• Community &amp; Environment</li> <li style="width: 50%;">• Financial</li> <li style="width: 50%;">• Stakeholder</li> </ul>	<ul style="list-style-type: none"> <li>Coastal Erosion</li> <li>Air Quality</li> <li>Business Continuity</li> </ul>	<ul style="list-style-type: none"> <li><a href="https://www.evaccardiff.co.uk/">https://www.evaccardiff.co.uk/</a></li> <li><a href="https://www.cdp.net/en">https://www.cdp.net/en</a></li> </ul>	<ul style="list-style-type: none"> <li>Storm Events that meet silver &amp; gold emergency intervention</li> <li>Annual number of flooded properties and severity (statutory reporting)</li> <li>Energy use / renewable energy production of Cardiff Council</li> </ul>	

## Climate Change - Biodiversity

Description		Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)		
<p>Cardiff is 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.</p>					<p><b>Andrew Gregory</b> (Simon Gilbert/ Jon Maidment)</p>	<p><b>Councillor Caro Wild</b> Climate Change</p>	
Potential Impact(s)		Last Reviewed		Target Reduction Date			
<p>• Loss of biodiversity leads to reduction in ecosystem resilience, and reduction in ecosystem resilience will compromise the provision of ecosystem services. These are the services or benefits which we gain from the natural environment.</p> <p>• Ecosystem services include climate change mitigation and adaptation.</p> <p>• Climate change mitigation includes the sequestration and storage of carbon by plants, especially long-lived species such as trees. Reduction of this ecosystem service makes it harder to reduce net carbon emissions. Annually Cardiff's trees (not including other aspects of green infrastructure) provide ecosystem services worth £3.31 million, of which £1.9 million is in carbon storage and sequestration (iTree Study, Sept 2018).</p> <p>Climate change adaptation services include storm water attenuation by vegetation and reduction of surface water volume through evapotranspiration</p> <p>Trees, green walls and green roofs allow cooling and shading, thereby mitigating the urban heat island effect which may become more prevalent with a warmer climate.</p> <p>• Hotter summers also increase risk of aerial pollution through air stagnation, and green infrastructure can remove certain pollutants from the air as well as having a cooling effect.</p> <p>• The National Priorities of the WG Natural Resources Policy include 'Delivering Nature-based Solutions'. Failure to ensure protection of biodiversity and ecosystem resilience risks failure to deliver these nature-based solutions, which include climate change mitigation and adaptation.</p>		<p><b>Q3 2022/23</b></p>	<p><b>Q3 2022/23</b></p>	<p><b>2022/23</b></p>			
		Last Revision		Movement from prev Qtr			
		<p><b>Q3 2022/23</b></p>	<p>↔</p>				
What we've done/are currently doing to achieve the Residual Risk Rating							
<ul style="list-style-type: none"> <li>• Cabinet Report of 14/10/21 Recommended the Council sign the Edinburgh Declaration.</li> <li>• Developed a Biodiversity and Resilience of Ecosystems Duty Forward Plan, to implement the statutory duty to seek to maintain and enhance biodiversity and in doing so to promote ecosystem resilience.</li> <li>• Undertaken an 'iTree-Eco' study to look at the value of trees in terms of the ecosystem services that they provide.</li> <li>• Working with neighbouring Local Authorities through the Local Nature Partnership Cymru project to share ideas and best practise for enhancing biodiversity across the City and identifying opportunities for cross-boundary projects to improve habitat and species connectivity and increase ecosystem resilience.</li> <li>• Contributed to the Central South Wales Area Statement recently published by Natural Resources Wales.</li> <li>• In September 2021 the Council agreed the Vision, Issues and Objectives for the new LDP.</li> </ul> <p>Objective 10 is: "To ensure the resilience of ecosystems by protecting and enhancing Cardiff's Green and blue Infrastructure, its biodiversity and other natural assets."</p> <ul style="list-style-type: none"> <li>• The Coed Caerdydd Project has also resulted in further officer resource to support volunteer activity relating to tree planting and maintenance / aftercare and whereby grant funding has enabled the appointment of a Volunteer Co-ordinator on a fixed term contract up until July 2023.</li> <li>• Funding secured for addition Grade 9 Principal Planner Ecologist/Green Infrastructure post in the Planning Service. However, recruitment of replacement G7 Planner (Ecology) failed to find suitable candidates in Q4 2021/22.</li> <li>• External Consultants appointed temporarily to provide expert ecological advice for planning applications as an interim measure to deliver regulatory planning functions</li> <li>• Further funding has been obtained which has resulted in the LNP Co-ordinator post being extended at full time hours up until 31/3/23. This funding has also enabled the creation of a temporary Community Ranger Post until 31/3/23 to assist with the delivery of Local Places for Nature funded Projects.</li> </ul>							
What we plan to do to meet target							
<ul style="list-style-type: none"> <li>• Review the Cardiff Local Development Plan including review of Designations and updated Habitat Regulations Assessment - Q4 2022/23</li> <li>• Deliver an enhanced tree planting programme for 2022/23 provisional planting numbers of 25,000 trees and hedging plants, with the inclusion of land in private ownership to be completed by 31/3/23 - Q4 22/23</li> <li>• Update the Cardiff Biodiversity and Resilience of Ecosystems Duty Forward Plan, including the Action Plan, in 2022 in line with legislative requirements - Q4 2022/23</li> <li>• Recruitment of Principal Ecologist and vacant Planner (ecology) post - Q4 2022/23</li> <li>• Officer attendance at all Wales Planning and Diversity Forum - Q1, Q2, Q3, Q4 2022/23</li> <li>• Regular meetings of Council "Green Infrastructure Officer Group" including colleagues from Planning, Parks, Drainage, and Public Rights of Way - ONGOING</li> <li>• Seek opportunities for partnership working under the 5 main themes of the South Wales Area Statement (building resilient ecosystems, working with water, connecting people with nature, improving our health, improving our air quality). - Q4 2022/23</li> <li>• Develop the local Nature Recovery Action Plan through the Local Nature Partnership (LNP) - Q4 2022/23</li> <li>• Discussions between the Council, Welsh Government and the Wales Council for Voluntary Action concerning LNP grant funding for a further 2 years is ongoing. - Q4 2022/23</li> </ul>							
Type(s) of Impact		Linked Risks		Linked Documents		Key Indicators / Measures used to monitor the risk	
<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>		<ul style="list-style-type: none"> <li>Coastal Erosion</li> <li>Air Quality</li> <li>Business Continuity</li> <li>Energy decarbonisation</li> </ul>		<ul style="list-style-type: none"> <li><a href="https://www.evaccardiff.co.uk/">https://www.evaccardiff.co.uk/</a></li> <li><a href="https://www.cdp.net/en">https://www.cdp.net/en</a></li> </ul>	<p>Extent of Green Infrastructure in the City.</p>

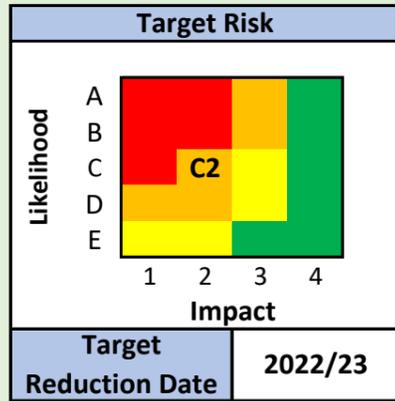
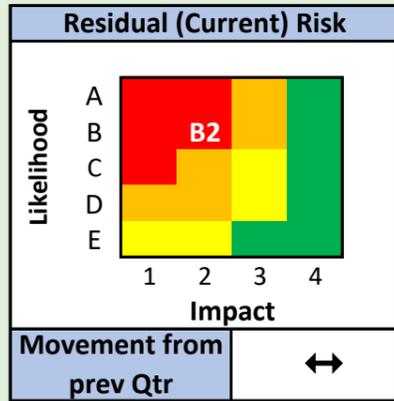
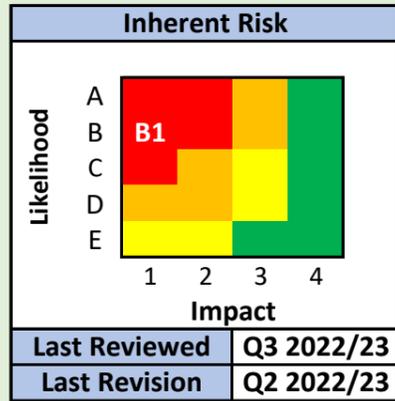
# Climate Change - Energy Security & Decarbonisation

**Description**  
Cardiff is 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.

**Potential Impact(s)**

- Energy security (energy efficiency & decarbonisation of supply)**
- Inconsistent energy supply
  - Increased costs
  - Inability to deliver public services
  - Decrease in economic output
  - Disruption to the supply of utilities
  - Increased transport costs
  - Increased costs for heating / providing services to buildings
  - Increased fuel poverty

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**Risk Owner(s)**

<b>Andrew Gregory</b> (Gareth Harcombe/ Liz Lambert)	<b>Councillor Caro Wild</b> Climate Change
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**What we've done/are currently doing to achieve the Residual Risk Rating**

- Energy security (energy efficiency & decarbonisation of supply)**
- Climate Emergency Declared by Council
  - Council approved the final "One Planet Cardiff" Strategy on October 14th 2021 which addresses the Climate emergency and sets a pathway to a carbon neutral Council by 2030.
  - Established internal and external partnership and governance boards to steer our response to the climate emergency.
  - Energy efficiency measures being installed through Re-Fit and Salix projects - Now managed by FM
  - Phase 2 of Re-Fit project finalised and going through due diligence with Salix funding organisations - Schools focus for this tranche
  - NPS Consortium approach to purchasing energy to secure best prices - continuing by Economic Development
  - Lamby Way solar farm complete including the private wire connection to the Welsh Water Waste Treatment Works.
  - District Heat Network - Construction commenced on site in Jan 22 with a 3 year programme to completion
  - Carbon baselining and impact modelling reported to Welsh Govt and included in One Planet Cardiff. This has been used to inform the priorities in the action plan and progress will be monitored and reported annually.
  - Scoping additional carbon reduction projects for future action as part of the One Planet Cardiff project with key target areas confirmed in the One Planet Cardiff Action Plan
  - Delivering Low Emission Transport Strategy - approved April 2018 and implementation of action plan underway:
    - first tranche of residential chargers delivered, and second tranche now finalised
    - WG funding secured to install EV chargers at council buildings for small fleet vehicles
    - ULEVTF funding secured to install charging infrastructure in car parks and additional in-year funding awarded to implement Rapid charging infrastructure at Lamby Way depot for 12 electric refuse collection vehicles, and to engage consultant/ specialist to scope/design & specification for renewable connection & switch gear to produce green energy from landfill gas and/or the solar farm.
  - Working with the Cardiff City Region to develop a new domestic retrofit grant scheme using Energy Company Obligation funding. Plans for a major energy retrofit of council owned low-rise domestic blocks also in preparation and Welsh Government ARBED grant funding being targetted at "Hard to Treat" steel framed properties for implementation later this year.
  - OPC commits to a long term strategy for public engagement and behaviour change to build public resilience and positive action through advice and guidance and based on best practice and observed impact of initiatives elsewhere. This work is guided by advice from the Centre for Climate Change & Social Transformations (CAST) .

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

- Energy security (energy efficiency & decarbonisation of supply)**
- Implement and monitor the One Planet Cardiff Strategy with carbon reduction targets and associated action plan for delivery over the to 2030 - Overall target March 2030 with specific project based targets stated in the detailed action plan **ONGOING**
  - Implement "Mission Statements" to secure low/zero carbon development and retrofit in the Council's Estate - (Strategic Estates/ Schools/ Housing) by **2024**
  - Promote and implement the approved policy position to guide new private sector development in the city - Ongoing - Relates to the Planning/development control process **ONGOING**
  - Complete Phase 1 of the Cardiff District Heat Network – by **Q4 2023/24**
  - Develop a pipeline of new renewable generation assets for cabinet approval in 22/23 - by **Q4 2022/23**
  - Seek ways to accelerate housing energy efficiency and retrofit schemes across the city and possibly the region as part of the One Planet Cardiff project - Develop options and a position paper by **Q4 2022/23**
  - Electric Vehicle strategy - Proposals to convert council fleet to electric being reviewed/ assessed to allow for impact of Covid-19 and changes to requirements/ working practices **ONGOING**
  - Integrate sustainable travel and energy efficiency thinking into the new proposals for Hybrid Working - Hybrid working policy expected by **Q4 2022/23** (Economic Development lead)

**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>• Partnership</li> <li>• Community &amp; Environment</li> <li>• Stakeholder</li> </ul>
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**Linked Risks**

Coastal Erosion  
Air Quality  
Business Continuity

**Linked Documents**

<https://www.evaccardiff.co.uk/>  
<https://www.cdp.net/en>

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

Energy use / renewable energy production of Cardiff Council

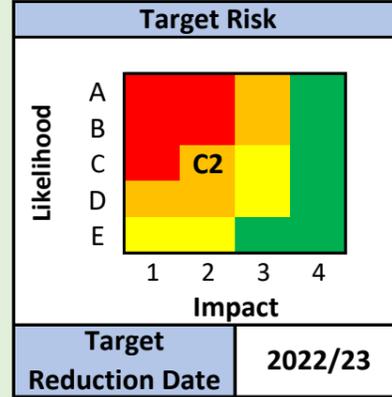
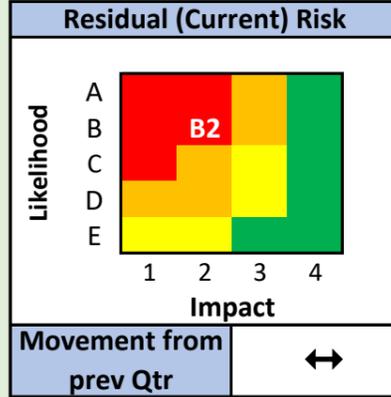
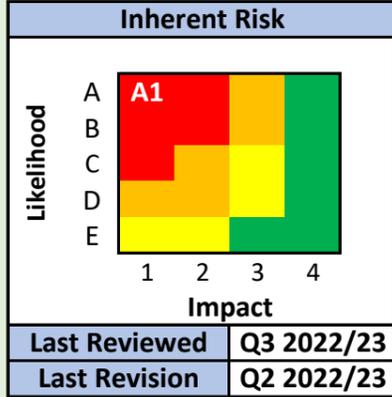
# Climate Change - Extreme Weather

