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AGENDA

Committee	GOVERNANCE AND AUDIT COMMITTEE
Date and Time of Meeting	TUESDAY, 26 MARCH 2024, 2.00 PM
Venue	COMMITTEE ROOM 4 - MULTI LOCATION MEETING
Membership	Gavin McArthur (Chairperson) David Price, Dr. Janet Wademan, Chris Burns, Ahmed, Carr, Goodway, Lewis, Moultrie, Palmer 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 - 18*)

To approve as a correct record the minutes of the meeting held on 23 January 2024.

4 **Directorate Control Environment Update** (*Pages 19 - 44*)

2.10 pm

Neil Hanratty – Update on Directorate Control Environment for Economic Development

5 **Statement of Accounts**

2.40 pm

5.1 Audited Statement of Accounts 2022/23 - Cardiff Council including; Cardiff Harbour Authority & Trust Funds and ISA 260 and Audited Statement of Accounts 2022/23 for Cardiff Council including; Cardiff Harbour Authority & Trust Fund (*Pages 45 - 236*)

6 **Finance**

3.00 pm

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

- 6.1 Financial Update including Resilience Issues (*Pages 237 - 250*)
- 6.2 Statement of Accounts 2023/24: Accounting Policies and Timescales (*Pages 251 - 304*)

BREAK - 3.25pm

- 7 **Internal Audit** 3.30 pm
 - 7.1 Audit and Investigation Team - Progress Update (*Pages 305 - 334*)
 - 7.2 Audit Charter and Audit Plan 2024/25 (*Pages 335 - 376*)
- 8 **Governance and Risk Management** 3.55 pm
 - 8.1 Corporate Risk Management (Q3) (*Pages 377 - 408*)
- 9 **Treasury Management** 4.10 pm
 - 9.1 Treasury Management Strategy 2024/25 (*Pages 409 - 448*)
 - 9.2 Treasury Management Practices (*Pages 449 - 536*)
- 10 **Outstanding Actions** (*Pages 537 - 538*) 4.30 pm
- 11 **Correspondence** (*Pages 539 - 554*)
- 12 **Work Programme Update** (*Pages 555 - 556*) 4.35 pm
- 13 **Urgent Items (if any)**
- 14 **Date of next meeting**

The next meeting is scheduled for 9 July 2024 to be confirmed in May 2024 Council.

D Marles

Interim Monitoring Officer

Date: Wednesday, 20 March 2024

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

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GOVERNANCE AND AUDIT COMMITTEE

23 JANUARY 2024

Present: Gavin McArthur(Chairperson)
David Price, Dr. Janet Wademan, Chris Burns, Ahmed, Carr,
Lewis, Palmer and Williams

56 : APOLOGIES FOR ABSENCE

No apologies for absence.

57 : DECLARATIONS OF INTEREST

No declarations of interest.

58 : MINUTES

The minutes of the meeting held on 28 November 2024 were approved by the Committee as a correct record and were signed by the Chairperson.

RESOLVED – That prior to the Committee meeting on 26 March 2024, Audit Wales be asked to provide a breakdown of their audit fee to provide the actual costs in respect of the 2022/23 work, in a format that can be replicated year on year.

59 : DIRECTORATE CONTROL ENVIRONMENT UPDATE

The Committee received a report on the control environment within the Planning, Transport and Environment (PTE) Directorate. Members were advised that the Directorate covers a wide and complex range of functions and services. The Directorate has circa 454 FTE posts and has an overall annual budget of circa £9.3million (revenue) and £52.8million (capital). The Capital Budget will vary from year to year, depending on the project programme and amount of external funding secured.

The report provided a summary of the key functions, service demands and corporate priorities for PTE. The Director has oversight and involvement across functions and areas. During the year, two key self-assessments of good governance are undertaken by the Director in order to establish progress, challenges and priorities. These are subject to challenge sessions with the Chief Executive.

Members were asked to note the approach taken to risk management and internal audit engagement set out in the report. The Chairperson welcomed Andrew Gregory, Director of Planning, Transport and Environment to the meeting. The Director was invited to deliver a presentation. The Chairperson then invited questions and comments from the Committee. Those discussions are summarised as follows:

- A Member requested details of how projects, such as those in the Highways Asset Management Programme (HAMP) are prioritised and influenced by elected members, partner organisations and the local community. Officers stated that projects within the HAMP scheme are prioritised mainly in terms of their condition. The HAMP covers not only roads and footways but all other highways assets such as street lighting, road signalling, drainage and other structures. Assessment and data gathering on highways assets are continuous and this data determines not only what works are prioritised and in which order, but also the best treatment undertaken to gain best value for money. However, in addition to the condition of assets, engagement with elected members, usage, service requests and development opportunities are also taken into account. The final say on programme of works to be undertaken within the budgetary envelope available is taken at Director level, in conjunction with the relevant Cabinet Member.
- A Member requested officers to elaborate on the ‘innovative’ engagement and consultation that has been undertaken by the Directorate, whether they had been successful and highlight any lessons learned. The Director stated that an example would be the engagement undertaken as part of the One Planet Strategy which included engagement with the Youth Council and other groups within the community that traditionally a more difficult to reach in terms of engagement. The Cabinet Member and lead officers have hosted conferences and other forums with those groups where the outline principles of the strategy have been presented and an understanding has been gained of the priorities of those groups. Community engagement sessions held as part of the Replacement Local Development Plan work has also helped shape the outline proposals in that document.
- In terms of the One Planet Cardiff Strategy, a Member questioned how, given the complexity of the issues, the Directorate was able to respond to ‘real time’ changes and developments and remain at the fore and not miss opportunities. The Director considered that one of the challenges for the One Planet Cardiff Strategy was the sheer range of initiatives required for the Strategy to be successful. There are a range of different ways that the authority can respond to innovations relating to buildings, transport, energy production and energy conservation, etc. For example, engagement with experts and partner organisations and best practice from industry and internally within Council. Such innovations are formed into workable projects that can be delivered within the Council’s governance structure and aligned with the corporate priorities.

RESOLVED – That the report be noted.

60 : AW WORK PROGRAMME AND TIMETABLE UPDATE

Julie Rees from Audit Wales was invited to present an Audit Wales Work Programme and Timetable update.

Members were provided with an update on the financial audit work that was ongoing and were advised that good progress has been made in terms of the Statement of Accounts audit. The Audit Plan had identified a risk around asset valuations, specifically the risk of changes in asset valuations since their last full evaluation given current inflationary and other pressures. The Council has undertaken a review and is now in the process of evaluating the outcomes and considering the implications for the draft balance sheet ready for the audit to be concluded in March 2024. No other emerging issues were reported.

Members were advised that the Glamorgan Archives and Prosiect Gwyrdd audits have been completed. Good progress was reported on the Teachers' Pension and Non-Domestic Rates audits also. An audit into Housing Benefit has also commenced.

Sara-Jane Byrne provided a summary of the performance audits. Since the previous performance update the performance information and digital thematic reports and are presented on the agenda for the meeting. A date in February has been arranged with the Senior Management Team (SMT) to discuss the findings of the assurance risk assessment. Members were asked to note that the thematic review on procurement and contract management will focus solely on commissioning following consideration of the scope of the review and the resources available. Further details of that review will be shared in due course. Members were also asked to note the local government national studies and updates from Estyn and CIW.

RESOLVED – That the report be noted.

61 : DIGITAL STRATEGY REVIEW: CARDIFF COUNCIL REPORT

Sara-Jane Byrne of Audit Wales was invited to provide an overview of the findings of the Digital Strategy Review report. Members were advised that reviews have been undertaken at all 22 Welsh local authorities and the findings will be collated into a national summary report on the broader findings.

The review focussed on the authority's strategic approach to digitisation of services and the extent to which the Council has applied sustainable development principles in its approach. The review concluded with a number of positive findings which were set out in the report. However, there was a lack of clear time-bound objectives. Further, the anticipated short and long term impacts of its strategy were not set out, which Audit Wales considered may affect the Council's ability to monitor and evaluate the progress of the strategy. The Council had also not engaged directly with citizens during the development of the strategy in 2017/18. Audit Wales also commented upon lack of corporate oversight aspects of the strategy.

The following 3 recommendations were made.

Strengthening the evidence base

R1 To help ensure that its next digital strategy is well informed and that its resources are effectively targeted, in developing its strategy the Council should draw on

evidence from a wider range of sources, including greater involvement of stakeholders with an interest in the digital strategy.

Identifying resource implications

R2 To help ensure that its next digital strategy is deliverable and to help monitor value for money the Council should identify the short and long-term resource implications of delivering it together with any intended efficiency savings.

Arrangements to improve corporate oversight

R3 To enable better corporate oversight and assessment of value for money from its next digital strategy, the Council should strengthen its arrangements for monitoring both progress in delivering the strategy and its overall impact over the short, medium and longer term.

A Member asked whether Audit Wales were proposing to follow up the review in terms of a fairer, equitable Wales and about the ability of some sections of the community to access services via digital means. Members were advised that Audit Wales will take a risk based approach to any follow-up review determined by how the Council implements the recommendations. However, Audit Wales were considering the inequalities theme in their forward work programme. Sara-Jane Byrne agreed establish whether this would include work on digital inclusion to report back to the Committee.

A Member asked whether the Digital Strategy and the Council's approach to digitisation has sufficiently identified any potential cost savings that may be achieved through the deployment of digital technology. The Member considered that there may be added costs when investment is made in moving towards digital and efficiencies and cost savings may only be realised in the longer term. Sara-Jane Byrne stated that paragraph 20 of the report identified that the Council has set out the anticipated resource implications of delivering the Strategy, including savings on a project by project basis. The Chief Digital Officer stated that each digital initiative is supported by a business case. The business cases have been audited and have demonstrated good Value for Money. It was considered that the report had identified there was no broad overview of digitisation projects in all services areas. The Chief Digital accepted the recommendation and agreed that the authority needs to make improvements in relation to this.

RESOLVED –

- That the report be noted.
- Audit Wales to establish whether the inequalities theme in their forward work programme includes work on digital inclusion and to report back to the Committee.

62 : USE OF PERFORMANCE INFORMATION: SERVICE USER PERSPECTIVE AND OUTCOMES - CARDIFF COUNCIL REPORT

Rachel Harries of Audit Wales presented the main findings from the above report. Members were advised that the review had been undertaken at all 22 Welsh local authorities and a national summary report would be published in due course.

Members were reminded of the scope of the review which centred on the core reports that the Council uses to help senior leaders monitor and manage its performance.

In response to a question from the Committee, Audit Wales stated that the key issues identified were set out in the report. There were some positive areas and some areas of improvement identified, including the consistency in which service-user perspective is collected across the council and how that information is reported to senior leaders.

Gareth Newell, Head of Performance and Partnerships stated that the Council accepted the recommendation from Wales Audit. It was considered that the Council has a lot of information from the citizen's perspective on the services it provides but the links to the performance framework need to be strengthened. The Management response to the report accepts the recommendation and commits to review the Corporate Plan to ensure an appropriate balance between wellbeing objectives and citizen satisfaction indicators. Directorate delivery plans for 2024/25 will contain a section of citizen engagement responses, including survey responses, complaints and compliments, etc. A review will also be undertaken of all Wales and core city comparators also.

The Committee requested assurance on the scale of the issue identified by Wales Audit. Members were advised that, in the main, the authority undertakes good consultation and engagement with service users and receives good response rates to surveys. However, the authority's Participation Strategy identifies that more work needs to be done to reach groups with protected characteristics that do not typically respond to consultation. The Strategy sets out a number of initiatives which aim to do this. Linking responses to the performance framework was not considered to be a substantial issue and there is a commitment that it would be rectified by April 2024.

RESOLVED – That the report be noted.

63 : FINANCIAL UPDATE INCLUDING RESILIENCE ISSUES

The Corporate Director Resources and Section 151 Officer, Chris Lee, presented a financial update on resilience issues and the financial challenges facing the authority, including the Provisional Revenue Settlement Grant, the budget gap and modelling for 2024/25, budget consultation and preparation for the budget.

A Member noted that the modelling was predicated on a 3% Council Tax increase. The Member asked whether modelling had been undertaken on alternative Council Tax increase figures. The Section 151 Officer stated that no modelling has been undertaken on different ranges of Council Tax. However, each year a Council Tax 'reckoner' is calculated, which provides an indication of funding for every 1% increase which is used to inform the budget strategy and any alternative budget proposals. The value of a 1% increase is approximately £1.8 million net of additional funding. Responding to a supplementary question, the Section 151 Officer stated that the draft budget strategy will be presented to all Scrutiny Committees over the next 4

weeks, and it will contain all the assumptions needed to close the remaining budget gap.

A Member asked what performance management systems were in place to measure the extent to which staff are working at full capacity and what that information is demonstrating. The Section 151 Officer stated that the performance management framework includes individual reviews and reviews of the departmental delivery plans. However, individual productivity for staff in some services will be easier to measure due to the nature of their role.