**Description**  
Cardiff is 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.

**Potential Impact(s)**

- Loss of life and risk to life
- Damage to infrastructure & utilities
- Service delivery
- Increase in health related issues including air quality
- Blight of development
- Migration of ecosystems

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**Risk Owner(s)**

<b>Andrew Gregory</b> (EMU/Gary Brown)	<b>Councillor Caro Wild</b> Climate Change
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**What we've done/are currently doing to achieve the Residual Risk Rating**

**The Council has declared a Climate Emergency**

**Extreme Heat**

- Working with Partners in the LRF to warn them of anticipated heatwave impacts upon vulnerable groups and support response to such a risk
- Supporting the enhancement of the public's own resilience through advice and guidance available from the EVAC Cardiff Website

**Extreme Cold/ Snow**

- Implementation of Council's Cold Weather Response Plans
- Winter Service review undertaken to consider the potential impact of Covid-19:
  - concentration made to build resilience into Winter Service as high risk to staff resource due to illness and the requirements of isolation
  - required training and staff rotas put in place, however there is a limited available resource with the required skillsets within the authority
  - investigations into feasibility/ availability of external assistance
  - Winter Service 21/22 delivered in line with statutory requirements

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

**Extreme Heat**

- Develop a 20 year heat mitigation strategy for the city. Working with partner agencies and commercial stakeholders to support development of heat reduction programmes.- **2023/24**
- Engage with Welsh Government with in WLGA, and PSB to ensure consistent support in managing this risk ensuring the planning process works for all stakeholders to ensure we develop sustainable planning strategy's for future developments, planning the management of this risk (WG Technical Advice Note (TAN) 15) - a new updated Technical Advice Note TAN 15 is due to be published in **June 2023**

**Extreme Cold/ Snow**

- Investigate further whether external assistance can be utilised/is available to build future resilience - risk remains for disruption to the service next winter if the current pandemic continues/ other new external factors emerge - **2023/24**

**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>• Partnership</li> <li>• Community &amp; Environment</li> <li>• Stakeholder</li> </ul>
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**Linked Risks**

Coastal Erosion  
Air Quality  
Business Continuity

**Linked Documents**

<https://www.evaccardiff.co.uk/>  
<https://www.cdp.net/en>

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

# Climate Change - Flooding

**Description**  
Cardiff is 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.

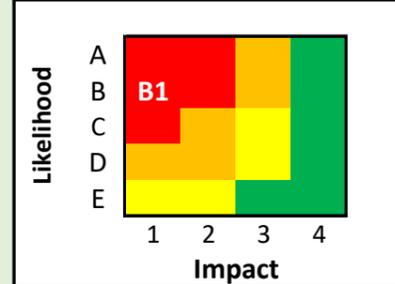
**Potential Impact(s)**

- Flood & Storm**
- Loss of life and risk to life
  - Direct damage to property, utilities and critical infrastructure
  - Blight of Land and Development
  - Disruption to service delivery
  - Contamination and disease from flood and sewer water and flood on contaminated land
  - Increase in health issues
  - Break up of community and social cohesion
  - Increase cost of insurance
  - Migration of ecosystems
  - Associated impacts of river flooding not owned by NRW

**Type(s) of Impact**

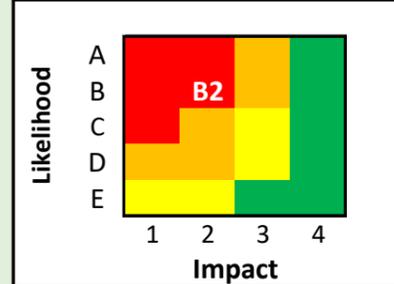
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| <ul style="list-style-type: none"> <li>• Service Delivery</li> <li>• Reputational</li> <li>• Legal</li> <li>• Financial</li> </ul> | <ul style="list-style-type: none"> <li>• Health &amp; Safety</li> <li>• Partnership</li> <li>• Community &amp; Environment</li> <li>• Stakeholder</li> </ul> |
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**Inherent Risk**



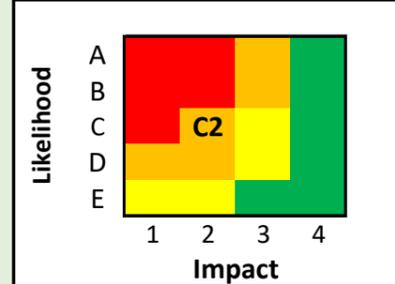
Last Reviewed	Q3 2022/23
Last Revision	Q3 2022/23

**Residual (Current) Risk**



Movement from prev Qtr	↔
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**Target Risk**



Target Reduction Date	2022/23
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**Risk Owner(s)**

<b>Andrew Gregory</b> (Gary Brown/ Simon Dooley Simon Gilbert/ Stuart Williams)	<b>Councillor Caro Wild</b> Climate Change
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**What we've done/are currently doing to achieve the Residual Risk Rating**

The Council has declared a Climate Emergency

**Flood & Storm**

- Working with partners within the Local Resilience Forum (LRF) to support the management of this risk including supporting the emergency response to this risk
- Supporting the enhancement of the public's own resilience through advice and guidance available from the EVAC Cardiff Website
- Implementation of Schedule 3 of the Flood and Water Management Act 2010 requires all new development over 100m2 to implement sustainable drainage, resilient to flooding
- We have introduced Flood Incident Management software to provide better understanding of spatial distribution of flood events filtered by source, and determine priority areas for future flood alleviation schemes to be implemented (subject to WG funding bid opportunities). Successful funding bids were submitted and funding awarded in 20/21 for Business Justification Cases for a number of these schemes, with grant funding also now awarded for 21/22 for continuation of these schemes.
- Applications to WG were successful for grant funding in 2021/22 to support studies and implementation of localised flood prevention schemes.
- Ongoing CCTV and asset capture work taking place in drainage networks to review high risk areas.
- Asset management - Delivery of Flood Management and Coastal Improvement Schemes and rationalise/ prioritise gully maintenance schedule based on the outputs of the Flood Incident Management software - Phase 1 of new gully maintenance schedule completed.

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

Flood & Storm

The following actions are ongoing :

- Completion by October 2023 of a draft combined Flood Risk Management Strategy and Flood Risk Management Plan as required by The Flood and Water Management Act (2010) and The Flood Risk Regulations (2009) respectively. The final strategy must be submitted to Welsh Government and published by March 2024
- Develop enhanced engagement programme with partners supporting the public in enhancing their own resilience - this will be a key aspect of the above Plan - initial discussions with Dwr Cymru/Welsh Water and Natural Resources Wales (NRW) have taken place, work is ongoing - Target Q3 2023/24
- Improve communication on what to do in a flood and raise awareness of risk - as above - initial talks underway to produce a role & responsibilities video, as well as flood safety guidance in co-operation with Dwr Cymru/Welsh Water, NRW and Blue Light organisations ONGOING
- Improve the service provided by the SuDS Approval Body (SAB) - ongoing - improvements planned with additional resource Recruitment process commenced and due to be implemented in Q3/4 2022/23. Recruitment has been unsuccessful to date, review of grades ongoing, target date Q1 2023/24
- Deliver guidance to increase standards and ease of development - in development Q4 22/23
- Asset management - ONGOING
- Develop Flood Risk Management Strategy - Phase 2 of new gully maintenance schedule delivered by EOY Q1 23/24

**Linked Risks**

- Coastal Erosion
- Air Quality
- Business Continuity

**Linked Documents**

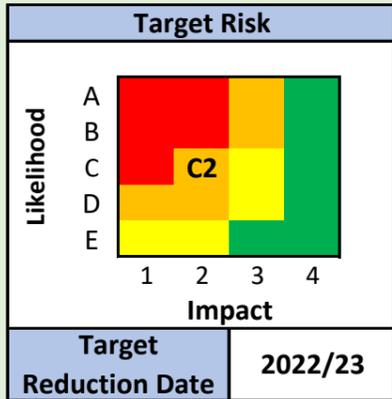
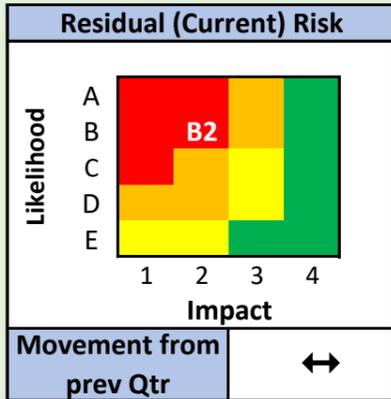
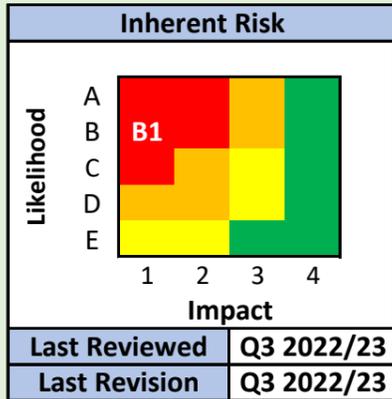
- <https://www.evaccardiff.co.uk/>
- <https://www.cdp.net/en>

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

- Storm Events that meet silver & gold emergency intervention
- Annual number of flooded properties and severity (statutory reporting)
- Energy use / renewable energy production of Cardiff Council

# Coastal Erosion

**Description**  
Breach of current defences resulting in widespread flooding (current defences are ad hoc and are in a very poor condition)



**Risk Owner(s)**

**Andrew Gregory**  
(Matt Wakelam/ Gary Brown/ Simon Dooley)

**Councillor Caro Wild**  
Climate Change

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

- 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.
- Coastal Defence Scheme:
  - The Flood Risk Management Team are undertaking detailed design for the coastal defence scheme - the necessary works are holistic and cannot be phased, therefore residual risk rating cannot be lowered until the completed construction of the coastal defence scheme in its entirety.
  - The inundation risk will be improved by implementing the coastal defence scheme, which will provide defence for a 1 in 200 year severe weather event, plus an allowance for climate change influence of 40%.
  - The total costs associated with the Design, Early Contractor Engagement and Construction phases were originally estimated at £10.9m (Welsh Government 75% funding = £8.2m and CCC 25% funding = £2.7m)
  - Formal application was submitted to Welsh Government (WG) under the WG Coastal Risk Management Programme and development of the Detailed Design and Full Business Case (FBC) was programmed for completion in May 2020, however was impacted by Covid-19.
  - Work ongoing with Emergency Management to formulate interim measures.
  - Detailed design and full business case ongoing
- Scheme Delivery Progress update:
  - Cabinet report June 2021 resolved that;
    - the principle design for the coastal protection scheme and the requirements within the draft full business case to be submitted to WG for the Coastal Risk Management Programme be noted
    - the procurement approach and evaluation criteria/weightings set out in the report be approved
    - the commencement of procurement for the construction contract to deliver the coastal defence improvements estimated at £23.5M be approved
    - a further report be presented to Cabinet with the final Full Business Case, including final tender costs, project risks and mitigations.
  - Draft Full Business Case submitted to WG & refined as necessary - final WG approval & funding confirmation anticipated by early 2022
  - Extensions for timescales due to Covid 19 delays, and complexities of ground conditions and therefore design, agreed with WG - funding for FBC increased to cover additional costs (plus WG grant % increase) and extended to 16 March 2022.
  - Costs associated with the Outline and Full Business Cases and Design now 100% funded by WG. To allow for increase of allowance for climate change to 40% and additional works required from ground investigation results, the construction phase is now estimated at £25M (WG 85% funding = £21.250M and CC 15% funding = £3.750M)
  - PQQ procurement process completed and select list of 5 contractors established - required to submit returns in Jan 2022. Due to complexities of project, challenging environmental conditions for construction works and NRW requirements, extension for submission granted to mid Feb, with submission, assessment, selection and award process forecast to be completed early 2022.
  - Marine Licence application submitted to NRW and required process followed. Although the Flood Risk Management Team have had prolonged and constructive dialogue with NRW staff, NRW have stated that for the Marine Licence to be granted, a derogation will be required to be signed off by Welsh Government Ministers under the process known as Imperative Reason of Overriding Public Interest (IROPI). This process has put the requirement to be on site by end of 21/22 financial year out of reach. WG were therefore contacted, meetings held and agreement secured for funding deadline to be further extended to 31st Aug 2022. This allows us to start on site in the new financial year, although we will still be pushing for the earliest possible start date. Marine licence has now been granted and advertised and Environmental Impact Assessment approved.
  - Tenders returned in Feb 2022 and although clarifications, advice and extensions of time were granted, only one contractor made a submission. The estimated costs of circa £30M, that included risk and optimism bias, was far exceeded and an estimated cost, including risk, of circa £40 - £45M was received.
  - The Cabinet report to seek approval to award the contract to the successful contractor and commit to the 15% Council contribution was due to be entered into the March 2022 cabinet - due to the necessity to fully analyse and understand the submission and establish reasons for the significant increase, the March Cabinet Report was withdrawn.
  - Further meetings with WG have taken place, they have expressed their concerns over the price increase and explanations have been presented. The funding for the east side would present an additional cost of circa £7 to 9M for Cardiff Council if it chose to protect the tip from erosion and coastal inundation.
  - Cabinet report taken to September 22 Cabinet to seek approval to go to tender with the reduced scheme
  - Funding pressure bid submitted in October 2022 as part of the capital programme submission for 2023/24
  - Planning committee target date November/ December 2022 - planning consent achieved Q3 2022/23

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

We will be designing & delivering an effective coastal flood protection scheme as a matter of priority - Anticipated construction starting 2023, with completion 2025/26.

Due to the costs of funding the East side (Lamby Way), that WG will not fund, it has been removed from the scheme. Further meetings have taken place with WG to inform them of the decision and the potential way forward. Scheme commencement now not forecast until Q4 2022/23. Following completion of scheme the risk to properties will be addressed, however, a risk to significant infrastructure including Lamby Way landfill will remain in place, and will be dealt with as a directorate based risk.

**Keysteps:**

- Tender analysis to be completed Jan 2023
- Submission to and for approval of Welsh Government the Final Business Case (FBC)
- Approval by Welsh Government of the FBC and funding allocation to start construction in Q4 2022/23 - now anticipated construction start in Q1 2023/24, following WG extension of funding programme due to various challenges.

**Potential Impact(s)**

- Continued coastal erosion along the coast threatening the Rover Way Traveller site and critical infrastructure including Rover Way and the Rover Way/Lamby Way roundabout
- Erosion to two decommissioned landfill sites, with risk of releasing landfill material into the Severn Estuary and having significant environmental impacts
- Flood risk to 1,116 residential and 72 non-residential properties over 100 years, including risk to life, property, infrastructure and services
- 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 Severn Estuary.

**Type(s) of Impact**

<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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**Linked Risks**

Climate Change risks

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

- Award of contract for detailed design and Full Business Case - achieved
- Completion of detailed design and Full Business Case by May 2020 & submitted to WG
- Delivery programme of coastal protection scheme

# Performance Management

Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)									
<p>The risk that the Council's Performance Management arrangements do not provide timely performance information to allow the Council's political and managerial leadership to effectively deliver corporate priorities, statutory services or performance improvement</p> <p>Performance Management arrangements are essential for discharging statutory requirements, delivering the administration's priorities and ensuring Council core business is delivered effectively. 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 have been set out in Local Government Bill and work is being undertaken to ensure the requirements are embedded in the Council's performance regime.</p>				<p><b>Sarah McGill</b> (Gareth Newell)</p>	<p><b>Councillor Chris Weaver</b> Finance, Modernisation and Performance</p>								
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="background-color: #d9e1f2;">Last Reviewed</td><td>Q3 2022/23</td></tr> <tr><td style="background-color: #d9e1f2;">Last Revision</td><td>Q3 2022/23</td></tr> </table>	Last Reviewed	Q3 2022/23	Last Revision	Q3 2022/23	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="background-color: #d9e1f2;">Movement from prev Qtr</td><td style="text-align: center;">↔</td></tr> </table>	Movement from prev Qtr	↔	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="background-color: #d9e1f2;">Target Reduction Date</td><td>N/A</td></tr> </table>	Target Reduction Date	N/A		
Last Reviewed	Q3 2022/23												
Last Revision	Q3 2022/23												
Movement from prev Qtr	↔												
Target Reduction Date	N/A												
	<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>The Council's Annual Self-Assessment of Performance was considered by</p> <ul style="list-style-type: none"> <li>- the Performance Panel, which brings together all Scrutiny Chairs, on Monday 12 September.</li> <li>- PRAP Scrutiny Committee on 19 September 2022</li> <li>- Governance and Audit Committee on 27 September 2022</li> <li>- Cabinet on 20 October 2022</li> <li>- Council on 27 October 2022</li> </ul> <p>The Council's Half Year Assessment of Performance was considered by</p> <ul style="list-style-type: none"> <li>- PRAP Scrutiny Committee on 17 January 2023</li> <li>- Governance and Audit Committee on 24 January 2023</li> <li>- Cabinet on 19 January 2023</li> </ul>			<p>A joint regulatory assessment will be provided to the Council's Senior Management Team on 14 February 2023. <b>Q4 22/23</b></p> <p>As part of the Council's Audit Programme, an audit of performance management will also be undertaken across all Directorates during Quarter 1 2023/24. The audit will provide assurance that:</p> <ul style="list-style-type: none"> <li>- There are robust performance management arrangements and systems at the Directorate level.</li> <li>- Directorate performance management arrangements are effectively applied at all stages of planning, monitoring, review and reporting.</li> <li>- There are effective Directorate oversight, escalation and improvement arrangements in place. <b>Q1 23/24</b></li> </ul> <p>The overall purpose of the audit is to provide assurances that there is a sound system of internal control within the area under review. Where it is considered that improvements to the internal control environment can be made, these will be highlighted and discussed with you, so that controls can be enhanced.</p>									
<b>Potential Impact(s)</b>	<ul style="list-style-type: none"> <li>• Council unable to effectively deliver corporate priorities, statutory services or performance improvement</li> <li>• Failure to comply with performance duties set out in the Wellbeing of Future Generations Act and Local Government and Elections Act.</li> <li>• Compliance failure leading to external sanctions and reputational damage.</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>• Service Delivery</li> <li>• Reputational</li> <li>• Stakeholder</li> </ul>			<p>Quarterly monitoring of corporate plan indicators (108) provide a pointer to organisational health and corporate performance. Corporate Plan indicators are also risk assessed as part of the performance monitoring process.</p>										

## Budget Monitoring (Control)

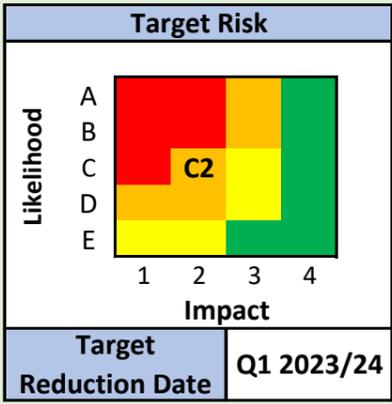
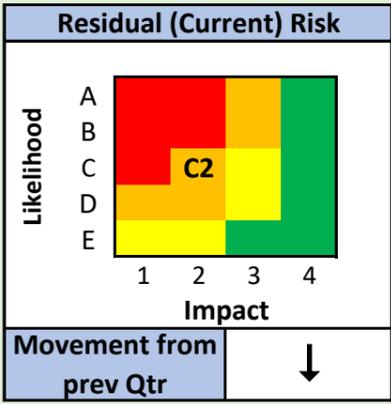
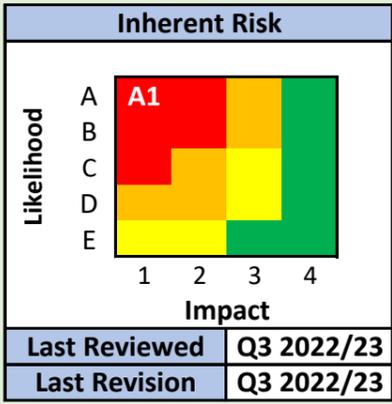
Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)									
<p>Failure to achieve the budget set, inclusive of budgeted spend and savings across Directorates, with increased use of emergency finance measures and the unplanned drawdown of reserves.</p>				<p><b>Chris Lee</b> (Ian Allwood)</p>	<p><b>Councillor Chris Weaver</b> Finance, Modernisation and Performance</p>								
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="background-color: #d9e1f2;">Last Reviewed</td><td>Q3 2022/23</td></tr> <tr><td style="background-color: #d9e1f2;">Last Revision</td><td>Q3 2022/23</td></tr> </table>	Last Reviewed	Q3 2022/23	Last Revision	Q3 2022/23	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="background-color: #d9e1f2;">Movement from prev Qtr</td><td style="text-align: center;">↔</td></tr> </table>	Movement from prev Qtr	↔	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="background-color: #d9e1f2;">Target Reduction Date</td><td>Q4 2022/23</td></tr> </table>	Target Reduction Date	Q4 2022/23		
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Movement from prev Qtr	↔												
Target Reduction Date	Q4 2022/23												
	<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>Clear financial procedure rules that reduce the level of risk of financial commitments being identified late in the financial year. The rules clearly set out the roles and responsibilities for budget management and are an area of interest for internal audit</li> <li>Month 6 Monitoring report indicated a significant overspend of £7.394 million if current spend trajectory continues. Management controls have been put in place which include reviews on all vacant posts as well as controls on spend.</li> <li>The Corporate Director of Resources and Chief Executive have continued to hold challenge meetings with each individual Director in order to ensure joint understanding of financial matters and any mitigations to be put in place in order to improve / maintain the respective Directorate financial position where appropriate.</li> <li>Regular meetings held in respect to key overspend areas in Children's Services and Education (Home to School Transport). The regularity of the meetings has in some instances moved from weekly in order to ensure available capacity to deliver improvement actions and ensure focus on key areas.</li> <li>Maintain oversight on areas of food, fuel, construction and energy in order to ensure impact of price fluctuations is both understood and managed so that the impacts of rising costs are mitigated as much as possible. Work undertaken to ensure short and medium term impacts of price inflation are considered for both in year monitoring reports and future budget reports.</li> <li>Close working with Service areas in order to identify cost pressures and compensating mitigation strategies that impact on delivery of Capital Programme and repair schedules to ensure works remain within budget. Where those budgets cannot be maintained then consideration of delays / reprofiling of programme are undertaken.</li> <li>Regular review and refresh of key matters / risks in order to ensure focus is maintained in areas of high uncertainty and cost impact as a result of exceptional inflationary pressures that arise</li> <li>Capital spend reviewed as part of Month 9 monitoring report for risk assessment and identified mitigations for areas of capital spend.</li> </ul>			<p>2022/23 and the Medium Term</p> <ul style="list-style-type: none"> <li>Proceed with timetable to produce M9 2022/23 Report for Cabinet in February 2023 Q4 2022/23</li> <li>Ensure that all pressures identified as part of the budget Monitoring report are considered as part of the 2023/24 Budget report in order to avoid any ongoing financial challenges.</li> </ul>									
<b>Potential Impact(s)</b>	<b>Type(s) of Impact</b>			<b>Linked Risks</b>									
<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 draw down from General Reserves at the year end</li> </ul>	<ul style="list-style-type: none"> <li>Stakeholder</li> </ul>			<p>Financial Resilience</p>									
	<b>Key Indicators / Measures used to monitor the risk</b>												
	<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>Amount of Hardship Support claimed successfully</li> </ul>												

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# Financial Resilience

**Description**

- Failure to deliver a balanced annual budget and a fully informed Medium Term Financial Plan.
- Lack of appropriate mechanisms to identify and manage unexpected financial liabilities.
- The current outlook is that there is a Budget Gap of £113 million for the period 2024/25 to 2027/28.



**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**

**2022/23 and Medium Term**

- Regular monitoring to understand the in-year position and gain early insight into emerging risks that need to be factored into the MTFP work. This includes the identification of earmarked reserves that were either increased during outturn of 2021/22 and those being reviewed to establish level of need reflecting the current priority is balanced budget.
- Engaging and working in partnership with directorates during the budget process to ensure that budget proposals and services are deliverable within timescales and quantum (revenue and capital)
- Mechanisms in place such as Treasury Management Reserve and Financial Resilience Mechanism in order to dampen the impact of a worse than anticipated financial climate / settlements.
- Preparation of Prudential Indicators to help assess the affordability, prudence and sustainability of the capital programme and associated levels of borrowing
- Close alignment with Corporate Plan objectives, to ensure resources are allocated appropriately, and that longer term financial savings are developed in enough time to be realised.
- Annual review of contingent assets and liabilities, and provisions to ensure the Council has adequate cover for emerging liabilities.
- An approved TM Strategy that identifies borrowing interest cost as a significant risk to be managed. Security, Liquidity and Yiled in that order to preserve investments.
- A Major Projects accountancy function supporting the identification of key risks / financial issues in relation to large schemes. Targetted accountancy support to Children's Services, VAT and Outside Bodies.
- Maintaining approach to robust financial control mechanisms and strengthening complex / areas of risk through training e.g. VAT.
- Undertaken intial assessment against CIPFA FM code with high level findings. There will be a future need to review and refresh.
- Inclusion within the 2022/23 Budget of a £10 million COVID Contingency Budget to protect the Council's resilience in light of the ending of the Hardship Fund on 31/3/22.
- Established a corporate approach to business case development, approval and post project monitoring to ensure expenditure assumed to pay for itself can do so over its expected life thus providing assurance that financial resilience will not be undermined by projects exceeding their cost parameters.

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

**2023/24 and the Medium Term**

- Strengthening links between financial planning and asset management strategies, which consider the current condition of assets and future requirements. **Q2 2023/24**
- Work with Property Service to ensure clear, detailed plans and timescale for delivery of capital receipts targets.
- Enhance focus on a multi-year position (recognising limitations where settlement information is for one year only.) **Q2 2023/24**
- Review approach to governance and financial monitoring of special purpose vehicles to ensure liabilities and any financial guarantees are understood and are appropriate. **Q4 2022/23**
- Refresh self-assessment against the CIPFA FM code and Balance Sheet Review and develop implementation plan in respect of any findings or recommendations, which provide further financial resilience. **Q3 2023/24**
- Confirm approach and reporting of commercial investments as part of standard monitoring processes and reports. **Q3 2023/24**
- Continue to keep cost pressures arising from economic turbulence, supply chains issues and labour / skills shortages under review in terms of their impact on costs, inflation and interest rates and the impact of these for the MTFP and Capital Programme **QUARTERLY**
- Include development of some of the listed indicators below with regards commercial investment. **Q4 2022/23**
- Continue to work within current structures to ensure appropriate governance is undertaken

**Potential Impact(s)**

Failing to meet statutory obligations and potential for service delivery to be adversely affected.

- Reputational damage to the Council.
- Needing to draw down significant unplanned amounts from reserves.
- Inability to progress policy initiatives through incomplete Full Business Cases and no forthcoming external funding to bridge any affordability gap
- Inability to manage adverse external factors - e.g. adverse settlements, WG rent policy etc.
- Financial constraints and budget proposals result in unintended consequences such as increased instances of non-compliance and financial impropriety.
- Requirement for significant savings at short notice that are therefore not identified in a coherent, strategic way and which impact on service delivery.
- Level of borrowing limits the ability of future generations to take forward new priorities.
- Reaching the point where a s114 notice is required to be issued by the S151 Officer.