RESOLVED – That the report be noted.

64 : AUDIT AND INVESTIGATION TEAM - PROGRESS UPDATE

The Audit Manager, Chris Pyke presented a progress report providing the Committee with an update on the work and performance of the Internal Audit and Investigation Teams. This progress report covered the period from 1 October - 31 December 2023, and followed the updates provided in the last Committee meeting held on 28 November 2023.

Members were advised that the Committee approved the Audit Charter and the risk-based Audit Plan for 2023/24 on 21 March 2023. The planned activity of the Investigation Team was also provided for consideration.

The Internal Audit Progress Report (Annex 1) provided details of performance in relation to the Internal Audit Plan and summarised 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.

The Investigation Team Progress Report (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.

Members were asked to note sections within Annex 1 referring to the new Global Internal Audit Standards (GIAS) which had recently been published and will take effect during 2025. The Audit Manager also provided a summary of the resources, annual plan progress, critical findings and investigations as detailed in the report.

A Member requested further details on the Cardiff Further Education Trust Fund. The Audit Manager stated that the Cardiff Further Education Trust Fund has certain criteria relating to how the funding is allocated to learners, which will be shared after the meeting, and that a review is undertaken in order to certify that the accounts are correct each year. Members were advised that audits of this nature account for a relatively small number of audit days in the Audit Plan.

A Member considered that the Audit Plan in future years may need to be deployed in a more strategic manner and aligned to areas that have had significant cuts to

funding and where there may be a threat to the quality of the services provided as a result.

A Member sought assurance that the Council is providing adequate support to schools in terms of cyber-security. The Audit Manager advised that details are provided of the assurance audit work recently undertaken in schools on this area in Section 2.4 Critical Findings and Emerging Trends. He advised that the Director of Education and the Chief Digital Officer have received an overview of the report and its recommendations.

The Member also sought further assurance in terms of value for money considerations in relation to the audit opinion of 'insufficient with major improvement needed' for Contract Variations and DSS Compliance. The Audit Manager considered that with any impaired audit opinion assurance there was an issue in respect of the economy, efficiency or effectiveness of systems. The procurement audit opinion related to the clarity of systems in place for variation orders, and the readiness for new procurement legislation. The DSS Compliance audit considered the governance framework was effective, but in one location sampled records had been held for longer than they should have been, and in a format that was non-compliant. That issue was addressed immediately but the finding resulted in the impaired opinion.

The Audit Manager was asked to clarify the financial impact for the Council of the annual Council Tax and Electoral Register exercise. The Audit Manager stated that cases are opened as part of the National Fraud Initiative exercise when data matches are found. The financial value of those cases is identified in the report against the reporting period in which investigations are completed.

A Member requested that when a Scrutiny Committee is undertaking a scrutiny enquiry, if it is relevant, then audit reports should be included within the scrutiny committee's consideration of the matter. The Corporate Director and Section 151 Officer, who had recently received a letter to this effect as a result of a Scrutiny review of Central Transport Services, had no objection and stated that where there are unsatisfactory audit opinions then the relevant scrutiny chair can be notified of the report in future. The Audit Manager was also in agreement.

RESOLVED – That the report be note.

65 : DRAFT INTERNAL AUDIT CHARTER & SUMMARY AUDIT PLAN 2024/25

The Committee received the Draft Internal Audit Charter for 2024/25, including a draft Committee Terms of Reference. The report also provided the Draft Summary Audit Plan for 2024/25.

Members were asked to note the amendments to the Internal Audit Charter for 2024/25.

The Audit Manager was invited to present the Draft Summary Audit Plan 2024/25. Members were advised that the draft plan has been drawn together using an

assurance mapping process which is ongoing. This has enabled officers to provide a summary of where audit days should be applied. The Audit Manager provided an overview of the draft plan. The finalised Audit Plan 2024/25 would be presented to the Committee for approval in March 2024.

Members were asked to further note that officers had been agreed with Audit Wales that an audit of fundamental systems would be undertaken at least every other year, or more often should the need arise. A number of audit days have been allocated for this.

RESOLVED – That the report be noted.

66 : COUNCIL COMPLAINTS – MID YEAR REPORT

The Committee received the Council Complaints Mid-Year report. The Chief Digital Officer, Isabelle Bignall summarised the key points in the report.

The Chief Digital Officer responded to a number of issues raised by the Committee at its meeting in October 2023. Members were advised that the Complaints Manager has been in dialogue with the Local Government Ombudsman's Officer regarding the categorisation of complaints. The Chief Digital Officer considered that the Ombudsman report provided useful comparator data in terms of the complaints received per 100,000 residents. The complaint outcomes also provide a useful indicator of how well the authority is responding to complaints. A five-year report of Ombudsman's complaints statistics was also being drafted and would be shared with the Committee in due course.

Referring to concerns raised around the number of complaints raised in the Housing and Communities directorate, the Chief Digital Officer stated the directorate has a lot of pressure from housing waiting lists and the housing repairs service which is still working through a backlog of repairs from the Covid-19 pandemic. The Directorate has a dedicated team of officers handling complaints. The number of complaints have increased and they are anticipated to increase further, but the Directorate response rate is improving also. The Directorate will be dealing with many complex cases that will require longer than the 20-day standard response. The Directorate will roll out the Halo complaints system in the near future.

A Member noted that waste collections account for most complaints. The Member asked for clarification of what is considered to be a complaint from service users. The Chief Digital Officer stated that initial requests are considered request for service e.g. a missed bin collection. The request for service would be noted but it would not be considered to be a complaint. However, if the service user requests to make a complaint about the matter then it would be considered to be a formal complaint.

A Member noted that the implementation of the Halo system was on target. The member asked whether the system has been fully tested and when the system would be launched. Members were advised that system was on target to be launched at the end of January 2024.

RESOLVED – That the report be noted.

67 : MID-YEAR SELF-ASSESSMENT REPORT UPDATE

The Head of Performance and Partnerships, Gareth Newell presented a Mid-Year Self-Assessment report update. Members were advised that the Mid-Year Self-Assessment report provides an assessment of performance for each of the Council's seven Well-Being Objectives, as set out in the Corporate Plan 2023-26.

The report summarised areas of progress and improvement, and identified a number of strategic improvement priorities which will be the subject of focus during Quarter 3 and Quarter 4 of 2023/24, namely: Financial Pressures; Demand Pressures across Council Services; Workforce Pressures impacting all Council Services; and Responding to new risks and issues.

The Mid-Year Self-Assessment Report was considered by the Council's Cabinet on 14 December 2023. The Policy Review and Performance Scrutiny Committee considered the Mid-Year Assessment of Performance 2023/24 at its meeting on 13 December 2023. The Committee made two recommendations, both of which were accepted.

The report was also considered by the Council's Performance Panel on 28 November 2023, which includes all Scrutiny Committee Chairs. The Panel made 11 recommendations, 10 of which were accepted in full and one which was partially accepted and responses were provided to all requests by the Panel for further information.

A Member asked to what extent the recommendations made by the Performance Panel would be implemented during the coming year and the remainder of the current year. The Head of Performance and Partnerships stated that the recommendations mainly related to the assessment put forward in the report and were implemented immediately. The Panel considered that the assessment was incomplete and didn't reflect certain aspects of performance. The final report would reflect those comments.

RESOLVED – That the report be noted.

68 : DRAFT ANNUAL GOVERNANCE STATEMENT 2022/23

The Committee received the Draft Annual Governance Statement 2022/23. The Chairperson invited the Head of Finance, Ian Allwood to introduce the report.

Members were asked to note that the Draft Annual Governance Statement (AGS) 2022/23 included statements from the Audit Manager, Governance and Audit Committee and Senior Management respectively. The Senior Management Team has in its considerations determined that two of the three recommendations were to be taken forward to the year 2023/24 with one recommendation considered complete. The progress on the actions are set out below with the rationale for either closing the action or taking it forward into 2023/24

Extend and deepen the areas of SMT investigation in respect to compliance, risk and outcomes. – CLOSED

The challenge of delivering services with increased demand and less available financial resources has highlighted the importance of compliance areas being reported and considered at Senior management level. This action was proposed to be closed as it now forms part of the working model going forward. Regular reports on individual directorates have been considered and discussed at SMT level on areas such as Service delivery issues, Safeguarding, Risk, 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.

Extend the assurance on the quality of performance reviews through evidence gathering at Directorate level. – Taking forward to 2023/24

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 continues to be acknowledged that this is not the case at all levels due to the scope and scale of some directorates. The quality of performance reviews remains an area where further improvements are required to ensure that this is fully embedded throughout individual directorates.

Embed into the self- assessment on Assurance the Five ways of Working in respect to the Future Generations Act. – Taking forward to 2023/24

The Self- Assessment on assurance has been amended to include a specific set of questions which covered the Five ways of Working in respect to the Future Generations Act. The Directorates have tested themselves against these objectives for the period of 2022/23 but there was a need to keep this action for 2023/24 to ensure sustainable improvement has been made across all directorates.

The Head of Finance stated that the AGS 2022/23 had been challenging given events following the year-end. CIPFA and Audit Wales consider that the AGS stays current so the report would need to reflect material changes during the current year even though the report is based on the 2022/23 position. Members were asked to note that the commentary on the Chief Executive's leave of absence and the resignation of the Monitoring Officer in this regard.

A Member noted that there was no statement included in the report from the Cabinet and questioned whether this was an omission. The Head of Finance stated that the 3 statements included in the report are prescribed. The AGS is signed off by the Leader of the Council and the Chief Executive as part of the Statement of Accounts, but governance is considered to be the responsibility of the Chief Executive.

A Member questioned whether the Council was 'accountable' to external audit as stated in the report. The Head of Finance stated that the Council is accountable in an informal sense, and he was happy to reconsider the wording.

RESOLVED – That the report be noted.

69 : OUTSTANDING ACTIONS

RESOLVED – That the report be noted.

70 : CORRESPONDENCE

RESOLVED – That the report be noted.

71 : WORK PROGRAMME UPDATE

RESOLVED – That the report be noted.

72 : URGENT ITEMS (IF ANY)

No urgent items.

73 : TERMS OF REFERENCE - WASTE MANAGEMENT POST TRIAL REVIEW

The Committee was received a report seeking approval for the proposed Terms of Reference for the Waste Management Post Trial Review following the conclusion of a large scale investigation and criminal case into corruption that resulted in five individuals being convicted of offences under the Bribery Act. The Terms of Reference included background details, the high-level scope, the detailed assurance objectives, and an outline of the approach, reporting and quality review arrangements and would be led by the Section 151 Officer, in conjunction with the Monitoring Officer. The Section 151 Officer was invited to present the report.

Members were advised that the review report would be presented to the Committee in July 2024 along with the management response to the report.

A Member questioned whether it was appropriate that an officer of the authority undertakes the review. A number of officers that will be interviewed as part of the review either report directly, or indirectly, to the Section 151 Officer. The Member considered that there was significant public concern in the case and the losses incurred as a result of the corruption. The Member also considered that nature of undertaking a review requires the individual undertaking the review to have the skills, competencies and experience of an investigator in order to establish what happened, what went wrong and to provide assurance that it wouldn't happen again. The Member sought assurance that the Section 151 Officer would seek independent external advice or legal advice should that be required in order to ensure that the post-trial review is robust.

The Section 151 Officer stated that he would remain objective throughout the review exercise and confirmed that if any independent advice or expertise is necessary then it will be sought. In terms of independence, the findings would be reported to the Governance and Audit Committee and the Committee would play a key role their testing and challenging those findings.

The Member accepted that the Section 151 Officer would remain objective throughout the review exercise. However, public perception was important and it was essential, not only that the process was fair, but also appeared to be fair and not risk the perception of bias. It was therefore, important to point out that Section 151 Officer is also the Corporate Director of Resources and evidence will be presented to the review from functions such as Human Resources, Risk Management and Counter Fraud sections, which report to the Corporate Director. The Member considered that the Section 151 Officers response to the points raised should be recorded therefore.

The Section 151 Officer noted the concerns raised by the Member. However, issues such as fraud can occur across any of the authority's directorates and he would remain objective whether that was within the Resources Directorate or any other directorate. The Section 151 Officer was mindful of the perception issue and assurance was given that this would be addressed as part of the exercise.

A Member requested clarification on whether the scope of the review: to seek assurance on the effectiveness of the systems in place to mitigate the risk of fraud, bribery and corruption; was wholly within the competency of the Section 151 Officer. The Member also sought clarity as to whether any computer data systems would be covered as part of the review. The Section 151 Officer confirmed that the assurances would centre on the systems and controls in place to ensure such activity does not occur. The scope deliberately references that if other issues are identified, not just those relating to the criminal case, then those are brought to the fore also. It was also confirmed the ICT systems in place will form part of the review.

A Member commented that the questions raised by other Members were valid but on balance there was no concern regarding any potential conflict of interest and that the Section 151 Officer was well-placed to undertake the review. A Member also noted that the Section 151 Officer is required by law to exercise objectivity and that provided reassurance to the Committee. A further comment was received that the review would form part of the ongoing assurance provided by officers that the Committee is continually seeking.

Responding to a point raised by a Member, the Section 151 Officer confirmed that the review would be open to any individual who may wish to contribute in addition to the parties already identified within the scope.

RESOLVED – That :

- (1) The comments of the Committee be noted;
- (2) The draft Terms of Reference for the Post Trial Review in Waste Management be approved.

74 : WASTE MANAGEMENT - CONFIDENTIAL UPDATE

The following item was deemed confidential and exempt from publication as it contained exempt information of the description contained in paragraphs 14, 18 and 21 of Schedule 12A of the Local Government Act 1972. The public were excluded

from the meeting by resolution of the Committee pursuant to Section 100A(4) of the Local Government Act 1972 during discussion of the item.

The Committee received a confidential update on an investigation within Waste Management.

RESOLVED – That the report be noted.

75 : DATE OF NEXT MEETING

The next meeting is scheduled for 26 March 2024.

76 : CORRESPONDENCE FOLLOWING THE COMMITTEE MEETING

The meeting terminated at 7.45 pm

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GOVERNANCE & AUDIT COMMITTEE: 26 MARCH 2024

ECONOMIC DEVELOPMENT CONTROL ENVIRONMENT UPDATE

AGENDA ITEM: 4

REPORT OF THE DIRECTOR OF ECONOMIC DEVELOPMENT

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 Economic Development 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.
 - Review and assess the authority's ability to handle complaints effectively and make any associated reports and recommendations.

Background

3. The Economic Development Directorate is responsible for a wide range of functions, services and statutory duties. The Directorate manages the Council's Economic Development team; City Centre Management; Tourism; Major Projects; County Estates; Culture, Venues & Events teams; Parks; Sport & Leisure; Harbour Authority; Recycling Neighbourhood Services; and Shared Regulatory Services. The directorate employs 1,234 FTEs. The following strategic priorities for 2023/24 illustrate the scale and variety of work undertaken across the directorate:

Attract more and better jobs:

- Supported business to create 1362 jobs and safeguarded 702 jobs up to Q3, 2023/24.

- Accessing UK and Welsh Government funding for regeneration. Financial claim for 2022/23 paid - circa £5 million. Cabinet agreed a further £8.5 million of funding across grant schemes for the remainder of the Shared Prosperity Fund (SPF) timeline.
- Partnership working with public and private sector.
- General recovery of the Economy - post pandemic work strategies in the private sector continue to create strong interest in the innovation and start-up space and discussions are taking place with a range of investors and occupiers.
- Challenges in the economy in terms of inflation in the construction sector and higher interest rates are still holding back development of new commercial premises in the city. In the short term this has meant a take-up of existing Grade A space to accommodate clients moving into the city and those expanding.

Attract more visitors that stay longer:

- Tourism KPI results for 2022, show significant improvements from the previous year in the number of staying visitors (53.1% increase), total visitor numbers (19.3% increase) and total visitor days (50.3% increase).
- City centre footfall has steadily recovered since the Pandemic, increasing by 3,784,164 (12.8%) from Q3, 2022/23 compared to Q3, 2021/22 and this year has seen a further increase of 54,701 (0.16%) from Q3, 2022/23 compared to Q3, 2023/24.
- The Council, WG and Principality Stadium bid to host the EPCR Finals in 2025 has been successful.

Continue the regeneration of the city centre and Cardiff Bay:

- Construction inflation prices levelled out and resources more available which will help to progress projects.
- Progressing the Sport Village project. Disposal strategy agreed by Cabinet in July. Option agreement concluded and entered with developer in September 2023. Work to develop the masterplan is ongoing.
- Progressing Indoor Arena project. Cabinet agreed the Funding Strategy for delivery of the Arena and approved the Development Funding Agreement in Q3 and enabling works commenced on site in January 2024.

Continue to modernise the management and operation of the Council's estate:

- Reducing the carbon footprint in the built environment – Cabinet agreed sites in tranche 1 (8 properties) for Carbon Reduction Programme improvements to reduce their carbon output, commencing in 2024/25. Willcox House was relinquished in Q3, 2023/24 which will positively impact the carbon reduction target.
- Hybrid Working Model - A Hybrid Working Project Brief and Engagement Plan has been drafted. An engagement programme with staff and service areas is underway. This will inform the detailed requirements of the Core office working environment to be included in the full business case. A report will be presented to Cabinet May 2024.
- Maintain Council buildings in a safe compliant condition - Identified priority 1 maintenance and compliance works relevant to the corporate estate are collated into a programme which is then used to commission essential works. As new surveys and investigations are undertaken the programme is re-prioritised accordingly.
- Dispose of land and property - A new Annual Property Plan for 2023/24 outlining Council receipt targets was approved by Cabinet in June. Expected to achieve circa £2.4 million against the general fund capital receipts target. (This is a lower figure against target due to increased ring-fenced sums against St Teilo's appropriation.) Several smaller transactions are likely to roll over into 2024/25 due to Planning / third party delays.

Supported Sport, Leisure and Green Spaces:

- Physical Activity & Sport Strategy (PASS) - The PASS is now fully adopted and managed with strong governance in place to review progress with the Leader as Chair of the PASS Partnership Board. The two pilot areas identified for year one (Llanrumney and Riverside) have completed a full and robust evaluation of need and demand.
- Green Flag Award - All 16 parks maintained their Green Flag status, and two new green flags awarded for Parc Tredelech and Western Cemetery.
- Allotment Strategy – WG approved a two-year Allotment Improvement Grant programme. This year's funding will support sites at Pengam Permanent, Flaxland Av and Porthamel Rd.
- Lisvane & Llanishen reservoirs opened to the public in July 2023.

Make Cardiff a world-leading recycling city as a core part of our response to climate change:

- Recycling Performance – The unverified recycling performance figure for Q2 was 61.11%. Results have been impacted by recent industrial action as kerbside waste tonnage reduced and HWRC tonnage increased.
- Recycling Strategy Implementation Programme – Implementation of segregated recycling city wide is progressing. Programme to deliver Phase 2 to a further 36,000 residents was rolled out in February 2024.
- Single-use plastics - Implemented segregated recycling to 100% of schools on contract with the Council to collect waste. 50% of the commercial customer base have now converted to compliance with the business waste regulation requirements for segregated recycling.
- Shared Regulatory Services – SRS has continued to focus on tackling private sector empty homes across the city. Resulting in a total of 78 properties or dwellings being brought back into occupation, to date this year.

4. The service has established governance arrangements and processes to manage and monitor strategic commitments, operational responsibilities and risk management. The key arrangements are set-out below:

- Monthly **Management Team** meetings for Economic Development (all of the directorate except for RNS) attended by the Director, Assistant Director and all OMs.
- Monthly **Management Team** meetings for RNS attended by the Director, Assistant Director, and all OMs.
- Monthly **Project Boards** relating to strategic projects attended by the Director, Assistant Director, and OMs.
- Quarterly **Health and Safety Committee** meetings attended by the Director, Assistant Director and OMs and performance officers.
- Quarterly **Service Area Joint Committee** (SAJC) and Performance Management meetings attended by the Director, Assistant Director and OMs and performance officers.
- Bi-weekly **Senior Management Team** meetings involving the Director, Assistant Directors, OM1s and performance / business management officers. (A review of outstanding audit actions and risk management is a standing item on the agenda for these meetings).

5. Additional assurance is also provided by continuous work with the Council's Internal Audit, Scrutiny Committees and reports submitted to Cabinet for decision.

Issues

6. Buildings and Property

The service has embedded governance arrangements to help better manage buildings and property related risks. The Corporate Landlord approach ensures the strategic direction of the estate aligns with the management of all information relating to statutory compliance and effective management of other property management functions. Strategic controls related to land and buildings are managed by Strategic Estates in conjunction with Health & Safety, Legal and Insurance. Governance and assurance is provided through various Boards including:

- **Asset Management Board** – This Board is used to test high level principles and deliberate how to tackle any issues that are critical to the model. Members include the CEX, Directors and applicable OM's.
- **Corporate Landlord Board** – This Board is facilitated by the CADT team and runs through the projects management side of the programme. Members include SED, FM, CADT and Finance.
- **Corporate Landlord Working Group** – This group updates and communicates Corporate Landlord principles to service area property managers. It also provides an opportunity for those managers to query, suggest and challenge issues.
- **School Organisation Programme Board** – this board manages the planned expansion and upgrade of the existing school estate.

7. Recycling and Neighbourhood Services (Waste Management)

Governance arrangements have been strengthened following the uncovering of significant fraud in 2017.

A new Assistant Director for Street Scene was appointed in 2018 and governance and assurance has been strengthened in the service by:

- A new senior management team within Recycling and Neighbourhood Services who work as a management team across service teams and have regular management meetings as senior managers and with the Director of Economic Development.
- A focus on data to understand costs and performance of services. This information is shared with managers and is used to identify variances. Any variance is analysed to identify the reasons for the changes, including monthly tonnage and financial data on recycling and waste.
- Working collaboratively with internal audit to identify areas of risk within the service area, with a view to continuous improvement to governance and controls.
- Robustly managing mandatory training for all staff in relation to fraud and bribery, alongside other mandatory Council training.

These improvements were recognised in the Audit Wales report on Waste Management (October 2022) which stated:

The Council's focus has been on addressing a series of longstanding operational issues. These include a pattern of overspends and unrealised savings, health and safety issues, high sickness absence, difficult industrial relations, and management and business controls not being in place or adhered to.

We recognise that the Council has made improvements to the management of the service. These improvements include:

- *a much-improved understanding of costs and performance across the service;*
- *a more effective use of data;*
- *the introduction of a new working pattern for waste collections; and*
- *continued improvements to the overall control environment to address recommendations made by Internal Audit following a series of adverse audit opinions.*

8. Technology
A Statutory Obligation Compliance software RAMIS provides a holistic view of property performance. This system is currently being replaced by a new software called Tech Forge. Statutory Obligations compliance data is reported to SMT and all service areas to push compliance ratings up to a minimum of 80% set by SMT.
9. The directorate has developed a clear structure and process for managing and monitoring strategic and operational risks related to its responsibilities and commitments and these are set out below.
10. Directorate Delivery Plan (DDP)
The Directorate Delivery Plan is the ED management team's plan to deliver key strategic and operational activities aligned to the Capital Ambition Delivery Plan. Managers consider resources required to deliver projects and initiatives and identify the key risks to delivery, in order to develop and implement actions to achieve a risk tolerance level relevant to the activity.
11. Directorate Risk Registers
Risks related to the delivery of corporate and directorate actions are recorded in the DDP and are included in the directorate risk register. Officers responsible for managing risk are named along with risk controls in place and any further actions required to manage risk priority down to an acceptable tolerance level.
12. Collaborative Working
Good working relationships have been developed with departments across the council to jointly deliver projects as can be seen from the Corporate Landlord approach described above. A close working relationship with Internal Audit has supported the directorate to address areas for improvement identified in external audits, such as the Audit Wales Review of Leisure Servicers and Waste Management. The directorate works closely with Trade Union representatives to consult on the development of budget proposals where these affect staff and to address specific workforce issues such as the recent industrial action in Waste Management.

(a) Risk Management

13. Risk management is a standing item discussed and documented at regular directorate management team meeting such as quarterly BIMs, bi-weekly management team meeting and performance management reviews. At these meetings, the operational management team formally review existing risks and identify emerging risk, their impact on service delivery and agree mitigation levels. The directorate priority themes on the risk register are:
 - Cost of living crisis impacting income at the Council's venues.
 - Increased interest rates impacting the deliverability of projects.
 - Maintenance costs of buildings and infrastructure in the corporate estate.
 - Staff retention / filling vacancies in teams requiring specific skills.
 - Identification of issues with specialist data management IT software systems (Tech Forge, Xn Leisure Centre booking system, and Weighbridge software).

Please see Appendix 1: Directorate Risk Register containing risks on a residual risk rating of red/amber and above.

14. The Directorate Risk Register is created and reviewed by the senior management team. Where risks are raised as part of BIM, local management team meetings or are recommended as a result of audits they are added to the Directorate Risk Register. The Directorate Risk Register is reviewed bi-weekly at management team meetings. Officers review and update the risk register including consideration of the RAG status of each risk. Where appropriate new risks are added or old risks are closed, if no longer considered relevant. Where appropriate, high-level risks are escalated to SMT for targeted mitigation. During the review, consideration is given to Corporate Risks – their current status, and again whether the risks have changed. Updates are then feedback to the corporate centre as appropriate.
15. Three risks relating to the Directorate are on the Corporate Risk Register:

- Non-completion of Statutory Building Equipment maintenance.
This risk manages 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.
- Health and Safety.
This risk manages non-compliance with corporate Health and Safety arrangements to control key risks across the Council in line with statutory requirements.
- Recycling Performance.
This risk manages failure to meet statutory recycling performance targets within the Waste (Wales) Measure 2010 (70% by 2024/25). Failure to meet target may lead to Welsh Government imposing fiscal penalty.