**Linked Risks**

Budget Monitoring (Control)

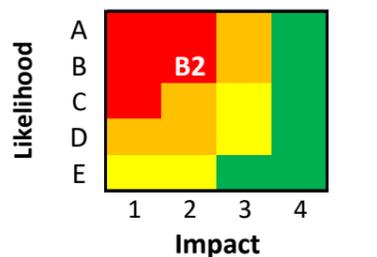
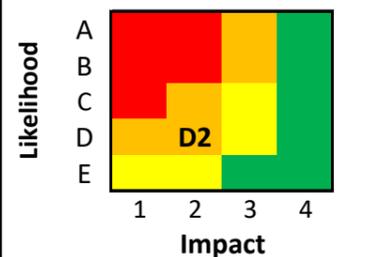
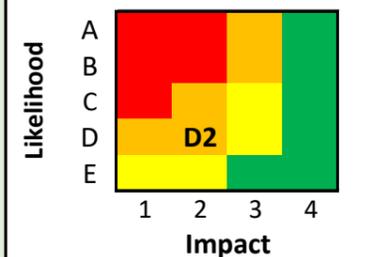
**Key Indicators / Measures used to monitor the risk**

- Financial Snapshot which highlights historical & current performance with regards budget monitoring, achievability of savings, levels of borrowing, and financial ratios.
- 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.
- Section 151 Officer Statement in respect of capital strategy, adequacy of reserves and other statutory commentary.
- Consider usefulness of benchmarking data re: financial resilience produced by External Audit Bodies - e.g. Audit Wales

**Type(s) of Impact**

- Service Delivery
- Reputational
- Legal
- Financial
- Stakeholder

## 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>								
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Last Reviewed	Q3 2022/23												
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	<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 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, Anti-Money Laundering Policy and Disciplinary Policy.</li> <li>Financial Procedure Rules and Contract Standing Orders and Procurement Rules and training.</li> <li>National Fraud Initiative data matching exercises in collaboration with the Cabinet Office and Audit Wales.</li> <li>Receipt and dissemination of fraud intelligence alerts from law enforcement agencies.</li> <li>Regular counter-fraud updates to the Section 151 Officer, Governance and Audit Committee, Portfolio Cabinet Member and the Chief Executive.</li> <li>Governance and 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>Mandatory disciplinary e-learning module for all managers to complete and a programme of mandatory e-learning modules and training for Disciplinary Hearing Chairs, Investigating Officers and Presenting Officers.</li> <li>Fraud Publicity Strategy, to publicise the Council's approach to counter fraud work / sanction activity and explain the roles and responsibilities of key parties.</li> <li>Counter-Fraud and Corruption Strategy, with associated Fraud Awareness eLearning and face-to-face training rolled out.</li> <li>Annual participation in International Fraud Awareness week.</li> <li>Investigation Team provision of investigation and counter-fraud advice, guidance and support.</li> <li>SMT annual participation in CIPFA fraud tracker assessment and response.</li> <li>Revised 'Anti-Money Laundering Policy' approved by Cabinet in Q3 2020/21 and eLearning rolled out to officers with key roles and those working in high-risk areas.</li> <li>'Authorisation and Protocol Requirements for Review of Work Activities' approved by Cabinet in Q4 2020/21.</li> </ul>			<ul style="list-style-type: none"> <li>Review the suite of Counter-Fraud Operational Policies alongside the review of the Council's Disciplinary Policy underway. Targeted to conclude during <b>2023/24</b>.</li> <li>Monitoring and reporting completion rates of mandatory fraud awareness training and anti-money laundering training. <b>Ongoing</b></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>													
	<b>Key Indicators / Measures used to monitor the risk</b>												
	<ul style="list-style-type: none"> <li>Mandatory Fraud Awareness eLearning completion and face-to-face attendance rates</li> <li>Anti-Money Laundering eLearning completion rates</li> <li>Delivery of Fraud Awareness week campaign annually</li> <li>Delivery of Policy updates in accordance with associated targets</li> <li>Delivery of mandatory investigating officer training and the note taker training</li> <li>Timely completion of casework and investigations</li> <li>Provision of timely investigation and counter-fraud advice, guidance and support to Directorates</li> <li>Adherence to the NFI Security Policy and annual completion of compliance forms</li> </ul>												
	<b>Type(s) of Impact</b>	<b>Linked Risks</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>Stakeholder</li> </ul>											

## Information Governance

Description
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.

Inherent Risk	
Likelihood	Impact
A	1 2 3 4
B	1 2 3 4
C	1 2 3 4
D	1 2 3 4
E	1 2 3 4
A1	
Last Reviewed	Q3 2022/23
Last Revision	Q3 2022/23

Residual (Current) Risk	
Likelihood	Impact
A	1 2 3 4
B	1 2 3 4
C	1 2 3 4
D	1 2 3 4
E	1 2 3 4
D1	
Movement from prev Qtr	↔

Target Risk	
Likelihood	Impact
A	1 2 3 4
B	1 2 3 4
C	1 2 3 4
D	1 2 3 4
E	1 2 3 4
D2	
Target Reduction Date	Q4 2022/23

Risk Owner(s)	
Chris Lee (Dean Thomas)	Councillor Chris Weaver Finance, Modernisation and Performance

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

- Gold level assurance has been achieved through the annual Cyber Security Plus ISAME Accreditation in September 2021, the next annual accreditation of this process will take place in September 2022.
- A quarterly Information Governance Report and briefings of decisions or recommendations are provided on a quarterly basis to the Information Governance & Security Board, along with any concerns and risks from IG risk registers.
- A corporate Information Asset Register is held which details personal data assets held by each Council directorate. The next review scheduled for August 2022.
- Service Level Agreements in place for Schools Information Governance Support (All Cardiff Schools) and where Cardiff Council is the Data Controller for regional services, including Rent Smart Wales, National Adoption Service and Cardiff Capital City Deal.
- Corporate Retention schedule is in place and updated annually in line with any legislative changes or in line with any requests from services to update.
- Information Governance Maturity Model established to monitor risks against areas of information governance to feed into corporate risk status.
- The Digitisation of Paper Records Strategy and associated business process changes are in place with alternative delivery contracts in place to support increased paper storage demands, with processes established to support corporate programmes.
- Data Protection e-learning training available for Council staff to complete. Managers are able to monitor compliance with information provided as part of the Information Governance Board Report.
- National and Regional Information Governance Agreements in place in respect of covid-19 data processes
- An Information Governance Champions Group has been established.
- The Data Protection Officer has established a Data Protection Impact Assessment Panel to ensure that all changes to data processing activities are considered and any risks documented and escalated where necessary.
- Corporate escalation processes have been agreed to improve directorates failure demand with answering and providing information in respect of FOI requests .
- Support is being provided to Legal Services and HR with ensuring that an appropriate agreement is put in place to manage data protection risks associated with employee information data transfers and handling with TCS.
- Continue working with Childrens Services to finalise the new service delivery model for management of social services requests to improve compliance, accountability and processes.
- Continue to review data breach claim processes and reports and determine support models for future claim handling.
- Released training and education communications to support schools with their Information Governance responsibilities.
- All Directors have received a copy of the Record of Processing Activity (RoPA) and have been asked to prioritise this review for their respective directorates supported by Information Governance. The ROPA return will be used to support ICT with gathering information on non personal data systems and a review of security and protection linked with Cloud Impact Assessment processes
- A process has been established with procurement to identify new tenders involving personal data. Results from the Pre Tender Reports are then provided to ISB to enable Information Governance & Security Board to have oversight of DPIA's completed against Procurement Contract Awards
- A paper was taken to ISB in relation to compliance with the 12 principles of the Surveillance Camera Code of Practice, A response has also been issued to the Surveillance Camera Code of Practice Annual survey and action plan for improvements will be initiated to improve accountability and compliance with CCTV operations when a response is received

### What we plan to do to meet target

- Take forward, with support of an external supplier, options for alternative service delivery models for the Council's Records Centre. Q4 2022/23
- Develop an online Publication Scheme taking onward recommendations from the Information Governance & Security Board. Q4 2022/23
- An Information Governance Framework will be developed to help provide assurance of IG processes within Directorates. Development to take place during Q4 2022/23
- A new FOI e-learning module is being designed and will be made available via Cardiff Academy. Training options will be presented to IGSB to decide who the training will be available to Q4 2022/23
- A review of training options to Schools will be undertaken to ensure suitable refresher training on FOI and Data Protection will be available to all school staff Q4 2022/23

Potential Impact(s)
Leads to the Information Commissioner issuing notices of non-compliance
These could consist of:
<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>• A Decision Notice could be issued as a result of non compliance with an FOI/EIR request which would require information disclosure</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 £17.5 million for Higher Level Tier and £8 million for Lower Level Tier breaches of the Data Protection Act.</li> <li>• Compensation unlimited liability claims for damages as a result of a data breach from individuals.</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>

Linked Risks
Cyber Security

Key Indicators / Measures used to monitor the risk
<ul style="list-style-type: none"> <li>• Suite of IG Indicators/Service Metrics</li> <li>• No. of ICO complaints</li> <li>• No. of FOI /EIR SAR Requests</li> <li>• No. of individuals trained on Data Protection</li> <li>• No of Data Protection Impact Assessments being undertaken</li> <li>• No of data protection breach complaints/claims</li> </ul>

# Cyber Security

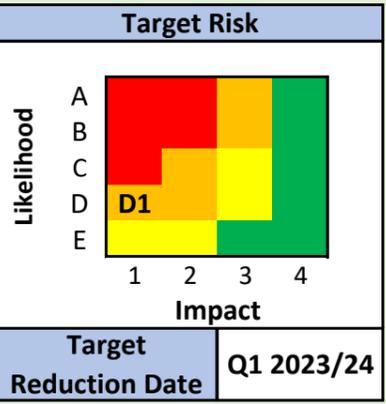
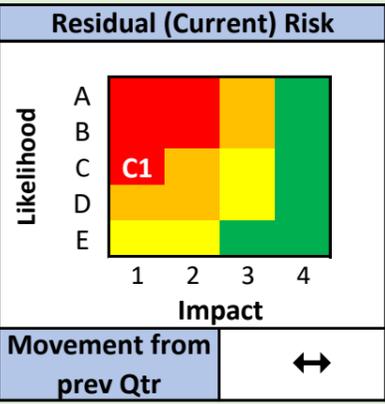
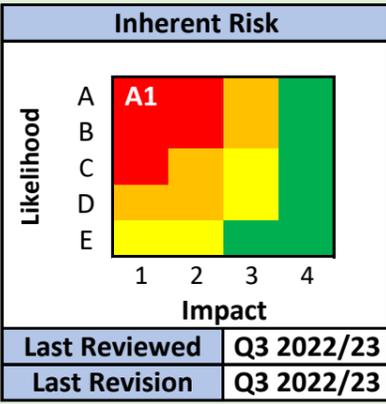
**Description**

There are 10 areas of potential risk identified within the National Cyber Security Centre cyber risk model. These cover :-

- Risk management
- Engagement and training
- Asset management
- Architecture and configuration
- Vulnerability management
- Identity and access management
- Data security
- Logging and monitoring
- Incident management
- & Supply chain security

<https://www.ncsc.gov.uk/collection/10-steps>

Cardiff uses this framework to continually assess our cyber security maturity level and improve both proactive measures to prevent attacks, and reactive measures to deal with potential incidents



**Risk Owner(s)**

**Chris Lee**  
(Phil Bear)

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

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

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

- Cybersecurity risk assessments
- Audits and remediation of identified issues
- Network access controls
- Implementing cyber security systems & tools to prevent attack
- Active patch management
- Network traffic monitoring
- Incident response planning
- Links to physical security measures
- Attack surface minimisation
- Employee education on cybersecurity best practices and policies
- Supply chain management

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

- A continuing focus on improving cyber security processes within the council
- Threat intelligence reporting which will inform any required changes to our cyber security processes and policies
- Liaison with key cyber security agencies to both receive and share information and guidance on best practice
- Monitoring of progress on cyber security improvement actions
- Reporting to relevant internal governance boards on cyber compliance status, threats and risks

**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.

**Linked Risks**

Information Governance

**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

**Type(s) of Impact**

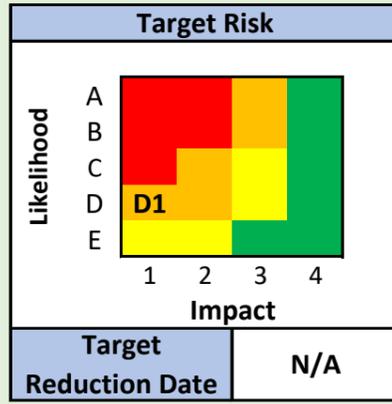
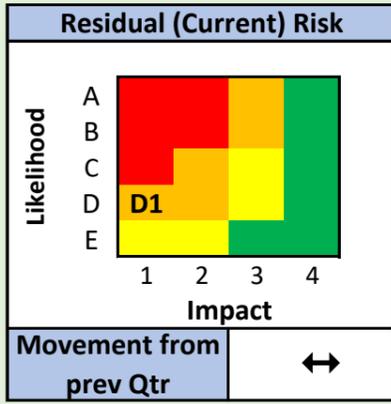
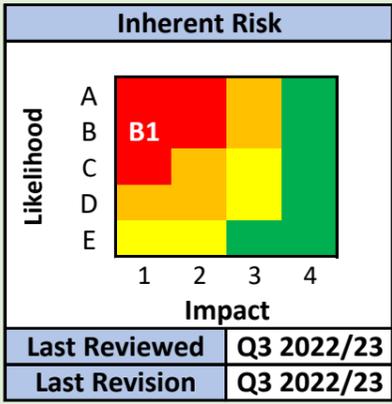
<ul style="list-style-type: none"> <li>• Service Delivery</li> <li>• Reputational</li> <li>• Legal</li> <li>• Financial</li> </ul>	<ul style="list-style-type: none"> <li>• Health &amp; Safety</li> <li>• Stakeholder</li> </ul>
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# Business Continuity

**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 available on CIS or by contacting the Resilience Unit, as the organisation continues its transition to SharePoint.
- The Council employs a Business Continuity Officer who is a qualified ISO22301 lead auditor.
- The Council has a 24 hour Incident Management structure for Gold and Silver Officers.
- Cardiff Council is a member of the Core Cities Business Continuity Group
- Q2 of 2022/2023 saw the council undertake a full review and update of the activities delivered across the council allowing us to focus on the resilient delivery of key activities. This was carried out by Each Directorate Management Team.
- As a result of the Covid-19 pandemic areas were forced to change to a far more agile way of operating with our core ICT requirements changing to support far more agile/home working. The mode of delivery worked exceptionally well and provides the potential for longer-term resilient agile working in, in addition to positively supporting other aims and corporate risks, as long as the ICT that supports this mode of working can be delivered resiliently.
- The Emergency Management Unit has developed an Incident Management Plan (Cardiff Council's Emergency Management Plan) to ensure alignment with ISO22301. This was fully reviewed and updated in 2021
- Internal Audit completed an audit of the Business Continuity Risk in Q4 of 2021/2022 and the assurance statement was "Effective with opportunity for improvement".
- The Resilience Unit supported directorates in looking at supply chain risks following the tragic war in Ukraine, this work will be on going as the risk horizon changes as a result of the conflict.
- The Business Continuity Programme recommenced in Q1 of 2022/2023.
- In Quarter 2 the Resilience Unit initiated a Horizon Scan on energy security and potential issues for the security of gas and electricity provision for Winter of 2022/2023 and how the UK position could impact on key service delivery.
- The Resilience Unit delivered a briefing to the SMT on the emerging risks around the security of energy supplies for winter 2022/2023. As a result SMT asked the Resilience Unit, to carry out targeted work to supporting the wider organisation in some targeted risk and resilience work around this potential risk. This work will continue into Q3 to support the resilient deliver of key services should the UK experience risks to energy supply this coming winter of 2022/2023.