Please see Appendix 2 containing full details of these Corporate Risks.

Escalated Risks

16. From time-to-time directorate level risks need to be escalated to SMT and considered to be added to the Corporate Risk Register. Following Covid-19, the Directorate Risk relating to the sustainability of the Leisure Contract with GLL was escalated due to the significant uncertainty relating to income recovery. This has now been reduced back onto the Directorate Risk Register. Currently the Directorate has one escalated risk that is being monitored by SMT:
 - UK Emissions Trading Scheme
The government recently published its response to a consultation undertaken last year on developing the UK Emissions Trading Scheme (ETS), confirming that 'energy from waste and incineration plants' will be included from 2028. The response will be significant for Energy from Waste (EfW) plant operators, as it could end up costing the sector up to £800 million a year. However, many aspects of the tax are still to be determined. The government said stakeholder feedback strongly indicates that some level of cost pass-through will occur between operators of incinerators and EfW facilities and their customers. Cardiff Council and other Local Authorities are working with Welsh Government to better understand potential cost impacts of the policy and how they can be distributed fairly and what guidance might be useful etc.

(b) Internal Audit Engagement and Response

17. Internal Audit recommendations are a standing item at directorate management team meetings (BIMs). Audit Report recommendations are discussed and tracked to ensure they are implemented in a timely manner.
18. In addition to regular review and monitoring by management team regular meetings take place with the Directorate Relationship Manager from Internal Audit to discuss progress of audit recommendations, progress of the audit programme and development of target audit areas to be included in future audit plans.
19. The table below details the audit programme and reports since 2021/22:

Audit	Report Status	Assurance Rating	Outstanding Actions	Completed Actions	Total Actions	Implementation Status
2023/24 (to date)						
Building Support		Effective with opportunity for improvement				Management are considering the audit report and recommendations
Weighbridge software and Associated Controls	Final	Advisory / consultation work – no assurance opinion given	7	0	7	Advisory report received by management with 7 proposed actions.
Value for Money in the use of Council Vehicles - Parks	Final	No directorate opinion – sampled as part of corporate audit	1	0	1	1 open recommendation with a implementation date of 30/06/2024
Pest Control	Final	Effective with opportunity for improvement	5	9	14	5 open recommendations with target dates of: 2 recommendations 01/02/2024, 1 recommendation 28/02/2024, 2 recommendations 01/04/2024
Trade Waste	Final	Effective with opportunity for improvement	0	8	8	Audit Closed – recommendations implemented
2022/23						
Skip Hire	Final	Effective	0	4	4	Audit Closed – recommendations implemented
Performance Management	Final	Effective	0	4	4	Audit Closed – recommendations implemented
Disposal of Land and Buildings	Final	Effective with opportunity for improvement	0	6	6	Audit Closed – recommendations implemented
Waste Management Enforcement	Final	Effective with opportunity for improvement	0	6	6	Audit Closed – recommendations implemented
Cardiff Harbour Authority	Final	Effective with opportunity for improvement	0	3	3	Audit Closed – recommendations implemented

Audit	Report Status	Assurance Rating	Outstanding Actions	Completed Actions	Total Actions	Implementation Status
Cardiff International White Water	Final	Effective with opportunity for improvement	0	21	21	Audit Closed – recommendations implemented
Brindley Road Stores	Final	Effective with opportunity for improvement	0	8	8	Audit Closed – recommendations implemented
Cardiff Organic Waste Treatment Contract	Final	Effective with opportunity for improvement	0	4	4	Audit Closed – recommendations implemented
Cardiff Riding School	Final	Effective with opportunity for improvement	0	15	15	Audit Closed – recommendations implemented
Cardiff Caravan Park	Final	Effective with opportunity for improvement	0	11	11	Audit Closed – recommendations implemented
Income and debtors – (St David's Hall & Cardiff Castle)	Final	No directorate opinion – sampled as part of corporate audit	0	14	14	Audit Closed – recommendations implemented

Shared Regulatory Services in Cardiff	Final	Effective with opportunity for improvement	1	2	3	1 open recommendation with a implementation date of 31/03/2024
Leisure Contract Governance	Final	Effective with opportunity for improvement	0	9	9	Audit Closed – recommendations implemented
Health and Safety	Final	Effective with opportunity for improvement	1	2	3	1 open recommendation with a implementation date of 01/04/2024

2021/22						
Contract Monitoring and Management - Economic Development	Final	No directorate opinion – sampled as part of corporate audit	0	5	5	Audit Closed – recommendations implemented
Waste Collections	Final	Insufficient with major improvement needed	0	5	5	Audit Closed – recommendations implemented
Pre-Contract Assurance - Economic Development	Final	Insufficient with major improvement needed	0	3	3	Audit Closed – recommendations implemented

Older – Longstanding Open Recommendations						
Gatehouse	Final	Insufficient with major improvement needed	1	6	7	1 overdue open recommendation with a implementation date of 31/12/2023
Asset Management - RNS	Final	Insufficient with major improvement needed	2	2	4	2 open recommendations with a implementation dates of 31/03/2024

20. Since 2021/22 the service has benefitted from 21 audits containing 154 recommendations (actions). 15 of the 154 recommendations remain open. 7 of these relate to an Advisory Review that has only recently been received. The remaining 8 open recommendations are explained below.

- Value for Money in the use of Council Vehicles: Parks (1 Action)
 This audit was completed January 2024 and given an assurance rating of effective with opportunities for improvement. One recommendation remains open regarding procedures for the controls and issuing of fuel. A new process is currently being developed and as part of this process all 'Fuel Sign out Sheets' have been standardised for the purpose of consistency. Target completion date is June 2024.
- Pest Control (5 Actions)
 This audit was completed in December 2023 and given an assurance rating of effective with opportunities for improvement. 5 recommendations remain open related to use of secure mobile communications, digitalising tasks currently issued on job cards, stock control processes and realignment of the pest control income budget.
- Health and Safety (1 Action)
 This audit was completed in February 2023 and given an assurance rating of effective with opportunities for improvement. One recommendation remains open regarding the development of a control system to monitor completion of statutory inspections commissioned through the council's Insurance Policy. This will require a connection with HSB and the council's RAMIS system, which is not currently possible. Discussions have been held with HSB and Risk Monitor (who own RAMIS). HSB are currently updating their systems, and do not have an API which would allow the export of data from their system to RAMIS. It would therefore require a manual process requiring considerable officer time. When HSB have updated their systems, further discussions will take place. Target completion date is April 2024.
- Shared Regulatory Service (1 Action)
 This audit was completed in 2021/22 and given an assurance rating of effective with opportunities for improvement. One recommendation remains open relating to the quality and timeliness of financial management information being shared. Discussion have taken place between SRS and Finance however progress with the completion of this action has been delayed due to resource pressures following the impacts of Covid-19 on the SRS operating model. The intention is to establish regular quarterly meetings between SRS and Finance to improve information sharing. The target completion date has been deferred until 31/03/24.

21. Longstanding Open Actions

In addition to the above, there are 3 actions that have remained open on audits that took place before 2021/22, as set out below:

- Gatehouse/Weighbridge (1 Action)
 This audit was initially completed in May 2021 and given an assurance rating of Insufficient with major improvement needed.

One recommendation has remained open due to a lack of audit trail relating to changes to access rights and passwords in the software system. However, this could only be put right upon implementation of a new software system.

Weighsoft is the new software system replacing Gatehouse and following its implementation in April 2023 it was noted a number of features requested in the software had not been implemented and therefore issues remained relating to providing improved governance and assurance.

The service therefore requested Internal Audit to review the implementation of the Weighsoft software to help provide assistance identifying any outstanding risks.

The following actions were identified as part of an Internal Audit Advisory Review and are currently being implemented:

- Weighsoft system users and access levels have been reviewed and updated accordingly by the Data Manager. An email address is in the process of being implemented so that users can press “forgotten password” and a link would be sent via email. There would be no need for any involvement in changing passwords by the System Administrators/Super Users.
- A visual inspection sheet completed by the operative managing the access barrier at Bessemer Commercial site is cross checked against weighsoft on a daily basis. Anomalies found between the paperwork and the weighbridge system are highlighted to the data manager and the action taken is recorded on the spreadsheet.
- Periodic manual sample testing (dip testing) is being conducted by the data manager, the weighbridge supervisor and administrative assistant on a regular basis. Tasks are not undertaken by individuals on their own work or for the dates where individuals were working on the weighbridge. Focus for the dip sampling is on higher risk activities such as paying customers at Bessemer Commercial Site.
- Controls are in place to ensure that an individual is not responsible for carrying out checks on their own work. The data manager, weighbridge supervisor and administrative assistant provide cover for these checks.
- All relevant process maps have been updated by the data manager.
- Training requirements for staff are up to date and training records are recorded on DigiGov. All mandatory e-learning training modules are up to date.

There are some actions that will require further work and these are ongoing:

- A bespoke report to insert a reason field when amending a ticket and entering a manual weight has recently been signed off and is currently in development. The facility to amend a ticket has been removed from the weighbridge operators and the facility currently sits with the data manager and weighbridge supervisor (for cover).
- The Data Manager is working with Weighsoft to explore the audit trail of changes to system access or passwords.
- The Depot and Infrastructure Manager is working with a contractor to review how we monitor vehicle movements into the waste transfer station area with ANPR and CCTV. This will support picking up any vehicle depositing that has not gone over the weighbridge, especially out of hours. Barriers are not practical at all location to isolate movement and even if they were in place they could be abused.

An assurance audit of weighbridges is intended for next year’s audit plan.

This audit was completed in 2020/21 and given an assurance rating of insufficient with major improvement needed. Two of four recommendation remain open summarised below:

- *Review existing systems to ensure their suitability for effective asset management.* This action has not been able to be closed because of a significant change to the planned site infrastructure. The service planned to migrate the existing asset management systems from Papertrail to AMX which would provide a more detailed analysis of depreciation costs, allowing us to make better informed decisions around maintenance and renewal costs. The service has recently added the assets of the closed landfill site at Ferry Road to AMX and is in the process of refurbishing and adding the assets on the Lamby Way Landfill site to AMX. There is a significant project being undertaken to assess the future viability of the MRF and until we have certainty on how this will progress it was felt more prudent to remain on the existing Papertrail system ahead of authorisation any additional expenditure associated with moving to AMX. It is also intended to transfer asset checks for the Lamby Way, Bessemer and Millicent St Waste Depots from current Papertrail system over to AMX. Due to the size of this project, software developer advice at present is to refine a single system and understand system architecture prior to transition. Resource for the initialisation and ongoing asset management requirements is recognised in the pending Depot & Disposal restructure. It is anticipated that a decision on the viability of the MRF will not be taken until September.
- *Develop an Asset Management Strategy.* The Asset Management Strategy requires addition resource, identified to be realised through the Depot and Infrastructure restructure, which has been delayed due to the ongoing strike action. This action will commence following the cessation of strike action from the 21 March 2024.

(c) The Wider Control Environment

Senior Management Assurance Statement

22. The Directorate Management Team is actively engaged in the review of the Council's significant governance issues and complete individual Senior Management Assurance Statements (SMAS). These inform the development of a collective directorate assurance and provide an opportunity to compare the previous year's statement to track improvements. Overall, there is a strong application of governance and controls across the directorate and there is an improved position in terms of budget, planning and performance and fraud prevention and detection.

Description	ECD	Comments
Risk	Embedded	Overall embedded application however there is room for improvement to ensure consistent and effective engagement with all relevant managers, partner organisations, stakeholders and boards regarding management of risks.
Partnership Working	Embedded	Overall, an embedded application
Engagement and Equalities	Strong	Overall strong application however further work is needed to consistently consider groups protected by the Equalities Act - Utilisation of SIA's needs to be considered and improved to achieve better outcomes.

Compliance	Strong	Overall, a strong application but the directorate will need to continue the progress made to ensure outstanding audit report actions are completed, working with audit to close these down. Continue to work with Occupational Health to reduce long term sickness absence. Further work is required to complete mandatory training across the non-office based / non pc user workforce.
Project Initiation	Strong	Overall, a strong application but a need to improve consistency in the recording of associated opportunities and clearly defined financial and non-financial outcomes and benefits
Budget	Embedded	Overall, an embedded application. An improved position since the previous review.
Planning and Performance	Embedded	Overall, an embedded application. An improved position since the previous review.
Control	Strong	Overall, a strong application and work needed to ensure relevant Impact Assessments are completed alongside the development of new policies and Strategies. Work has commenced to ensure Finance Reports align with Strategic Estates KPI results reported - to be fully embedded.
Fraud	Embedded	Overall, an embedded application. An improved position since the previous review

23. The directorate has a range of established partnerships and collaborative arrangements and mechanisms with numerous services now delivered through externally contracted arrangements and/or in partnership with public and private sector organisations. Some examples include:

- The Health and Safety team works with the Health and Safety Executive, Public Health Wales and other Local Authorities and full consultation is undertaken with stakeholders, staff and trade unions in respect of the introduction of new Health and Safety policies or significant changes to guidance, for example, changing the risk assessment template.
- Joint action plan between Parks, Highways and Transport for maximising opportunities for increasing tree canopy within the street scene/built environment.
- GLL Leisure Services contract.
- Waste Strategy delivery in partnership with WG and WRAP.
- Harbour Authority in partnership with WG

Most collaborative arrangements are generally governed and managed formally through partnership agreements or legal contracts. Legal and financial advice is always sought in the development of these arrangements. The Council then manages these contracts through specific board arrangements involving the external partner, a Council appointed Senior Responsible Officer (normally Director, Assistant Director or OM1), relevant Cabinet Members and a range of officers, including officers from corporate services.

External Assurance

24. The directorate has recently been the subject of two external reviews undertaken by Audit Wales:
- Review of Leisure Services Contract
In October 2020, Audit Wales reported the findings of their review of the leisure services provided by Greenwich Leisure Ltd (GLL) and how they contributed to the achievement of the Council's well-being objectives. It was concluded the Council had achieved its key aim of keeping its leisure centres open but there was scope for the Council to better apply the sustainable development principle and strengthen its arrangements to assure itself that its contract with GLL was delivering value for money. There were 6 recommendations for improvement. Audit Wales undertook a further follow-up review during April and May 2022 to assess the Council's progress in addressing the six proposals for improvement. All recommendations were agreed, and the review was considered by Governance and Audit Committee in November 2022. Two recommendations remain open relating to the development of options to mitigate the risk of the contract failing. Work has been undertaken but the recommendations are yet to be closed due to the ongoing issues with Pentwyn Leisure Centre.
 - Review of Waste Management
As part of a fundamental review of the service, in March 2020 Audit Wales completed a review of the Council's plans to reduce waste and achieve the national recycling targets. During this review Audit Wales noted that work had commenced with the Waste & Resources Action Programme (WRAP), Local Partnerships and Welsh Government to look at an operating model to inform the development of an appropriate approach in Cardiff. Several recommendations were made with regards to the development of the Waste Recycling Strategy. These were accepted. In March 2022, Audit Wales undertook a follow up review of the Council's plans to reduce waste and improve its recycling performance to achieve the national recycling targets. All 5 recommendations were agreed. The review was considered by Governance and Audit Committee in November 2022. The 5 recommendations remain open awaiting a Cabinet decision on the Recycling Strategy.
25. Across the directorate there are certain standards and assessments that provide intelligence and data on aspects of the service from independent assessors. These reports provide an assurance we are meeting recognised quality standards, enables us to benchmark our services with other organisations and enables the directorate to respond as appropriate to any improvement actions required. Meeting external standards and criteria gives us assurances that we are providing a high standard service to our customers, enables us to be commercially competitive, our facilities are safe to use, and our management systems and processes are robust. A listing of these assurances is shown in the table below:

External Reports / Audit / Inspection Area	Provider	Rating / Opinion	Management Comments
Green status assessment / Flag	Keep Wales Tidy	Certificate	The benchmark national standard for publicly accessible parks and green spaces in the United Kingdom. This assessment provides assurances that we are meeting our Corporate Plan objective to improve our parks and public spaces.
CHA Statutory Inspections-	Natural Resources Wales Welsh Government	Licence	CHA Management and operation of the Cardiff Bay Barrage Fish Pass and Aeration System / Cardiff Bay Barrage Act 1993 – CHA has a range of statutory duties and responsibilities, detailed in the Welsh Government Agreement under Section 165 of the Local Government Planning and Land Act 1980. KPIs are also regularly monitored and reported to ensure compliance of infrastructure management, environmental management, conservation development, and community liaison.
Playground Inspections EN1176 European Standard /	Annual Tender Process	Report	Annual inspection of playgrounds and playground equipment. Post installation inspection of new playgrounds and equipment.
BSI Assessment Visit Reports	BSI	Report	Environmental Management System / Quality Management System (ISO 19001 and 14001) Accredited to Waste Management and CHA providing an assurance of service performance to an international recognised Standard.
Cardiff Sailing Centre Statutory Inspections	Royal Yachting Association's (RYA)	Report	To ensure the Cardiff Sailing Centre meets RYA Standards & Guidelines
Audit Wales	Audit Wales	Report	Review of Waste Management and Leisure Services.

26. External assessments are discussed at regular operational BIM meetings and where areas for improvement have been identified an appropriate response is agreed by relevant managers to ensure adequate resources are available to address issues. When managers become aware of significant issues as a result of these reports these are discussed and where appropriate engagement may be sought with other council departments such as Finance and Legal and/or organisations outside of the Council.

Major Project and Partnership Governance

27. The Directorate has a very small team of 3 people charged with taking forward the Council's major project agenda. The service is therefore required to engage with service areas across the Council to achieve its goals. In particular, the major project team has regular established engagement with the Council's Finance and Legal services.

28. In terms of governance, a monthly Major Projects meeting is held with Directors and senior officers from relevant departments of the Council chaired by the Chief Executive. This meeting reviews project plans and monitors project delivery.
29. Below this, individual projects are managed through a streamlined Council version of the Prince 2 project management approach involving bespoke teams representing a range of internal corporate services and external partners as appropriate. Regular team meetings are undertaken with risks and issues escalated to the monthly Major Projects senior management meeting.
30. Every new project is the subject of a business case process and normally requires a Cabinet decision to be initiated, with further Cabinet decisions as the business case progresses through the stages of development.
31. The Council has an established process for bidding for funding to develop project proposals relating to the delivery of Capital Ambition objectives. This requires bids to be made to the Investment Review Board led by the Council's Finance department.
32. Objectives are set out in the Corporate Plan and performance is reported through the Council's performance management framework. Project risks are captured on the Directorate Risk Register and escalated as required.

Value for Money

33. A range of methodologies are used to provide assurance including testing the market through procurement, benchmarking, customer satisfaction surveys, external reviews, budget monitoring and general performance management (KPIs). Some examples are outlined below, in addition to some identified opportunities for improvement.
34. The private sector has an important role in the delivery of service across the Directorate. The procurement of goods and services is undertaken in accordance with the Council's Contract Standing Orders and Procedures Rules. Obtaining value for money is a fundamental principle of these rules. Where appropriate, framework contracts have been put in place in accordance with these rules, for example, framework contracts for the maintenance of the Council's Estate. By tendering general building maintenance contracts to the open market we can demonstrate best value. In recent years this approach has been amended to enable greater competition.
35. The work relating to the disposal of Council assets undertaken by the Council's Strategic Estates team is generally supported by independent external valuation to demonstrate best value.
36. The Council operates a workshop estate to support and promote business start-up. On an annual basis the Council benchmarks rental levels against the private sector locally. In addition, occupation levels are regularly monitored, and a customer satisfaction survey is also conducted annually.
37. Sport and Leisure has faced significant budgetary challenges requiring innovative new approaches. Partnerships like the GLL contract are an example of retaining the same level of service at a vastly reduced cost to the Council. Other examples include the leasing of Pavilions and Changing Rooms to enable occupiers to secure grant funding from National Governing Bodies where the Council was unable to do so. This has resulted in improved facilities for clubs, a more sustainable model for clubs and increased membership.
38. The recent external review of Leisure Services by Audit Wales was based on the question 'is the Council's approach to leisure services supporting the achievement of its well-being objectives, and delivering value for money?' Although Audit Wales acknowledge that the Council has achieved its key aim of keeping its leisure centres open, it has also made recommendations so that the Council can assure itself that its contract with Greenwich Leisure Limited is delivering value for money. Whilst the operating subsidy has been removed, and therefore the big strategic target achieved, there is more the Council can do to derive value for money out of its relationship with GLL and an action plan has been developed to that end.

39. The Parks Service engages in a variety of activities to help demonstrate value for money. Goods and services are procured through the application of robust cost and quality models at tender evaluation stage and monitoring throughout the term of the contract. Regular benchmarking is undertaken to test service provision including APSI benchmarking of horticultural services which measures the service against other cities; participation in the Core Cities Group which measures against a range of national indicators; and Green Space Wales which compares performance with other local authorities in Wales. The Green Flag Award is a good example of benchmarking providing assurance of value for money in so much as it involves consideration of a range of indicators including conservation and heritage, engaging communities and embedding policies. The service undertakes customer satisfaction surveys annually, and also uses Trip Advisor to monitor feedback from visitors to our parks. One area for improvement in terms of providing value for money assurance is to better understand the value parks and green spaces (including allotments) provide in terms of reducing the burden on the health service through green referrals from GPs.
40. The Directorate will also appoint external advisors from time to time to review a service and provide a view on value for money.
41. The Council's building maintenance is now mainly delivered through procured market tested contractors. However, an internal Direct Labour Organisation (DLO) has been retained. The charging rates for the DLO are regularly reviewed through comparisons with the Council's framework contractors. Improved productivity is now being achieved through better planning of work (planned maintenance programme) as an outcome of the Corporate Landlord approach which in effect reduces the amount of 'down-time'.
42. Customer feedback is also a useful way of understanding value for money from the service user perspective. For example, in respect of Cardiff Harbour Authority an Annual Stakeholder Satisfaction Survey is undertaken. The 19/20 survey resulted in 95% of participants being satisfied / very satisfied with the service provided. Also, on an annual basis the Business Support Team survey companies which have received guidance, advice/support from economic development and this has been in place for the last 3 years. We have a 75% satisfaction target and this year we achieved 100% satisfaction and in the last 3 years we have not fallen below our performance target of 75% satisfaction.
43. A final example relates to a physiotherapy service provided by the Council's Occupational Health Service to address Muscular Skeletal related sickness absence in the Recycling and Neighbourhood Services area. Following 2 years of providing the service, the impact on sickness absence has not been realised and therefore the service will now be reviewed.

Complaints Handling

44. Complaints are managed at a local level via the new corporate Halo software with a number of identified administrative officers trained to use the software system to co-ordinate complaint responses for their relevant local teams. A report on the number of complaints, complaint details and compliance with the Complaints Handling procedure is reviewed and monitored by local management teams. A report of complaints received across the directorate is also considered by the directorate management team on a quarterly basis.
45. As a result of these reviews, it has been identified that there has been a big decrease in complaints for Economic Development and this is mainly due to the continuation of a review of complaints received by Parks and, as a result, applying the Council's Corporate Complaints Policy more stringently. For example, many of the complaints for Parks were actually classed as first-time requests for services (such as grass cutting) and therefore are now being treated as such in the first instance, rather than going through the complaints process.
46. Waste Collections continue to adopt a positive, constructive approach to complaints and positive strides have been taken to reduce the number of formal complaints received about the service. This is reflected by a 39% decrease for the service (1,267 complaints recorded in 2022/23 compared to 2,089 in 2021/22). This decrease can be attributed to the following reasons:
 - The 4-day working single shift pattern introduced in 2021/22 has now 'bedded in' and crews are familiar with their new rounds.

- A combination of Cardiff and the Vale College and in-house HGV training has helped to reduce the driver shortage levels experienced by the Council in 2021/22.
- Following a review of the “Assisted Lift” scheme.

47. However, complaints during 2023/24 are expected to increase due to embedding of the new segregated recycling collections and disruptions to collections / cessation of garden waste collections due to ongoing industrial action.