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

- The BC 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 this will be reviewed again in Q4 of 2022/23.
- The BC officer is continuing a review of 4x4 resources across the council to support our response capability to deal with the potential of winter storms. The next updated review will be carried out in Q4 of 2022/23.
- The Business Continuity Officer will support areas in identifying key learning from the pandemic and ensure that key risks/lessons/processes that feed into the councils resilience capability are incorporated into our ongoing planning to support us in being ready for ongoing risks. This will, where appropriate, involve a review and update of individual BC plans by Directorates and also a review and update of the councils Emergency Management Plan. Q1 2023/24
- The Business Continuity Officer will support areas in undertaking targeted work around the emerging Energy security Risk focussed on key Red activities delivered by the council. This should be complete in Q4 of 2022/23
- The Business Continuity Officer is to engage with ICT to look at the existing ICT resilience in delivery of core services and look at how services will be delivered in 2023/2024 and beyond.
- The Resilience Unit is looking to engage with internal stakeholders around current agile working and management of the corporate estate to ensure future workplace office solutions consider resilience as a key factor for supporting delivery of key services as we move into a period of change.

**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

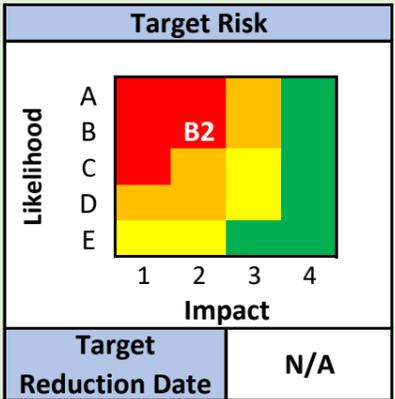
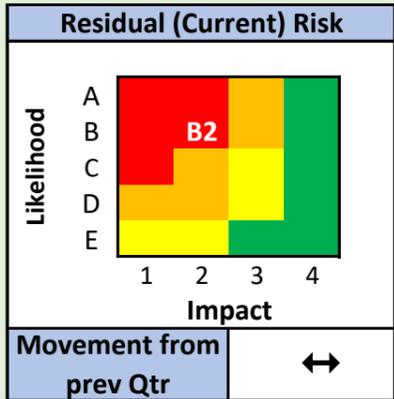
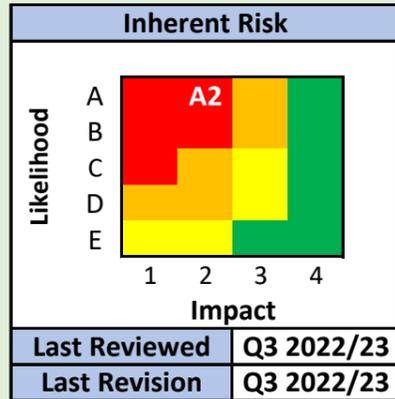
**Key Indicators / Measures used to monitor the risk**

The Red activity BC plan status is reviewed via a report to SMT . 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 2021/2022.

# Welfare Reform

**Description**

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 and size restrictions for social tenants. The potential impact of these changes on rent arrears, homelessness and child poverty make these changes a significant risk. In 2022 the DWP will commence the rollout of migration for claimants from legacy benefits to Universal Credit.



**Risk Owner(s)**

Sarah McGill (Jane Thomas)      Councillor Lynda Thorne  
Housing & Communities

**Potential Impact(s)**

Benefit claimants are priced out of the private rented sector market

- Private landlords stop renting to benefit claimants
- Private landlords leaving the rental housing market
- Social housing rents become unaffordable to some claimants, in particular those with large families
- Increased homelessness and demand for temporary accommodation – increased numbers seeking help with homelessness due to loss of private sector accommodation has already been seen. This is expected to increase further with the end of the evictions ban.
- Increased rough sleeping
- Increased rent arrears, increased evictions - The impact on Council tenant rent arrears has already been considerable and is having an impact?? on the HRA, this will continue to increase as more tenants move onto Universal Credit.
- Increased council rent arrears could impact on HRA and lead to barriers to building additional affordable housing
- Redeployment / Severance for housing benefits staff
- Changing demands on Council stock resulting in increased voids and/or undersupply of smaller properties
- LA less likely to pre-empt those who may be affected by changes and therefore unable to put mitigation steps in place This has already had a negative impact as the number of families affected by the Benefit cap who the advice teams have been able to initiate contact has reduced.
- Increase in poverty and child poverty, potentially an increase on demand on social services

Rise in cost of living pushing people further to crisis point, and affecting those who wouldn't ordinarily require support from Council Services i.e. those in work, those with mortgages/homeowners.

Increase in interest rates meaning mortgages become more unaffordable, rise people in mortgage arrears, more landlords increasing rent prices to cope with interest rate increase and more landlords selling properties or requiring them back for themselves.

Rise in cost of fuel and food prices, making more people choose between heating and eating.

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

- Communities staff continue to work closely with private sector landlords and advice agencies to mitigate wherever possible the reduction in benefit income to help prevent eviction. The Rent Arrears Pathway has been created using a one front door approach, supporting people to access the help they need to pay their rent or any arrears they have accrued.
- New schemes and incentives have been created to support both Landlords and tenants to obtain and retain accommodation in the PRS these include rent in advance and bonds, help with the cost of repairs and bespoke packages.
- Housing Options have undertaken a review of staffing levels due to increased demand on the service with prevention of homelessness its core objective. A range of support interventions are offered to tenants and landlords to reduce those needing to access homeless services.
- Increased partnership working to ensure that specific groups are encouraged to access help at the earliest opportunity. The service is being marketed to reach as many vulnerable clients as possible, working with Rent Smart Wales, Community Hubs, CAB and Cardiff Credit Union.
- Housing Solutions and Housing Help line has moved to the Advice service. This will ensure that those who are homeless or threatened with homelessness can access advice and support in their own community, or over the phone and be triaged into the right help. A successful initial pilot was carried out for Prevention Advice in Hubs, to test further expansion.
- 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 with low support needs who have lived in supported accommodation.
- 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. 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.
- DHP process has been reviewed to ensure that all those who request a DHP are given budgeting, income maximisation and debt advice.
- Digital inclusion training and Universal Credit Support has been rolled out across all the Community Hubs, Adviceline and Housing Helpline.
- 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.
- Regular meetings are held with social housing providers to monitor and improve processes.
- In depth assessments continue to be completed at point of presentation to include a financial statement which will allow discussion to be had around possible expenditure concerns.
- Expansion of the Private Rented Sector Housing Solutions Team to include a dedicated single point of contact for landlords, and dedicated phone line for landlords will mean contact is easier.
- Digital and budgeting support available from Into Work and Money Advice on a Saturday for the first time for those who are claiming UC and in work.
- Prevention team now moved over to Advice Service, aligning with the Housing Solutions team; review of the service has been carried out and will remove duplication of work. Prevention Officers will provide support from Community Hubs across the city in January 2023
- Utilising different funding streams to support people during the cost of living – Housing Prevention Fund, Cost of Living Discretionary Fund, Together for Cardiff Funding.
- Utilising Cost of Living Discretionary fund for Fuel Voucher Scheme, partnering with ACE to distribute vouchers. Further working with Food Cardiff and Foodbanks, Money Advice team to support at locations across the city; using Food Poverty grant to support schools with food vouchers and clearing school meal debt.
- Funding has been allocated to the Money Advice Team for 1 year to increase staffing, which will help with the negative impacts of both Welfare Reform and the pandemic on citizens. A request will be made to extend this by another year. Funding has been secured to expand the Money Advice Team through Multiply (Shared Prosperity Fund), this will allow the team to carry out more indepth support at additional venues.

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

- Aligning the Welfare Liaison team with the Money Advice Team, and providing support to Council Tenants in Community Hubs from Q4 22/23
- Work with WG to ensure that any new financial support schemes are designed in consultation with us. **ONGOING**
- Complete review into PRS. As part of our new LETS (Landlord Enquiries & Tenant Support Service) initiative we are contacting landlords to discuss the various options that we can offer, such as the Welsh Government Leasing Scheme and our own tenant matching scheme. The schemes offer a range of support services and benefits to the applicant and to the private landlord with the aim of making tenancies successful for both parties. **Q4 2022/23**
- Introduction of landlord portal so that HA's and in the future, private landlords can access information quickly about amount of and dates of payments due online **Q4 2022/23**
- Additional training will be provided when the migration of UC commences. **(ONGOING)**

**Type(s) of Impact**

**Linked Risks**

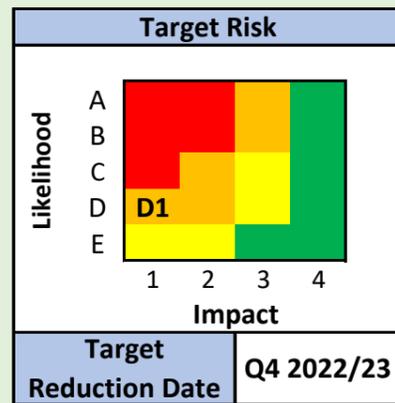
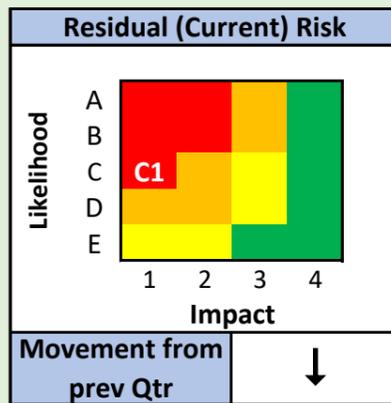
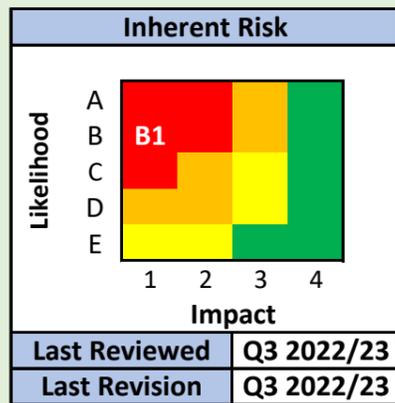
**Key Indicators / Measures used to monitor the risk**

Number of customers supported and assisted with their claims for Universal Credit  
Additional weekly benefit identified for clients of the city centre advise team

## Increase in Demand (Children's Services)

**Description**

Failure to effectively manage demand (and respond to increasing demand due to Covid-19), resulting in increase in number of children requiring services and financial pressures this presents.



**Risk Owner(s)**

**Sarah McGill**  
(Deborah Driffield)

**Councillor Ashley Lister**  
Children & Families

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

- Early Help - Cardiff Family Advice and Support Services for families who do not require statutory services.
- Interventions Hub launched and now incorporates the Adolescent Resource Centre.
- Referrals to services such as Safe Families and Ymbarel made as required to provide support to families.
- Dedicated worker to focus on young carers in post.
- Increased in house residential provision, including emergency pop up / pop down provision.
- Option for families to use Direct Payments available (review being undertaken and will consider potential use for children other than children with disabilities).
- Shifting the balance of care and associated workstreams being progressed - Strength based working / Reunification Framework / Family Group Conferencing / Safe and Together model / The Right Place model.
- Children's Services Strategy reviewed and supported by Workforce Strategy, Accommodation Strategy and Commissioning Strategy to address recruitment and accommodation sufficiency issues and manage the market.
- Prudent social work ongoing - ensuring social workers do what only social workers can do - development of Trusted Adult model being explored.
- 4th team implemented in each locality to increase management capacity.
- OM1 posts provide strategic overview of case management and support services.
- Working hours are flexible to meet service and personal needs.
- Provision and analysis of performance information is tailored to meet arising issues.
- Appropriate use of COVID-19 expenditure claims and Recovery Fund from Welsh Government and other funding streams; and financial planning around how longer term needs will be met.
- Temporary Resource Assistants recruited for OMs and social workers to test proof of concept.
- Vulnerability Change Project is reviewing the police mechanism for referrals to Children's Services - with the aim of reducing PPNs on low level cases.
- Resource Panel in place to oversee decisions regarding placements.
- Family Drug and Alcohol Court pilot ongoing to better support parents with drug and alcohol issues through the care proceedings process.
- 2 urgent projects launched to address demand and accommodation sufficiency issues - one to specifically focus on services for children with disabilities and another to consider the wider cohort of children looked after.
- Ongoing adherence to COVID-19 risk assessment and appropriate use of PPE etc. to reduce the risk of infection for staff undertaking home visits.
- Improving Placement Options Programme Board meets regularly to provide corporate support and oversight of specific project activity to respond to the significant increase in service demand and associated increase in expenditure.
- Business case to increase the family support service resource in the Interventions Hub to provide an out of hours service agreed - to be taken forward when budget confirmed.
- Consideration being given to Rapid Response workers being reintegrated into locality teams in response to feedback from staff.
- Reviewing Hub in place to ensure cases are stepped down (or up) appropriately.

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

- Business processes to be reviewed as part of implementation of Eclipse system **2023 - Autumn**.
- Work with judiciary re: planned changes to private and public law **Q4 2022/23**.
- Review the Early Help offer and consider how this dovetails with the Interventions Hub to ensure that interventions are not being duplicated **Q1 2023/24**.

**Potential Impact(s)**

- Family breakdown leading to children becoming looked after.
- Growth in the number of children entering the looked after system and associated costs for the Authority.
- Insufficient placements to meet need resulting in increase in numbers living outside Cardiff.
- Challenges in improving outcomes for children leading to children being less likely to achieve their potential and to be fully participating citizens.
- Delays in issuing care proceedings because of existing capacity in Children's Services and consequential impact on budgets if work needs to be outsourced.
- Challenges in effectively managing service and financial pressures.
- Impact of high caseloads on staff and potential increase in social worker turnover.
- Reliance on newly qualified social workers and non qualified social care practitioners to deral wtih complex cases and statutory work.
- Welsh Government programme of work to eliminate profit from the care sector and potential impact on destabilisation of placements.
- Increase in use of unregulated placements.
- Inability of Interventions Hub to meet demand for family support leading to delays in response times and / or the need to outsource the service.

N.B. All demand risks carry safeguarding implications.

**Linked Risks**

- Workforce Planning (Social Services)
- Safeguarding

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

Children's Services:

- Early Help 3 - Number of people supported by the Family Support Team
- Contacts 1 - Number of Contacts / Referrals Received
- CH/012 - Percentage of assessments completed for children within statutory timescales
- CS LAC 3e - Number of children looked after

**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>• Community &amp; Environment</li> <li>• Stakeholder</li> </ul>
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# Corporate Safeguarding

Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)												
Systemic failure in the effectiveness of the Council's safeguarding arrangements together with other statutory safeguarding partners.	<table border="1" style="width: 100%; text-align: center;"> <tr><td colspan="2">Last Reviewed</td><td>Q3 2022/23</td></tr> <tr><td colspan="2">Last Revision</td><td>Q3 2022/23</td></tr> </table>	Last Reviewed		Q3 2022/23	Last Revision		Q3 2022/23	<table border="1" style="width: 100%; text-align: center;"> <tr><td colspan="2">Movement from prev Qtr</td><td>↔</td></tr> </table>	Movement from prev Qtr		↔	<table border="1" style="width: 100%; text-align: center;"> <tr><td colspan="2">Target Reduction Date</td><td>N/A</td></tr> </table>	Target Reduction Date		N/A	<p style="text-align: center;"><b>Sarah McGill</b> (Deborah Driffield)</p> <p style="text-align: center;"><b>Councillor Huw Thomas</b> Leader</p> <p style="text-align: center;"><b>Councillor Susan Elsmore</b> Social Care, Health &amp; Well-being</p> <p style="text-align: center;"><b>Councillor Graham Hinchey</b> Children &amp; Families</p> <p style="text-align: center;"><b>Councillor Chris Weaver</b> Finance, Modernisation and Performance</p>
Last Reviewed		Q3 2022/23														
Last Revision		Q3 2022/23														
Movement from prev Qtr		↔														
Target Reduction Date		N/A														

Potential Impact(s)
<ul style="list-style-type: none"> <li>A child(ren) or adult(s) suffer(s) preventable abuse or neglect which may result in harm or death</li> <li>Reputation of Council and partners</li> <li>Severe adverse publicity</li> <li>Potential regulator intervention</li> <li>Loss of confidence by community in safety of children and adults</li> <li>Loss of confidence of staff in the overall "safety" of the service, impacting on morale, recruitment and retention</li> <li>Potential litigation with associated financial penalties</li> <li>Significant financial implications of formal intervention</li> </ul>

What we've done/are currently doing to achieve the Residual Risk Rating
<p><b>Regional</b></p> <ul style="list-style-type: none"> <li>Regional Safeguarding Board oversee the safety and well-being of children and young people across the partnership.</li> </ul> <p><b>Corporate</b></p> <ul style="list-style-type: none"> <li>Corporate Safeguarding Board strengthened with development of Steering Group and appointment of Directorate Lead Officers</li> <li>Improved data capture and reporting on training compliance allowing targeted action by managers.</li> <li>New self-assessment form and process introduced, with identified improvement actions built into Directorate Delivery Plan.</li> <li>Initial Analysis of referral data completed, with further work underway to enable a more granular breakdown.</li> <li>Recruitment and Selection Policy updated, including additional information on safeguarding</li> <li>Recommendations of Audit Wales review actioned.</li> <li>Appropriate safeguarding arrangements in place for staffing local government elections.</li> <li>Education provision secured for high risk children throughout the COVID-19 crisis.</li> <li>The Safeguarding Policy has been reviewed following the publication of best practice by Welsh Government.</li> <li>Output of self-assessments has been quality assured and is included and tracked through Directorate Delivery Plans.</li> <li>New Corporate Safeguarding Policy approved by Cabinet and Corporate Safeguarding Board, following consideration at scrutiny</li> <li>Training compliance rates now at 82% across the Council with pilots underway in areas of low compliance.</li> <li>Internal audit report received with overall finding 'Effective with opportunities for improvement'</li> <li>Work commenced with Procurement team to strengthen safeguarding arrangements in contract award and management.</li> </ul> <p><b>Contextual Safeguarding</b></p> <ul style="list-style-type: none"> <li>Exploitation Strategy - led corporately with community safety approach.</li> </ul> <p><b>Children's Services (Summary Position)</b></p> <ul style="list-style-type: none"> <li>In terms of business continuity, our operational approach to child protection remains unchanged. Child protection procedures continue to take precedence and children at the highest risk will be prioritised. Operating model is review regularly.</li> <li>Systems in place to learn lessons from Child Practice Reviews, Adult Practice Reviews and multi agency practitioner forums.</li> <li>Safeguarding Adolescents From Exploitation (SAFE) approach reframed in light of experience and being implemented city wide.</li> <li>Quality Assurance Framework in place; learning workshops introduced to complete feedback loop. Action plan in response to complaints to be developed.</li> <li>Wales Safeguarding Procedures in place - training held and systems updated.</li> <li>High Risk Panel facilitates robust and timely multi-agency decision making at senior management level for our highest risk young people.</li> <li>OMs have oversight of all high risk cases and share decision making responsibility.</li> <li>Practice development group set up with leads allocated to workstreams to shape good practice.</li> <li>Children's Services and Education working closely, including in the development of locality working.</li> <li>Close partnership working (via Regional Partnership Board and Starting Well Programme) in response to the emerging crisis regarding young people with serious mental health and emotional wellbeing issues is ongoing (i.e. increase in eating disorders, self harm, and attempted and actual suicide).</li> <li>Close partnership working in relation to serious youth violence, including with Violence Prevention Unit and Community Safety is ongoing.</li> <li>Close partnership working in response to complex safeguarding concerns with providers, with particular emphasis on emerging issues with providers of accommodation and support for children with additional and complex needs is ongoing.</li> <li>Revised Supervision process launched following feedback from pilot and a new recording mechanism now in place</li> <li>Child Sexual Abuse practice leads training programme with Centre of Excellence in place.</li> <li>Review of escalating concerns process underway to strengthen arrangements and interface with safeguarding procedures and large scale enquiries.</li> <li>Practice leads appointed in locality teams to support newly qualified staff and improve quality and consistency of practice.</li> <li>Cardiff to be one of the lead UK sites for implementation of the Safe and Together approach in relation to safeguarding and domestic abuse.</li> </ul> <p><b>Adult Safeguarding (Summary Position)</b></p> <ul style="list-style-type: none"> <li>Review of escalating concerns process underway to strengthen arrangements and interface with safeguarding procedures and large scale enquiries.</li> <li>Development completed of an improved quality assurance process for care homes that includes monitoring visits undertaken by social workers in addition to Contracts staff and the commitment to undertake urgent (same day) on-site monitoring when serious concerns are raised.</li> <li>Advice / guidance has been produced for family members to inform them of what they should look for when choosing a care home for a loved one / when visiting a loved one in a care home and what they should do if they are worried / concerned about the quality of care.</li> <li>Quality Assurance Frameworks have been included with the DAPL and DPS Framework and this has been implemented.</li> <li>Contributing to and supporting the regional review of MARACs (domestic abuse MARAC, SWOT MARAC and Human Trafficking MARAC). We will now be taking this learning into practice.</li> <li>Supporting people who hoard and self-neglect and developing sustainable and holistic approaches to achieving outcomes has now been completed and is being shared with staff teams. Phase 2 of this project has now commenced.</li> <li>Young person's MDT in partnership with Children's services and Housing to address the needs of young people with complex transitional arrangements, behavioural difficulties or known risks has now been launched and is fully operational.</li> <li>Targeted training work in front facing services with low take up is ongoing but will be further developed in Q1 2023/24, with gaps in training being identified.</li> <li>Continue to review the Safeguarding Policy following publication of best practice by Welsh Government</li> </ul>

What we plan to do to meet target
<p><b>Corporate</b></p> <ul style="list-style-type: none"> <li>Targeted training work in front facing services with low take up <b>Q2 2023/24</b></li> <li>Data development work on cross council referrals <b>Q3 2023/24</b></li> </ul> <p><b>Children's Services</b></p> <ul style="list-style-type: none"> <li>Strengthen contractual arrangements in relation to safeguarding. <b>Q4 2022/23</b></li> </ul> <p><b>Adult Services</b></p> <ul style="list-style-type: none"> <li>Develop whole home large scale enquiry process - to be completed <b>Q2 23/24</b> - this is now to be completed regionally not locally.</li> <li>Partnership development activity between learning disabilities team, third sector services and adult safeguarding to better address incidents of SU on SU abuse in supported living services setting - removed target as project on hold due to current work pressures <b>Ongoing</b>.</li> <li>Develop and improve our public facing Safeguarding communications to build trust and confidence with the public. Ensure there is consistency in external and internal reporting of Safeguarding referrals - Target <b>Q1 23/24</b></li> </ul>

Type(s) of Impact	Linked Risks	Key Indicators / Measures used to monitor the risk
<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>Partnership</li> <li>Community &amp; Environment</li> <li>Stakeholder</li> </ul>	<ul style="list-style-type: none"> <li>SCC.014 Percentage of initial child protection conferences carried out within statutory timescales during the year</li> <li>SCC.034 Percentage of child protection reviews carried out within statutory timescales during the year</li> <li>SSWB 27 Percentage of re-registrations of children on local authority Child Protection Registers</li> <li>SSWB 28 Average length of time for all children who were on the CPR during the year</li> <li>Res 15 - Percentage of Council staff completing Safeguarding Awareness Training</li> </ul>

# Legal Compliance

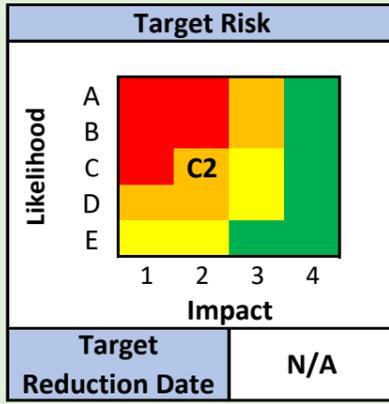
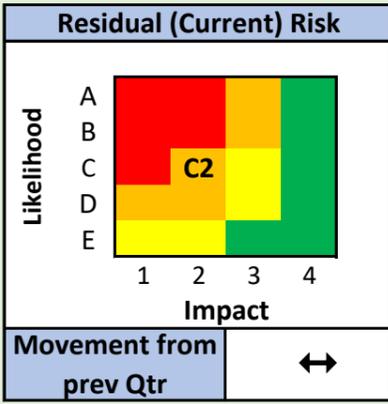
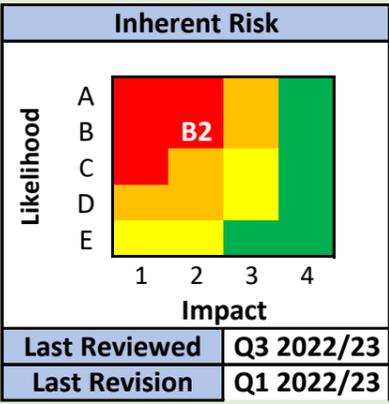
**Description**

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 by providing 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 where it is necessary to outsource legal work
- Dedicated Corporate teams in specialist areas e.g., equalities, FOI / DPA
- Sharing training/publications received internally to the legal department and when necessary to client departments
- Encourage Directorates to ensure Committee and Cabinet reports are discussed at preliminary stage in development to ensure all legal issues are addressed early through client department relationships
- Decision Making Training to both the Senior Management Forum and the Managers Forum carried out in 2020 and Pre-Election Period and Decision-making Pre and Post the Local Election briefings given to the Senior Managers Forum and the Cardiff Managers Forum in January 2022
- Decision Making training session held for the Environment Directorate managers in Jan 2022
- Decision making training provided to Councillors and Cabinet as part of induction training.

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

- Where identified, provide guidance based on standard precedents for use in cases of low value/low risk/repetitive matters to minimise the gaps in Council wide knowledge **ONGOING**
- Provide, if requested, ad-hoc legal training to Directorates to develop knowledge within Directorates of specific statutory functions. **ONGOING**

**Potential Impact(s)**

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

**Type(s) of Impact**

- Service Delivery
- Reputational
- Legal
- Financial

**Linked Risks**

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

Number of Judicial Reviews and Number of Successful Challenges



## **GOVERNANCE & AUDIT COMMITTEE: 21 March 2023**

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### **RECOMMENDATION TRACKER - REPORTS OF EXTERNAL REVIEW BODIES REPORT OF HEAD OF PERFORMANCE AND PARTNERSHIPS**

#### **AGENDA ITEM: 9.2**

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

1. This report provides an overview of the management and delivery of recommendations received from Audit Wales, Estyn, Care Inspectorate Wales and Her Majesty's Inspectorate for Prisons.
2. The role of the Governance and Audit Committee, in accordance with its terms of reference, is to provide independent assurance to the members of Cardiff Council, and its wider citizens and stakeholders, on the risk management framework, the internal control environment, and the performance assessment of the Council. As part of its terms of reference, the Governance and Audit Committee is required to:
  - 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.
  - Consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
  - Consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
  - To consider specific reports as agreed with the external auditors.
  - Comment on the scope and depth of external audit work, and to ensure it gives value for money.

#### **Background**

3. The Governance and Audit Committee receives regular updates on the work of the Council's external auditors and information in respect of the reports underway and completed as part of Committee meetings.
4. In January 2021, new reporting arrangements were put in place to provide a biannual overview of the progress made in delivering agreed recommendations made by external regulators, for the information and assurance of the Committee.