Legal Implications

48. There are no direct legal implications from this report.

Financial Implications

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

RECOMMENDATIONS

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

Neil Hanratty
Director, Economic Development

The following is attached:

Appendix 1: Directorate Risk Register
Appendix 2: Directorate Corporate Risks

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Risk Description	Potential Consequence	Inherent Risk			Current Controls	Residual Risk			Proposed Management Actions	Target Risk			Risk Reduction Target Date	Owner	Key Indicators / Measures (list the key metrics / indicators used to monitor the risk)
		Likelihood	Impact	Priority		Likelihood	Impact	Priority		Likelihood	Impact	Priority			
<p>COVID-19 - Tourism sector will be significantly impacted by the legacy of the COVID-19 outbreak and current cost of living crisis.</p>	Impact on the number of leisure and business visitors, visitor spend and tourism economy.	B	2	High - Red	<ul style="list-style-type: none"> WG and UK support schemes Business rate relief for businesses with RV <£500,000 Continuation or marketing activity in lockdown The Welsh government has updated its Culture and heritage destinations and venues: guidance for a phased return Into Work Support for hotels and hospitality established. Additional temporary post has been established to provide extra capacity during the pandemic. Revised focus for Visit and Meet, applications being made to WG to further support. 	B	3	Medium - Red / Amber	<ul style="list-style-type: none"> Progress new city centre response strategy - ongoing implementation of the strategy with Council partners. Use SPF to support additional marketing activity - Jon Investment in city centre infrastructure, including secured investment for the restoration of Cardiff Mareket - Jon Alignment with BID Direct business support Cardiff Into Work team are working with the hospitality sector to help them address recruitment issues Additional resources being brought in to support the sector via Shared Prosperity Fund. Continue to progress major projects to support the sector such as the Indoor Arena. 	B	4	Low - Green	Q4, 2023/24	Kathryn Richards / Jon Day	Total visitor number per annum. Number of visitors who stay overnight.
<p>Potential delay to Arena delivery timeline</p> <p>The remaining risk for the Council is the funding strategy for the Arena set against the affordability envelope. A report by Finance for the Strategy is to be taken to Cabinet in November 2023 ahead of the developer having the right to call on the DFA.</p>	Reputational and financial implications - this is a strategic objective.	C	2	Medium - Red / Amber	<ul style="list-style-type: none"> Development Financial Agreement (DFA) signed off in principle by Cabinet in July 2023 subject to conclusion of the funding strategy for the Arena. The developer has the right to call on the DFA as of the 1st December 2023. Upon entering the DFA the developer has no more than 6 months to achieve financial close and enter a full contract for the delivery of the Arena. Planning agreement has been completed and signed. Q3, 2023/24 - Cabinet agreed funding strategy for delivery of the Arena and approved the Development Funding Agreement. Target is to achieve financial close by summer 2024 and commence construction Q2, 2024. 	D	2	Medium - Red / Amber	<ul style="list-style-type: none"> The issue is monitored via the project management team, Finance and directorate and the Council are in regular dialogue with the developer / operator to ensure this is resolved. A report by Finance regarding the funding strategy is to be taken to Cabinet in November 2023. Q3, 2023/24 - All decisions agreed by Cabinet but a number of decisions will need to be concluded by several Directorates. 	D	4	Low - Green	Q3, 2023/24	Chris Barnett	Project Management Team to monitor progress of Development Finance Agreement (DFA)

Risk Description	Potential Consequence	Inherent Risk			Current Controls	Residual Risk			Proposed Management Actions	Target Risk			Risk Reduction Target Date	Owner	Key Indicators / Measures (list the key metrics / indicators used to monitor the risk)
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<p>GLL fall into liquidation as a company as a result of the cost of living crisis and utility cost increases.</p> <p>(risk created as requested by IA)</p>	Facilities potentially return to the Council and require significant subsidy for operation.	C	2	Medium - Red / Amber	<ul style="list-style-type: none"> A report is being taken to Cabinet in June 2023 regarding the changes in operation to Pentwyn Leisure centre to help reduce the financial burden on the contract. Cabinet approved a recommendation to instal PV solar energy recovery at each of the leisure facility sites. The outcome will see a significant reduction in expenditure. GLL have introduced energy efficient management protocol including changes in programming, reduced opening hours across facilities, reduced pool temperatures and general housekeeping. Options to close Swimming Pools are being considered as a last resort. 	D	2	Medium - Red / Amber	<ul style="list-style-type: none"> The Council is seeking to appoint an external consultant, Simon Molden The Sports Consultancy and has received a draft report on 11th December providing to provide the Council with alternative options in the event of contract failure. Increase marketing, PR and Comms around the benefits of memberships being positively progressed. FRM funding (£300k) and the GLL Capital fund (£300k) has been allocated for PV installation to further reduce annual expenditure on running costs. Installation will be completed in 2023/24 and is estimated to deliver a surplus of circa £100k. Complete procurement of contractor as funding has now been agreed for solar panels. Implement Cabinet recommendations following consideration of report in June 2023. 	D	3	Medium - Amber / Green	Q4 2023/24	Steve Morris / Chris Hadfield	<ul style="list-style-type: none"> Monthly Client Contact Management meeting Senior Management monthly review monitoring Quarterly performance monitoring Half yearly Partnership Liaison Board.
<p>Ukraine Crisis - Adverse implications on the design and delivery programme of S106 and Grant Funded Schemes with delays in completion and costs in excess of budget owing to increases in manufacturing costs / rising fuel costs.</p>	Cost, time and quality impact for tender returns. Potential reputational consequences, locally and at a city wide level.	B	3	Medium - Red / Amber	<ul style="list-style-type: none"> Communications forums with local Ward Members. Value engineering of schemes where applicable. Use of Framework agreements. 	B	3	Medium - Red / Amber	<ul style="list-style-type: none"> Continue to monitor risk and escalate as appropriate. 	B	3	Medium - Red / Amber	Ongoing	Steve Morris	Design and delivery programme of S106 and Grant Funded Schemes.
<p>Ukraine Crisis - Increased service delivery costs for grounds maintenance, tree management, park ranger service, outdoor sport and plant production nursery owing to increased fuel and manufacturing costs.</p>	Increased costs for service delivery beyond current budget provision.	A	3	Medium - Red / Amber	<ul style="list-style-type: none"> Use of Framework agreements and competitive tendering process. 	B	3	Medium - Red / Amber	<ul style="list-style-type: none"> Continue with the use of Framework agreements and competitive tendering process and monitoring. 	B	3	Medium - Red / Amber	Ongoing	Jon Maidment	Service delivery costs, market forces are dictating costs/price.

Risk Description	Potential Consequence	Inherent Risk			Current Controls	Residual Risk			Proposed Management Actions	Target Risk			Risk Reduction Target Date	Owner	Key Indicators / Measures (list the key metrics / indicators used to monitor the risk)
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<p>COVID-19 - Loss of Pest Control income due to Coronavirus associated issues.</p> <p>In 2021/22, this was linked to: loss of resources and social distancing requirements which had reduced capacity; being unable to recruit a new Technician plus a lot of the Annual Contract Businesses had closed and did not renew contracts at start of the financial year. In 2022/23, the primary factor was the recruitment of a new technician and the time required for training etc. In 2023/24, with the new technician recruited, the issue is filling the vacant admin</p>	Loss of income and inability to meet financial targets.	B	3	Medium - Red / Amber	<ul style="list-style-type: none"> There is a high demand from domestic customers for service so trying to undertake as many calls as possible whilst operating within H&S guidelines. Working manager undertaking more calls than normal and some overtime being undertaken. Continuing to fulfil LA contracts/SLA's eg Schools, Castle, Harbour, Market. Overtime being worked on Saturdays to boost income and satisfy demand. Recruitment completed to vacant Pest Control Technician posts. 	B	3	Medium - Red / Amber	<ul style="list-style-type: none"> Continue to work overtime on Saturdays to boost income and satisfy demand. Continue financial monitoring. Complete induction training for recently recruited Pest Control Technicians. Recruit to vacant admin posts. 	C	4	Low - Green	March 2024	Sarah Brown	Income earned v's costs
<p>Unable to meet the cleaning / hygiene requirements to support infection control during the pandemic due to vacancies and sickness absence</p> <p>Vacancies have increased in Schools and recruitment to vacant posts has generally not been successful. Agency Companies are unable to provide sufficient Agency Workers to cover all vacancies and sickness absences which are generally high. The number of resignations has also increased.</p>	<ul style="list-style-type: none"> Not being able to backfill all vacancies and absences means that the Cleaning Service is unable to fully fulfil its cleaning obligations. As a result, there will be a reduction in income from schools. High levels of sickness absence mean a greater level of Agency Worker requirement and hence an increase in backfilling costs. As a result of not being able to fully backfill vacancies/absences, all planned cleaning tasks may not be able to be completed in buildings where there are resources 	A	2	High - Red	<p>VACANCIES</p> <ul style="list-style-type: none"> Recruitment ongoing Meeting held with HR Working with Council's Interwork Service Ongoing dialogue with Agency Companies; Advertising opportunities through social media Working with schools to raise opportunities with their parent and carer communities Agency Workers now being paid the full Foundation Living Wage from Day 1 rather than after 12 weeks (approved by County Estates AD). Other near-by employers do this and this is a factor why Agency Workers had previously preferred to work for such employers ahead of Cardiff Council). <p>SICKNESS</p> <ul style="list-style-type: none"> Sickness Management - referral to Occupational Health. Manual Handling Training and Toolbox talks are ongoing. Accurate and timely accident/near miss reports - to avoid any repeat incidents. Risk Assessments in place. Lifestyle cards / Health MOTs, Eye Testing / Working in Wales / Healthy Lifestyle - all included regularly in the Cleaning Newsletter 	B	3	Medium - Red / Amber	<ul style="list-style-type: none"> Resourcing issue raised at corporate level Continued communications with schools Prioritise cleaning activities in buildings where resource shortages exist as well as prioritising backfill resources for high risk buildings including special schools and social care. <p>In respect of sickness:</p> <ul style="list-style-type: none"> Review and improve, if and as required, specific training matrices, e.g. manual handling, COSHH, toolbox talks - logged on the training database. Continue to issue the Cleaning Newsletter to cover specific topics to raise awareness of sickness and the impact on both service delivery and income. Mitigation - % to be reported to FM BIM. Continue work with HR to review areas where sickness absence is identified to be high and agree appropriate actions. 	C	3	Medium - Amber / Green	March 2024	Neville Lord	<p>Vacancies to be monitored. Sickness absence level against the corporate target.</p> <p>Percentage to be reported to the Property Services BIM.</p>

Risk Description	Potential Consequence	Inherent Risk			Current Controls	Residual Risk			Proposed Management Actions	Target Risk			Risk Reduction Target Date	Owner	Key Indicators / Measures (list the key metrics / indicators used to monitor the risk)
		Likelihood	Impact	Priority		Likelihood	Impact	Priority		Likelihood	Impact	Priority			
<p>City Hall – Asbestos debris and contamination in Heating and Service ducts</p> <p>Ducts currently house : heating circuits, hot and cold services, Fire alarm system, Comms / ICT. Electrical services and distribution boards, internal door security services.</p>	<p>Risk of exposure to Asbestos airborne fibres to City Hall maintenance staff, contractors and FM Officers.</p> <p>Also, associated environmental, reputational and business continuity risks due to failure of services and inability of staff to access for maintenance.</p>	B	2	High - Red	<ul style="list-style-type: none"> Asbestos Management Plan has been revised and updated to reflect progress. (AMP) Managed by Duty Holder and FM staff. Including all work permits Current status, following on from full Asbestos Survey Dec 2016, as directed by Health & Safety OM is “restricted access to heating and service ducts. Only Cat B Non Licensed trained staff and operatives to access restricted areas”. Restricted access to ducts with key control managed by FM staff Background air tests carried out March 2016 in Heating and Service ducts. All results satisfactory Air tests carried out Jan 2017 in 24 internal rooms. All results satisfactory. Risk assessments in place for access and egress to ducts. All staff trained and competent to carry out activities. Cabinet received a briefing as part of the 5 year corporate property strategy in Q3, 2021/22. Report on Core Buildings considered by Cabinet in Q1, 2023/24. 	C	2	Medium - Red / Amber	<ul style="list-style-type: none"> A review of costs and the priority status of maintenance and remedial works at City Hall is being undertaken as part of the Core Office Review. Some asbestos to be removed as party of installation of new heating system at front of building. The asbestos is mainly contained in the service ducts in the building which due to de commissioning of the boiler plant will no longer be used. The electrical heating system will not rely on use of the service ducts. The asbestos remaining in the buildings will be monitored on a three yearly cycle. Contract to be let in Q4, 2023/24 for the removal of asbestos from the mezzanine service ducts. 	E	4	Low - Green	Ongoing	David Lowe / Donna Jones	3 yearly asbestos inspection undertaken by Corporate H&S Team (awaiting confirmation of next review from Asbestos Team) Letting contract for the removal of asbestos.

Statutory Compliance Management in Council Buildings

Description

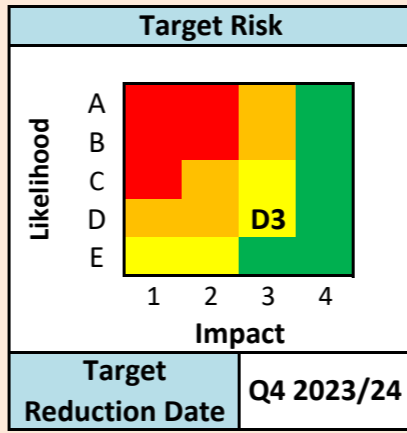
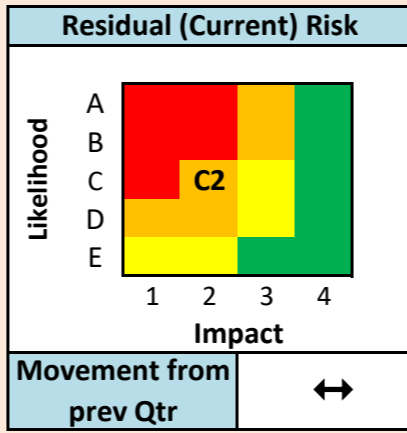
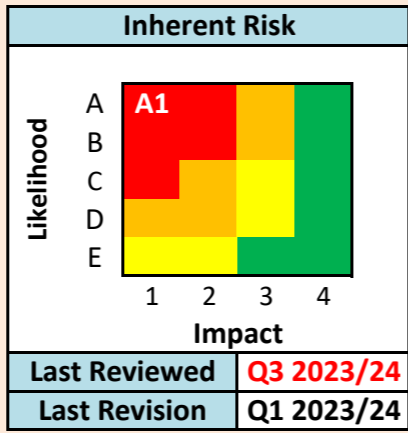
Non completion of cyclical statutory inspections or the remedial works arising out of the inspections, required to maintain the premises and related installations in a safe and legally compliant condition.