## Issues

5. This report includes the summary position of the Council's progress in responding to recommendations made by regulators (Table 1 and Table 2 below) as well as details of all recommendations which are currently open or that have been closed during the last reporting period (Appendix 1 and 2). This ensures a focused consideration of all open and recently closed recommendations. Full details are available on request.
6. This approach responds to the performance assessment functions of the Committee introduced by the Local Government and Elections (Wales) Act 2021. It also responds to the requirement that Governance and Audit Committees are expected to consider relevant reports and recommendations from external review bodies, and to receive assurances on the arrangements for their oversight and delivery, as confirmed by the Audit Director of Audit Wales. The approach for recording the recommendations of external regulatory bodies positions the Council well to respond to the requirements of the new statutory performance assessment regime and the Audit Director of Audit Wales.
7. Oversight of the Council's regulatory position and the performance against the responding to recommendations made by regulators forms an important part of the Council's Planning and Performance Framework, including:
  - Senior Management Team: The External Audit Recommendation Tracker is considered by the Council's Senior Management Team twice a year to ensure corporate oversight.
  - Chief Executive Assurance Session: The Audit Tracker is considered at the Assurance Session convened by the Chief Executive on a bi-annual basis, with each individual Director of Service. Each assurance session is also attended by the Corporate Director (Resources), Head of Finance and Head of Performance and Partnership and the regulatory position is considered.
  - Cabinet Performance Session: Based on the Assurance Sessions, the Chief Executive provides a Self-Assessment of Performance to Cabinet twice a year. This includes a summary of the judgements of regulators and the Council's improvement work in response.
  - Annual Wellbeing Report: Both the Annual Wellbeing Report and Half Year Self-Assessment Report provides a summary of the judgements of regulatory bodies. These reports are formally considered by Cabinet, the Policy Review and Performance Scrutiny Committee, Governance and Audit Committee and Full Council.
  - Wider Political Governance: The Council's wider political governance may consider the reports of external regulatory bodies, which fall under their terms of reference, and seek any assurance it deems appropriate. For each recommendation, the Audit Tracker now includes detail of the relevant oversight committee, in response to the recommendation of the Governance and Audit Committee in January 2021.
8. Further to this, and as part of Audit Relationship Management meetings with Directors, senior management are asked to advise if there are any concerns with the delivery of improvement actions identified through the reports of external review bodies. The Chair of the Governance and Audit Committee will be notified if any concerns are raised.

## Overview- Latest Position

9. Table 1 below shows the Mid-Year position for 2022/23 and the progress made in closing recommendations since the recommendation tracker approach was adopted. Table 2 shows the balance of RAG ratings in relation to responding to recommendations over the same period. Both demonstrate that progress has been made responding to recommendations received from external regulators since the introduction of the tracker approach.

Updates against the recommendations received by Regulatory Bodies after September 2022, which is outside of the reporting period covered by the Mid-Year 2022/23 report, will be included in the End-of-Year report 2022/23.

Table 1: Total recommendations open/closed January 2021 - January 2023

Date	Total Recommendations	Total Open	Total Closed	% Open
Mid-Year 2022/3	109	40	69	36.6%
Year-End 2021/22	85	38	47	44%
Mid Year 2021/22	64	27	37	42%
Yar End 2020/21	61	29	32	47%
Mid Year 2020/21	61	46	15	76%

Table 2: Overview of RAG status for recommendations January 2021 – January 2023

Date	Total Recommendations	Green	Amber	Red	No RAG assigned
Mid-Year 2022/3	109	59	10	0	40
Year-End 2021/22	85	58	11	0	16
Mid Year 2021/22	64	54	10	0	N/A
Yar End 2020/21	61	38	22	1	N/A

10. An overview of the progress against the External Regulators' recommendations is included as Appendix 1, with full details of the recommendations and the Council's response included as Appendix 2.

## Legal Implications

11. The statutory functions of the Governance and Audit Committee include the duty to review and assess the risk management, internal control, performance assessment and

corporate governance arrangements of the authority. In discharging its functions, the Committee must have regard to guidance given by the Welsh Ministers.

### **Financial Implications**

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

### **RECOMMENDATIONS**

13. That the Committee considers and notes the contents of the report.

**Gareth Newell**  
**Head of Performance and Partnerships**

*March 2023*

The following Appendices are attached:

Appendix 1 – Summary Position: Progress against External Regulatory Body Programme  
Mid-Year Update 2022/23 (PowerPoint presentation)

Appendix 2 – Committee Member link to Recommendation Tracker: [External Audit Tracker Audit & Governance Committee Mid Year Update 2022/3](#).

# Quarter 2 External Audit Tracker Summary Position

# Overview

Financial Year	Audit Name	Progress Open/ Closed Mid-Year 2020-21		Progress Open/ Closed Year-End 2020-21		Progress Open/ Closed Mid-Year 2021/22		Progress Open/ Closed Year-End 2021/22		Progress Open/ Closed Mid-Year 2022/23	
2017/18	Scrutiny – Fit for the Future	Open	2	Open	0	Open	0	Open	0	Open	0
		Closed	3	Closed	5	Closed	5	Closed	5	Closed	5
2018/19	Delivering Capital Ambition	Open	0								
		Closed	3								
	Corporate Safeguarding	Open	8	Open	5	Open	3	Open	2	Open	2
		Closed	1	Closed	4	Closed	6	Closed	7	Closed	7
	Environmental Health	Open	8	Open	7	Open	7	Open	1	Open	0
		Closed	1	Closed	2	Closed	2	Closed	8	Closed	9
	Transport and Clean Air Vision	Open	13	Open	1	Open	1	Open	0	Open	0
		Closed	2	Closed	14	Closed	14	Closed	15	Closed	15

# Overview

Financial Year	Audit Name	Progress Open/ Closed Mid-Year 2020-21		Progress Open/ Closed Year-End 2020-21		Progress Open/ Closed Mid-Year 2021/22		Progress Open/ Closed Year-End 2021/22		Progress Open/ Closed Mid-Year 2022/23	
2019/20	Leisure Services	Open	6	Open	6	Open	6	Open	0	Open	0
		Closed	0	Closed	0	Closed	0	Closed	6	Closed	6
	Financial Sustainability	Open	2	Open	0	Open	0	Open	0	Open	0
		Closed	0	Closed	2	Closed	2	Closed	2	Closed	2
2020/21	HMIP Inspection of Youth Offending Services	Open	7	Open	7	Open	5	Open	1	Open	1
		Closed	5	Closed	5	Closed	7	Closed	11	Closed	11
	Financial Sustainability Assessment	Open	N/A	Open	1	Open	0	Open	0	Open	0
		Closed	N/A	Closed	2	Closed	3	Closed	3	Closed	3
	CIW Risk Based Inspection	Open	N/A	Open	14	Open	12	Open	11	Open	11
		Closed	N/A	Closed	3	Closed	5	Closed	6	Closed	6
2021/22	Estyn Inspection of Education	Open	N/A	Open	N/A	Open	4	Open	4	Open	4
		Closed	N/A	Closed	N/A	Closed	0	Closed	0	Closed	0

# Overview

Financial Year	Audit Name	Progress Open/ Closed Mid-Year 2020-21		Progress Open/ Closed Year-End 2020-21		Progress Open/ Closed Mid-Year 2021/22		Progress Open/ Closed Year-End 2021/22		Progress Open/ Closed Mid-Year 2022/23	
Page 542  <b>2022/23</b>	Assurance and Risk Assessment Review	Open	N/A	Open	N/A	Open	N/A	Open	N/A	Open	1
		Closed	N/A	Closed	N/A	Closed	N/A	Closed	N/A	Closed	0
	Springing Forward - Combined Workforce and Assets Review	Open	N/A	Open	N/A	Open	N/A	Open	N/A	Open	4
		Closed	N/A	Closed	N/A	Closed	N/A	Closed	N/A	Closed	1
	Waste Management Review	Open	N/A	Open	N/A	Open	N/A	Open	N/A	Open	5
		Closed	N/A	Closed	N/A	Closed	N/A	Closed	N/A	Closed	0
	Leisure Services Follow Up	Open	N/A	Open	N/A	Open	N/A	Open	N/A	Open	5
		Closed	N/A	Closed	N/A	Closed	N/A	Closed	N/A	Closed	1
	HMIP Inspection of Youth Offending Services in Cardiff 2022-23	Open	N/A	Open	N/A	Open	N/A	Open	N/A	Open	7
		Closed	N/A	Closed	N/A	Closed	N/A	Closed	N/A	Closed	0

All audits for 2022/23 were received in November and therefore updates for recommendations will not be reported on until year end

# Overview

Open/ Closed Mid Year 2020/21		Open/ Closed Year End 2020/21		Open/ Closed Mid Year 2021/22		Open/ Closed Year End 2021/22		Open/ Closed Mid Year 2022/23	
<b>Open</b>	46	Open	29	Open	27	Open	38	Open	40
<b>Closed</b>	15	Closed	32	Closed	37	Closed	47	Closed	69
<b>Total</b>	61	Total	61	Total	64	Total	85	Total	109

Audits for 2022/23 received after November 2022 will be reported in the Year End Position

# 2018-19 Audits – Corporate Safeguarding

Audit Name	Number of Recommendations	Number Open	Number Closed	Number Amber
Corporate Safeguarding	9	2	7	5

Recommendation	Latest Update	Directorate	Lead Officer	Status
<p>Consider ways in which it could extend its safeguarding training offer, for example building on the planned Child Sexual Exploitation awareness training to be given to taxi drivers, and to provide safeguarding training to (for example) those working in the night time economy</p>	<p>A task and finish group has been established to review and update the current universal level training delivered on exploitation. Working with partners we are pulling together the key messages required about vulnerabilities to exploitation, the signs to spot and the action to take. Once complete this will be available for internal staff and partner organisations.</p> <p>A comms plan has been developed for Corporate Safeguarding and a key area included is to ensure corporate safeguarding messaging is included in any other key safeguarding campaigns (white ribbon, safeguarding week, modern slavery)</p>	Performance & Partnerships	Sian Sanders	Amber
<p>Accelerate the mandatory completion of Violence Against Women, Domestic Abuse and Sexual Violence (Wales) Act 2015 (VAWDASV) training.</p>	<p>Group 1 delivery is closely monitored and managers chased for their staff who have yet to complete / have partially completed this mandatory module. Completions currently 77% excluding Education. Percentages have gone down as establishment numbers have gone up.</p> <p>Group 2 delivery also continuing across the statutory organisations in the region, although hampered by a reducing pool of trainers and no further Train the Trainer dates being available to bring new trainers on board.</p> <p>Group 3 (Champions) roll-out has now begun with a session to be offered every month until the end of the year.</p>	Adult Services, Housing & Communities	Natalie Southgate	Amber

# 2020-21 Audits – CIW Risk Based Inspection

Audit Name	Number of Recommendations	Number Open	Number Closed	Number Amber
CIW Risk Based Inspection	17	12	5	1

Recommendation	Latest Update	Directorate	Lead Officer	Status
<p>Advocacy Children's services There was evidence of people being supported by informal advocates to participate in assessments and decisions that affect them. Some practitioners were aware of arrangements to commission formal advocacy whilst others were not. The local authority must ensure consistent consideration is given to both informal and formal advocacy as outlined in Part 10 Code of Practice for 2014 Act.</p> <p>Adult Services Some practitioners were aware of arrangements to commission formal advocacy whilst others were not. The local authority must ensure consistent consideration is given to both informal and formal advocacy as outlined in Part 10 Code of Practice for 2014 Act.</p>	<p>Update September 2022 Work to focus on all advocacy, not just the active offer is ongoing - extend target completion date to March 2023.</p>	<p>Children's Services/Adult Services</p>	<p>Deborah Driffield/Jane Thomas</p>	<p>Amber</p>

# Analysis

- There are no outstanding recommendations from 2017/18
- 2 open recommendations from 2018/19 (1.8%)
- 0 open recommendations from 2019/20
- 12 open recommendations from 2020/21 (11%)
- 4 open recommendations from 2021/22 (3.6%)
- 22 open recommendations from 2022/23 (20.1%)
- 3 open recommendations are Amber
- General aside:
  - Importance of setting out a clear management response (*what will be done by when*) so that the recommendations can be closed down
  - Updates should specifically relate to the recommendation, not a generic update on activity



# CARDIFF COUNCIL CYNGOR CAERDYDD

## GOVERNANCE AND AUDIT COMMITTEE: 21 MARCH 2023

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### PROPOSED TREASURY MANAGEMENT PRACTICES - APRIL 2023 ONWARDS

### REPORT OF CORPORATE DIRECTOR RESOURCES AGENDA ITEM 10.1

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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 Governance and Audit Committee Terms of Reference sets out their responsibility for seeking assurances that the Council has complied with the Treasury Management Strategy and Practices by demonstrating effective control of the associated risks and pursuing optimum performance consistent with those risks.
2. This report has been prepared to provide Governance and Audit Committee Members with the proposed Treasury Management Practices (TMP's) to apply from April 2023.

#### Background

3. The Council carries out its treasury management activities in accordance with a Treasury Management Code of Practice for public services, updated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2021. This requires the preparation of what are termed 'Treasury Management Practices' and the areas which these must cover are specified.
4. The purpose of TMP's is to demonstrate that the Council's Treasury Management activities are carried out in an open and transparent framework. These are reviewed periodically under delegation FS5 to the Corporate Director Resources.
5. These Treasury Management practices will continue to be revised during 2023/24 in line with technical or other updates.

## Issues

6. The Council's proposed Treasury Management Practices are based on the requirements of the CIPFA Code and where relevant includes content as suggested by the Council's Treasury Management advisors in respect to Treasury investments. The document covers controls, processes and practices in the following twelve areas:-
- Treasury risk management.
    - Credit and counterparty risk management.
    - Liquidity risk management.
    - Interest rate risk management.
    - Exchange rate risk management.
    - Refinancing risk management.
    - Legal and regulatory risk management.
    - Fraud, error and corruption, and contingency management.
    - Market risk management.
    - Economic, Social and Governance
  - Performance management.
  - Decision-making and analysis.
  - Approved instruments, methods and techniques.
  - Organisation, clarity and segregation of responsibilities, and dealing arrangements.
  - Reporting requirements and management information arrangements.
  - Budgeting, accounting and audit arrangements.
  - Cash and cash flow management.
  - Money laundering.
  - Training and qualifications.
  - Use of external service providers.
  - Corporate governance.

## Reason for Recommendations

7. To note the proposed treasury management practices to apply from April 2023 which assists in the review and assessment of the risk management, internal control and corporate governance arrangements of the authority in relation to treasury activities.