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

Type(s) of Impact	
<ul style="list-style-type: none"> • Service Delivery • Reputational • Legal • Financial 	<ul style="list-style-type: none"> • Health & Safety • Partnership • Community & Environment • Stakeholder



Risk Owner(s)	
Neil Hanratty (Donna Jones)	Councillor Russell Goodway Investment & Development

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

Contractor

- Consequential remedial work identified on test certificates.
- Statutory maintenance contracting arrangements in place as specification for statutory obligations testing and new risk based specification for legionella management supported by RAMIS.
- Internal resource reviews review all test certificates, remedial work captured and communicated to client as necessary/applicable
- Statutory Obligations Team continues to provide monitoring and supervision of statutory obligations contractor including contractor training arrangements on Council system. Incorporating latest advice from bodies such as HSE.

RAMIS IT Software

- Bi-monthly reporting on statistics to SMT for all to consider any issues / mitigations.
- Continue to ensure the number of Building Managers with training remains appropriate in terms of number and coverage.
- Compliance ratings target set at 80% minimum
- Condition surveys have been completed to maintain our understanding /knowledge of all the Council's land and property holdings.

What we plan to do to meet target

Statutory 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.
Q2, 2023/24 update - Gaps in compliance identified and in process of being actioned. **ONGOING**
- Completed a review of arrangements and appointed new Framework contractor for statutory inspections/maintenance for non-domestic Council premises. Under new Framework, tighter controls established within the new contract to ensure good performance. Enhanced governance with Building Managers to ensure essential works are progressed to ensure compliance. Stat Maintenance Team have now moved to SED - moved to SED restructure complete. (now moved to Q4, 2023/24 to align with restructuring critical teams). **Q4 23/24**
- Risk reduction is on target to to be reduced as planned for Q4, 2023/24. Work is currently focussed on resolving residual tasks from previous contractor, and delivering on the planned inspection and works programme for 2023/24 - which is on target. **Q4 23/24**

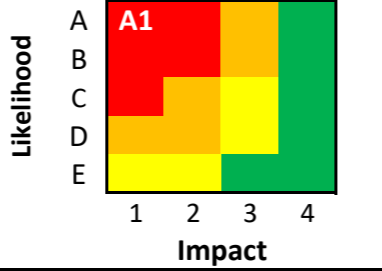
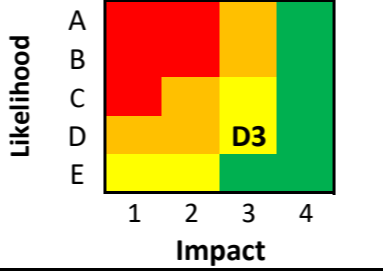
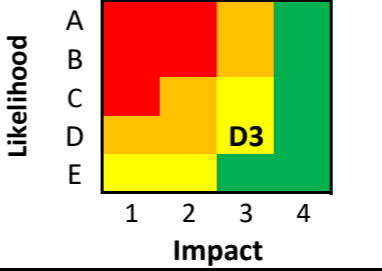
Key Indicators / Measures used to monitor the risk

Compliance stats from the Corporate Health & Safety Team.

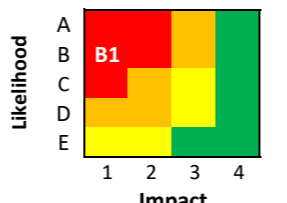
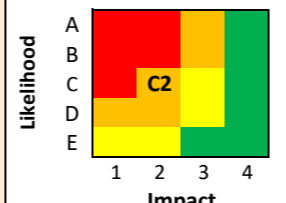
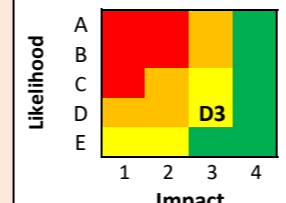
Linked Risks

Health & Safety

Health & Safety

Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)									
<p>Non Compliance with corporate Health and Safety arrangements to control key risks across the Council in line with statutory requirements.</p>	 <p style="text-align: center;">A1</p>	 <p style="text-align: center;">D3</p>	 <p style="text-align: center;">D3</p>	<p>Neil Hanratty (Donna Jones)</p>	<p>Councillor Chris Weaver Finance, Modernisation and Performance</p>								
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Last Reviewed</td> <td style="width: 50%;">Q3 2023/24</td> </tr> <tr> <td>Last Revision</td> <td>Q1 2023/24</td> </tr> </table>	Last Reviewed	Q3 2023/24	Last Revision	Q1 2023/24	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Movement from prev Qtr</td> <td style="width: 50%; text-align: center;">↔</td> </tr> </table>	Movement from prev Qtr	↔	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Target Reduction Date</td> <td style="width: 50%; text-align: center;">N/A</td> </tr> </table>	Target Reduction Date	N/A		
Last Reviewed	Q3 2023/24												
Last Revision	Q1 2023/24												
Movement from prev Qtr	↔												
Target Reduction Date	N/A												
	<p style="text-align: center;">What we've done/are currently doing to achieve the Residual Risk Rating</p> <ul style="list-style-type: none"> RAMIS -Reports submitted to Corporate Health & Safety Forum and Senior Management Team. Based on Current HSE National Advice Condition Surveys School Buildings - Shared with Schools . Insurance fire safety improvements actioned. Including safe operation of the fire suppression system in Lamby Way MRF and Fire Risk Assessment updated. Continue Asbestos Training - Online and face to face taking place. Briefing sessions for technical departments and Building Managers to ensure they understand their responsibilities under the Corporate Asbestos Management (CAM) Plan. RAAC Inspections - Schools inspections are complete, with no RAAC identified in the schools. RAAC inspections are now being progressed for the remaining Council premise portfolio. <ul style="list-style-type: none"> Due to the cumulative effect of both the current financial situation and anticipated adverse weather conditions experienced over the Autumn/Winter months the Schools' Health and Safety SLA Service will adopt a reactive model focusing on premises and building safety to ensure the highest risk is being prioritised across all schools. It is also anticipated the budget pressure on schools may have an impact on schools' statutory maintenance compliance. 			<p style="text-align: center;">What we plan to do to meet target</p> <ul style="list-style-type: none"> Continue to monitor embedding of current controls to reduce the overall risk ONGOING RAAC Inspection - Work continues to inspect the Council premise portfolio, (non schools), it is anticipated this will be completed by the end of October - ONGOING A schools' risk register has been created and will be continually updated. Officers will monitor on a monthly basis - ONGOING Statutory compliance will be closely monitored and reported on a quarterly basis. 									
<p style="text-align: center;">Potential Impact(s)</p> <ul style="list-style-type: none"> Fatalities Serious injuries Prosecution – fines for corporate body and/or fines/imprisonment for individual Civil Claims Negative Publicity 													
<p style="text-align: center;">Type(s) of Impact</p> <ul style="list-style-type: none"> Service Delivery Reputational Legal Financial 	<p style="text-align: center;">Linked Risks</p> <p>Non-completion of Statutory Building Equipment Maintenance</p>		<p style="text-align: center;">Key Indicators / Measures used to monitor the risk</p> <p>RAMIS is used to monitor statutory risk in relation to premises safety, bi-monthly reporting to SMT, quarterly reporting to Health and Safety Forum.</p> <p>Compliance against annual Corporate H&S Objectives, used to monitor improvement secured in Service Areas, reported to Health and Safety Forum.</p>										

Recycling Performance

Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)
<p>Failure to meet statutory recycling performance targets within the Waste (Wales) Measure 2010</p> <p>Failure to meet target may lead to Welsh Government imposing fiscal penalty</p>	 <p>B1</p> <p>Last Reviewed Q3 2022/23 Last Revision Q1 2022/23</p>	 <p>C2</p> <p>Movement from prev Qtr ↔</p>	 <p>D3</p> <p>Target Reduction Date 2024/25</p>	<p style="text-align: center;">Neil Hanratty (Matt Wakelam)</p> <p style="text-align: center;">Councillor Caro Wild Climate Change</p>

Potential Impact(s)	What we've done/are currently doing to achieve the Residual Risk Rating B1:BB16	What we plan to do to meet target
<p>Financial</p> <ul style="list-style-type: none"> Penalties Financial costs to improve recycling performance <p>Strategic/ Reputational</p> <ul style="list-style-type: none"> Reputational consequence with citizens and key stakeholders 	<p>Cardiff's Recycling Strategy 2022-2025 Cleaner and Greener</p> <ul style="list-style-type: none"> Recycling Strategy for Cardiff sets out the Council's long-term objectives over the next 3 years and considers economic, social and environmental aspirations, to ensure Cardiff is one of the leading cities in the world for recycling. Strategy was approved at September 22nd 2022 Cabinet meeting; Agreement in principle be given to the programme of change set out in the Recycling Strategy 2022-25: 'Greener and Cleaner' and this report and delegate authority to the Director of Economic Development in consultation with the Cabinet Member for Climate Change to roll-out the phased implementation of the programme including: Agreement in principle be given to the programme of change set out in the Recycling Strategy 2022-25: 'Greener and Cleaner' and this report and delegate authority to the Director of Economic Development in consultation with the Cabinet Member for Climate Change to roll-out the phased implementation of the programme including: <ul style="list-style-type: none"> The phased roll-out of segregated recycling as set out in this report across household properties in Cardiff. The review of residual waste provision to support introduction of measures to increase participation in food waste recycling Undertake further pilot work in relation to Houses of Multiple Occupancy and Flats to improve recycling performance including the testing of communal segregated recycling bins. Review the expansion of kerbside collection services to cover items currently not collected at the kerbside. Enhance and strengthen education and enforcement to deliver improved recycling compliance across household properties in Cardiff. Develop the business case to move from a Material Recovery Facility to a Material Handling Facility required to manage segregated recycling Improvements to the trade / business waste model to improve recycling and meet new legislative requirements. Identification of wider Council / service area change to value resources and minimise the Council's impact on climate change. the plans to enhance the cleansing service, including the move balanced resourcing and 'same day cleanse' following collections for inner wards be noted. the development of a business case for a future repair and re-use 'superstore' be noted. A further report will be brought regarding the business case. Pilot for segregated recycling commenced 24th Jan 2022 - participation 10,000 properties and is now complete. <p>Wider Governance & Compliance</p> <ul style="list-style-type: none"> Working in partnership with WG, WRAP & WLGA to deliver the actions within the new Recycling Strategy, Implementation Plan & individual business cases <ul style="list-style-type: none"> segregated recycling modelling and business case - Draft Initial Strategic Project Assessment (ISPA) was submitted to WG in Q3 material recovery facility to material handling facility, outline design and business case - delivery of outline design Q4 2023/24 development of blueprint model for flats, working in partnership with Swansea council trade business waste recycling review in preparation of new legislation A project team of Cardiff Council, WRAP and Welsh Government meet monthly to discuss business cases and implementation programme Update provided to Welsh Government Officers on current position in terms of recycling performance and programme for improvements as part of the delivery of the Recycling Strategy 2022-25 - complete Response to Minister re 2020/21 recycling performance - Meeting took place with Minister on February 27th 2023 to discuss below target recycling performance (58.19% against target 64%) - Minister has responded to state no fiscal penalty will be issued for 2020/21. However, Minister recognises underachievement of target and therefore wants to see evidenced improvement going forward. 	<p>Cardiff's Recycling Strategy 2022-2025 Cleaner and Greener</p> <ul style="list-style-type: none"> Phase 1 segregated recycling rolled out to 36,000 properties on 20th February 2024 - resident communications and bags/ caddies being delivered in Jan/ Feb 2024 along with outreach / engagement events in Hubs and other settings Phase 2 segregated recycling rolled put to further 80,000 properties in Jun-Aug 2024 Outline business case to be developed for a future repair and re-use 'superstore' - working with Cardiff Met on a cleaner growth relating to circular economy - Q2 2024/25 Until this work is completed future repair/ reuse superstore is on hold to ensure a sustainable approach which is not detrimental to charities and grass root businesses. Recycling Performance Targets set within the Strategy are: 2021/22 = 64% - final validated performance for year is 58.19% 2022/23 = 64% - final validated performance for year is 61.57% 2023/24 = 64% - current performance at Q2 is 62.42% 2024/25 = 70% <p>Wider Governance & Compliance</p> <ul style="list-style-type: none"> Quarterly meetings with Julie James MS, Minister for Climate Change, and WG to monitor actions to improve recycling performance ONGOING The April 2024 target will not be achieved for implementation and therefore further correspondence will be required with Welsh Government officers following decision by Cabinet supporting the extension of frequency to residual collections - letter from Cabinet Member to be drafted to minister explaining council position in Q4 2023/24 Material recovery facility to material handling facility - delivery of outline design Q4 2023/24

Type(s) of Impact	Linked Risks	Key Indicators / Measures used to monitor the risk
<ul style="list-style-type: none"> Reputational Financial 	<p>Directorate Risk Register risks: RNS 11 - Financial Pressures</p>	<ul style="list-style-type: none"> Quarterly monitoring recycling % from waste data flow - 23/24: Q1= 63.80% Total final validated 22/23= 61.57% Total final validated 21/22= 58.19% Monthly tonnage monitoring Monthly financial monitoring in each area of waste

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**CARDIFF COUNCIL
CYNGOR CAERDYDD**

GOVERNANCE AND AUDIT COMMITTEE:

26 March 2024

**DRAFT AUDITED STATEMENT OF ACCOUNTS, AUDIT OF ACCOUNTS
REPORTS (ISA 260) FOR FINANCIAL YEAR 2022/23**

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 5.1

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 11 July 2023. A response to all questions received was responded to. Following the completion of the audit, attached for 2022/23 are the Draft Audited Statement of Accounts for the County Council of the City and County of Cardiff (Cardiff Council) and Cardiff Harbour Authority – **Appendix 1**

The revised accounts include any agreed amendments arising from decisions and issues during the audit and feedback from Governance and Audit Committee.