## Legal Implications

8. No direct legal implications arise from this report.

## Financial Implications

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

## RECOMMENDATIONS

10. Governance and Audit Committee to note the Treasury Management Practices to be implemented from April 2023.

**CHRISTOPHER LEE**  
**CORPORATE DIRECTOR RESOURCES**  
**21 March 2023**

*The following appendix is attached*

Appendix 1 – Treasury Management Practices and Annexes – Valid from April 2023

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

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## Governance and Audit Committee Action Plan and Recommendations

(Updated following meeting held on 24 January 2023)

### 1. Action Plan

Minute No. /Agenda No.	Actions	Timeline	Action Owner
	<b>Finance (Budget)</b>		
	<b>Governance &amp; Risk Management</b>		
	<b>Audit Wales (AW)</b>		
19.07.22	Finance and Democratic services to provide an initial position statement in respect to progress in making improvements in process and the risk identified in the Audit Wales Audit Plan for the Council in relation to related parties' disclosure requirements.		
	<b>Internal Audit</b>		
	<b>Treasury Management</b>		
	<b>Operational Items</b>		
23.03.21	Committee to be provided, in due course, with information on the preparation for 'IFRS 16 – Leases' for the Statement of Accounts 2022/23.		AH
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.	Interim confidential assurance briefing paper circulated 3.06.2021	CL / CP
	<b>AW Tracker/Other Studies</b>		
	<b>Performance</b>		
19.07.22	Committee to be provided with the suite of complaints handling KPIs once approved by the Halo Board.	Draft KPIs provided to G&A Committee on 29.11.22	IB
	<b>Work Programme</b>		
	<b>Outstanding Actions</b>		
	<b>Correspondence</b>		
	<b>Scrutiny Engagement / Letters</b>		

## 2. Recommendations

Committee Meeting Date	Agenda Item	Recommendation	Date Raised	Management Response	Target Action Date	Status
27.09.22	Paul Orders, Chief Executive  Draft Well-being (Self-Assessment) Report 2021/22	1. We recommend that the draft Strategic Assessments under each Wellbeing Objective are reviewed to: -  a. ensure the overall evaluative conclusions are explicitly recorded, b. consider if they provide sufficient emphasis on outcomes.	10.10.22	Accepted - For each Well-being Objective section of the draft report, the Strategic Evaluation section has been reviewed following Committee and amended to provide a stronger evaluative assessment of performance. The Council commits to work in consultation with the Committee on further implementing this recommendation in the forthcoming mid-year assessment and in future Annual Well-being Reports.	17.10.22	Open
		2. The Committee recognises the well-structured and comprehensive self-assessment process. However, we recommend the Council considers if the Annual Well-Being Report adequately records conclusions on the extent to which it meets its "performance requirements" namely: -  a. It is exercising its functions effectively, b. It is using its resources economically, efficiently and effectively, c. Its governance is effective for securing the above		Accepted - The Council has clarified in the revised draft report that it considers that the self-assessment process and the Annual Well-being Report ensures that Council is meeting the statutory performance requirements. The Council commits to work in consultation with the Committee on continuing to strengthen the Council's approach to future Annual Well-being Reports.	17.10.22	Open
		3. It is considered that the narrative self-assessment within the "Key Successes" sections have an emphasis on input activities, we recommend that for future annual Self-Assessment Reports, that the Council consider whether a stronger focus on outcomes can be applied.		Accepted - The Council will review the Key Successes sections of future reports to ensure an appropriate balance between input, output and outcomes is presented.	15.12.22	Open

## Correspondence

The Governance and Audit Committee and each of the Council's Scrutiny Committees have established an arrangement to share and inform each other of their work programmes, enquiries and outcomes, in accordance with the steps agreed at the Scrutiny Chairs' Liaison Forum on 6 December 2021.

As part of this process, the Chair of the Governance and Audit Committee and the Audit Manager have been copied into Scrutiny Committee letters over the reporting period. Where responses have been received at the time of reporting, these are also included for information.

Each of the letters have been reviewed by the Audit Manager who has provided relevant comments to the Committee Chairperson.

The information contained within the letters published is useful for Governance and Audit Committee Member awareness of the activities and lines of enquiry of the Council's Scrutiny Committees.

**In considering the terms of reference of the Governance and Audit Committee, and the correspondence received, it is not considered that any updates to the Committee work programme are required.**

For the information of the wider Committee, the published letters since the last Committee meeting were as follows.

For wider information the published Scrutiny Committee work programmes are also linked within this document.

**Chris Pyke**

**Audit Manager  
10 March 2023**

### Children and Young People Scrutiny Committee

Committee Date	Agenda/Minute No	Item Background Papers	Correspondence Following Committee Meeting
Monday 16 <sup>th</sup> January 2023	Minute No. 40	<a href="#">Draft Children's Services Strategy 2023-26</a>	<a href="#">Link to Correspondence</a> (pages 3-7)
Monday 16 <sup>th</sup> January 2023	Minute No. 42	<a href="#">School Organisation Planning - Annual Report on Investment in the Education Estate</a>  <a href="#">Scrutiny - SOP Proposals</a>	<a href="#">Link to Correspondence</a> (pages 9-13)  (pages 15-16)
Tuesday 28 <sup>th</sup> February 2023	Agenda Item 4	<ul style="list-style-type: none"> <li>• <a href="#">Draft Corporate Plan 2023-26</a></li> <li>• <a href="#">Draft Budget Proposals 2023-24</a></li> </ul>	<a href="#">Link to Correspondence</a> (pages 3-17)
Tuesday 28 <sup>th</sup> February 2023	Agenda Item 4	<a href="#">Draft Budget Proposals 2023/24</a> (Response)	<a href="#">Link to Correspondence</a> (pages 19-26)

### Community and Adult Services Scrutiny Committee

Committee Date	Agenda/Minute No.	Item Background Papers	Correspondence Following Committee Meeting
Monday 12 <sup>th</sup> December 2022	Agenda Item 4	<a href="#">Council Support for Asylum Seekers &amp; Refugees</a>	<a href="#">Link to Correspondence</a> (pages 11-16)
Monday 27 <sup>th</sup> February 2023	Agenda Item 4	<a href="#">Draft Corporate Plan 2023-2026 and Draft Budgetary Proposals 2023-2024</a>	<a href="#">Link to Correspondence</a> (pages 3-11)
Monday 27 <sup>th</sup> February 2023	Agenda Item 4	<a href="#">Draft Budget Proposals 2023/24</a> (Response)	<a href="#">Link to Correspondence</a> (pages 13-17)

## Economy and Culture Scrutiny Committee

Committee Date	Agenda/Minute No	Item Background Papers	Correspondence Following Committee Meeting
Wednesday 18 <sup>th</sup> January 2023	Agenda Item 3	<a href="#">International Sports Village</a> (Public Letter)	<a href="#">Link to Correspondence</a> (pages 3-8)
Tuesday 28 <sup>th</sup> February 2023	Agenda Item 4	<a href="#">Draft Corporate Plan 2023-2026 and Budgetary Proposals 2023-24</a>	<a href="#">Link to Correspondence</a> (pages 3-9)
Tuesday 28 <sup>th</sup> February 2023	Agenda Item 4	<a href="#">Budget and Corporate Plan</a> (Response)	<a href="#">Link to Correspondence</a> (pages 11-13)

## Environmental Scrutiny Committee

Committee Date	Agenda/Minute No	Item Background Papers	Correspondence Following Committee Meeting
Thursday 12 <sup>th</sup> January 2023	Agenda Item 3	<a href="#">Weed Control Trial Report</a>	<a href="#">Link to Correspondence</a> (pages 3-5)
Monday 27 <sup>th</sup> February 2023	Agenda Item 4	<ul style="list-style-type: none"> <li><a href="#">Draft Budget 2023/24</a></li> <li><a href="#">Draft Corporate Plan 2023-26</a></li> </ul>	<a href="#">Link to Correspondence</a> (pages 3-9)
Monday 27 <sup>th</sup> February 2023	Agenda Item 4	<a href="#">Draft Budget Proposals 2023/24</a> (Response)	<a href="#">Link to Correspondence</a> (pages 11-13)

## Governance & Audit Committee

*No correspondence issued over the reporting period*

## Policy Review and Performance Scrutiny Committee

Committee Date	Agenda/Minute No	Item Background Papers	Correspondence Following Committee Meeting
Tuesday 17 <sup>th</sup> January 2023	Agenda Item 5	<a href="#">Budget Consultation 2023/24</a>	<a href="#">Link to Correspondence</a> (pages 3-5)
Tuesday 17 <sup>th</sup> January 2023	Agenda Item 6	<a href="#">Mid-year Performance 2022/23</a>	<a href="#">Link to Correspondence</a> (pages 7-11)
Wednesday 1 <sup>st</sup> March 2023	Agenda Item 4	<a href="#">Corporate Plan 2023-26</a>	<a href="#">Link to Correspondence</a> (pages 3-6)
Wednesday 1 <sup>st</sup> March 2023	Agenda Items 4/5	<a href="#">Corporate Plan</a> (Response)	<a href="#">Link to Correspondence</a> (pages 7-8)
Wednesday 1 <sup>st</sup> March 2023	Agenda Item 5	<a href="#">Draft Budget Proposals 2023/24</a>	<a href="#">Link to Correspondence</a> (pages 9-12)
Wednesday 1 <sup>st</sup> March 2023	Agenda Item 6	<a href="#">Maindy Park Trust Advisory Committee Recommendations</a>	<a href="#">Link to Correspondence</a> (pages 13-15)
Wednesday 1 <sup>st</sup> March 2023	Agenda Item 6	<a href="#">Maindy Park Trust Advisory Committee Recommendations</a> (Response)	<a href="#">Link to Correspondence</a> (pages 17-19)

## Scrutiny Work Programmes

Committee Date	Agenda/Minute No	Item Background Papers	Latest Published Work Programme
Tuesday 13 <sup>th</sup> December 2022	Agenda item 5	<a href="#">Children and Young People Scrutiny Committee</a>	<a href="#">Draft Forward Work Programme 01.01.23-01.04.23</a>
Monday 14 November 2022	Agenda Item 25	<a href="#">Community &amp; Adult Services Scrutiny Committee</a>	<a href="#">Work Programme 2022/23</a>
Monday 12 December 2022	Agenda Item 7	<a href="#">Economy &amp; Culture Scrutiny Committee</a>	<a href="#">Work Programme Update</a>
Thursday 10 November 2022	Minute No. 40	<a href="#">Environmental Scrutiny Committee</a>	<a href="#">Draft Forward Work Plan 2022/23</a>
Wednesday 14 December 2022	Minute No. 39	<a href="#">Policy Review and Performance Scrutiny Committee</a>	<a href="#">Forward Work Programme January-March 2023</a>

Governance and Audit Committee Work Programme 2022-23

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1. Current Work Programme 2022/23:

Area	Tuesday 19.07.22 (2pm)	Tuesday 27.09.22 (4.30pm)	Tuesday 15.11.22 (1pm)	Tuesday 29.11.22 (2pm)	Tuesday 24.01.23 (4:30pm)	Tuesday 21.03.23 (2pm)	Tuesday 11.07.23 (1pm) TBC
Audit Wales (AW)	Annual Audit Plan 2022			Summary Report of Assurance and Risk Assessment Work			Annual Audit Plan 2023
	Cardiff & Vale Pension Fund Audit Plan 2022		ISA 260 and Audited Statement of Accounts 2021/22 for Cardiff & Vale of Glamorgan Pension Fund	Follow-up Waste Management Review		ISA 260 and Audited Statement of Accounts 2021/22 for Cardiff Council including; Cardiff Harbour Authority & Trust Funds	Cardiff & Vale Pension Fund Audit Plan 2023
				Follow-up Leisure Review			Annual Audit Summary Report
				Combined Springing Forward Report			
	AW Work Programme and Timetable Update			AW Work Programme and Timetable Update	AW Work Programme and Timetable Update		AW Work Programme and Timetable Update
Performance		Draft Year-End Self-Assessment Report 2021/22			Mid-Year Self-Assessment Report Update		Draft Year-End Annual Well-being (Self-Assessment) Report 2022/23
	Council Complaints and Compliments – Arrangements and Annual Report 2021/22			Council Complaints – Mid Year Report			
Treasury Management		Treasury Management Annual Report	Half Year Report		Draft Treasury Management Strategy 2023/24	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	Financial Update including Resilience Issues
	Draft Statement of Accounts 2021/22					Statement of Accounts 2022/23: Accounting Policies and Timescales	Draft Statement of Accounts 2022/23
Internal Audit	Audit and Investigation Team - Progress Update			Audit and Investigation Team - Progress Update	Audit and Investigation Team - Progress Update	Audit and Investigation Team - Progress Update	Audit and Investigation Team - Progress Update
	Internal Audit Annual Report 2021/22	Counter-Fraud Annual Report 2021/22			Draft Internal Audit Charter & Summary Audit Plan 2023/24	Audit Charter and Audit Plan 2023/24	Internal Audit Annual Report 2022/23
						Public Sector Internal Audit Standards (PSIAS) Peer Assessment / External Quality Assessment	
Governance and Risk Management	Governance and Audit Committee Annual Report 2021/22						Governance and Audit Committee Annual Report 2022/23
	Draft Annual Governance Statement 2021/22						Draft Annual Governance Statement 2022/23
	Corporate Risk Management (Year-End)	Corporate Risk Management Update		Corporate Risk Management 2022/23 (Mid-Year)		Corporate Risk Management (Q3)	Corporate Risk Management (Year-End)
	Recommendation Tracker – Reports of External Review Bodies					Recommendation Tracker – Reports of External Review Bodies	
Senior Officer Updates (Operational Matters / Key Risks / Other)		Chief Executive – Update on the Council's Control Environment	Deborah Driffield - Update on Children's Services Directorate Control Environment		Melanie Godfrey - Update on Education & Lifelong Learning Directorate Control Environment	Jane Thomas - Update on Adults, Housing & Communities Directorate Control Environment	TBC - Chief Executive – Update on the Council's Control Environment

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2. Matters to be addressed outside of formal Committee meetings during 2022/23:

Governance and Audit Committee	General	Director / Senior Officer Assurance
<ul style="list-style-type: none"> <li>Annual self-assessment workshop (31.01.23)</li> <li>Training and development sessions.</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence, publications and reports for information purposes</li> <li>Time sensitive consultation.</li> </ul>	<ul style="list-style-type: none"> <li>Use of letters, correspondence, and video / telephone meetings as necessary.</li> </ul>

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