3. Also attached are the Audit of Accounts Reports (ISA 260) for 2022/23 in respect of:
 - The County Council of the City and County of Cardiff (Cardiff Council) – **Appendix 2**
 - Cardiff Harbour Authority - **Appendix 3**
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 and opinion, the letter of representation and to seek assurances on the delivery of the audit and any resulting adjustments made to the accounts.

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 28 March 2024. Where any comments are deemed required to be made by Committee in respect to the financial statements and audit of accounts report, these will need to be submitted as an addendum for consideration as part of the agenda item at Council.
6. The Audit of Accounts Reports (ISA 260's) for 2022/23 include the following:
 - management and financial statement representations required to be made by the Council to its Auditor, including those on specific issues requested by the auditor.
 - the proposed audit report and audit opinion for 2022/23 and
 - summary of corrections to the accounts made following the audit. There are no uncorrected misstatements.
7. Some recommendations are included as part of the Audit of Accounts report. As stated in the ISA 260 report, Audit Wales intend to present recommendations arising from the audit to a future Governance and Audit Committee, This will also allow a management response in respect to the implications, cost, achievability and timing of agreed actions.

Legal Implications

8. No direct legal implications arise from this report.

Financial Implications

9. No direct financial implications arise from this report.

RECOMMENDATIONS

10. That Governance and Audit Committee:
 1. Note the 2022/23 Audited Statement of Accounts for Cardiff Council and Cardiff Harbour Authority.
 2. Note the 2022/23 Audit of Accounts Reports (ISA 260) for the Statement of Accounts for Cardiff Council and Cardiff Harbour Authority and the contents of the Letters of Representation.
 3. To ask questions of the auditor in respect to the appendices ahead of the request for Council approval on 28 March 2024.

CHRISTOPHER LEE

Corporate Director Resources
26 March 2024

Appendix 1 – Audited Statement of Accounts 2022/23 – The County Council of the City and County of Cardiff and Cardiff Harbour Authority.

Appendix 2 – Audit of Accounts Report (ISA 260) 2022/23 – The County Council of the City and County of Cardiff

Appendix 3 – Audit of Accounts Report (ISA 260) 2022/23 – Cardiff Harbour Authority



Statement of Accounts 2022/23

The County Council of the City and County of Cardiff



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Narrative Report by Council's Statutory Finance Officer



CRYFACH
TECACH
GWYRDDACH

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Introduction

This report presents the 2022/23 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 2022/23.

Our City

Cardiff is the Capital City of Wales, covering an area of 140 square kilometres. It has a population of 360,000 living in approximately 163,000 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.

Stronger, Fairer, Greener

'Stronger Fairer Greener' are the key policy themes that will underpin the Council's work over the next few years.

- 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 Cardiff 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 which are connected by convenient, accessible, safe sustainable transport options.

The Council 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.

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.

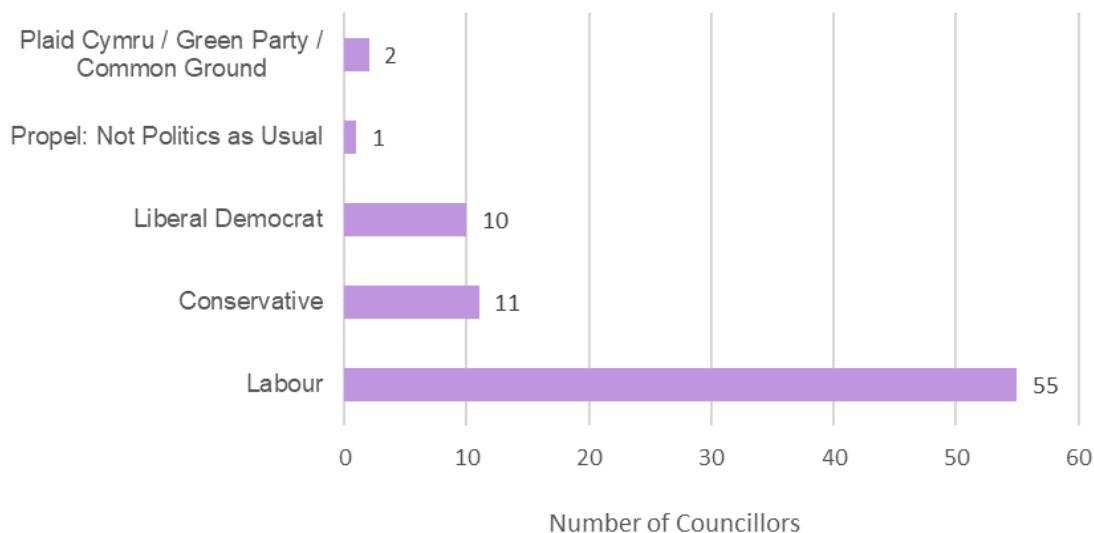
In the wider context of delivering these objectives, the financial climate remains challenging and in the medium term, the amount of funding available for 'non-statutory' services will make their continued delivery very challenging. This will form the backdrop to public service delivery as the Council responds to the realities of an uncertain geopolitical and post pandemic world to deliver its agenda for the city.

Further information can be found using this link **Stronger Fairer Greener ([cardiff.gov.uk](https://www.cardiff.gov.uk))**

Our Democracy

The Council has 79 elected Councillors who represent the people of Cardiff and set the overall policy and budget framework.

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.

Planning, Transport and Environment	Economic Development
<ul style="list-style-type: none"> • Bereavement and Registration • Highways infrastructure and street cleaning • Transport and Civil Parking Enforcement • Planning 	<ul style="list-style-type: none"> • Business and Investment • Regeneration and major projects • Corporate Landlord • Culture, Venues and tourism • Leisure, Parks and Sport • Waste Collection, Recycling, Treatment, Disposal and Education
People and Communities - Housing and Communities	People and Communities - Social Services
<ul style="list-style-type: none"> • Community Hubs and Libraries • Customer facing services e.g. preventive and 'into work' services • Independent living and community alarm • Adult and community learning • Performance, Partnerships and Housing Revenue Account – council dwellings management 	<ul style="list-style-type: none"> • Adult learning disabilities and mental health • Youth offending • Children's safeguarding, early help, fostering and residential services • Support for older people and those with physical disabilities
Education and Lifelong Learning	Resources
<ul style="list-style-type: none"> • Nursery, Primary, Secondary and Special schools • Youth and community education and community learning • Achievement and Inclusion • Schools Catering • Schools Transport 	<ul style="list-style-type: none"> • Finance • Human Resources • Commissioning and Procurement • ICT, Customer and Digital services • Central Transport Services
Corporate Management	Resources - Governance and Legal Services
<ul style="list-style-type: none"> • Precepts, levies and contributions • Corporate initiatives 	<ul style="list-style-type: none"> • Democratic, electoral and legal services • Scrutiny, member and bilingual services

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 for 2022/23 was considered by Cabinet and Council in July 2023.

Wellbeing Report (cardiff.gov.uk)

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.

Link to be inserted following Council consideration

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 CIPFA Financial Management (FM) Code, has been adopted by the Council since 2021/22, with a goal to improve the financial resilience of organisations by embedding enhanced standards of financial management. Inevitably, the impact of wider geopolitical and economic factors continued to test that financial resilience in 2022/23 and the medium term. Further details of the Council's approach to compliance with the FM Code will be covered in the AGS identifying both progress during the year as well as future planned actions 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, mitigation, review and reporting. At 31 March 2023, there are ~~eight~~ nine corporate risks at a 'red' residual risk status i.e., major or significant consequence is likely without further mitigation.

Recycling Performance
Failure to deliver recycling performance to meet statutory recycling performance targets within waste directive. On 26 November, the final validated 2019-20 Local Authority Recovery Target (LART) showed Cardiff achieved a recycling performance of 58.14% compared to the target of 64%.
Ensuring Access
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.
Air Quality
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.
City Security
Major security-related incident in 'crowded places' as a result of international or domestic terrorism.
Climate Change – Biodiversity, Energy Security, Extreme Weather and Flooding
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.
Coastal Erosion
Breach of current defences resulting in widespread flooding (current defences are ad hoc and are in a very poor condition)
Increase in Demand (Children's Services)
Failure to effectively manage and respond to increasing demand resulting in increase in number of children requiring services and financial pressures this presents.

Welfare Reform

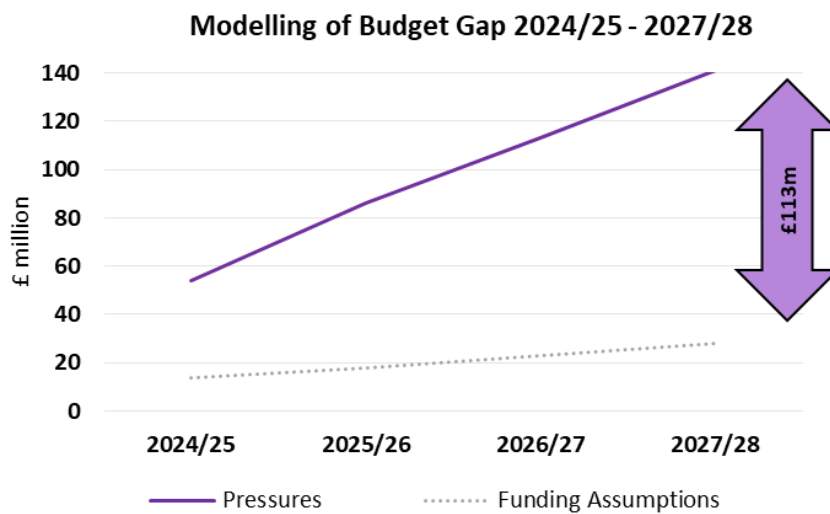
That the Council cannot meet its statutory obligations with the increased demands and reduced budgets placed upon it by the Welfare Reform including: Universal Credit, further reduction in Benefit Cap and size restrictions for social tenants.

Cyber Security

There are 10 areas of potential risk identified within the National Cyber Security Centre cyber risk model. These include: -

Architecture and configuration; Vulnerability management; Identity and access management ;Data security
<https://www.ncsc.gov.uk/collection/10-steps>

Budget 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 9% increase in what the Council received from the Welsh Government Local Government Settlement in 2022/23, a budget gap of £113 million between 2024/25 and 2027/28 was forecast as part of the medium-term financial plan approved in March 2023. This continues to be updated as part of emerging information.



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 and Looked after Children.

A range of options were considered in order to address budget gaps in 2022/23 and future years including continuing to review and challenge all directorate budgets for efficiency savings such as staffing, premises costs, external spend, income generation and grant maximisation; service change savings which have an impact on existing service levels; maximising opportunities for digital transformation and to work across directorates and in partnership with other organisations; and considering the level at which it is affordable to continue to subsidise services of a more discretionary nature.

Looking ahead, 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; economic regeneration and for sustainable travel schemes. The five-year investment plan potentially requires a significant increase in borrowing to pay for investment, the cost implications of which will need to be reviewed as a consequence of increased interest rates on financial models supporting projects and in developing business cases.

Inflation impacts on the Council as a result of pay awards, the energy crisis and wider cost of living challenges are factors requiring ongoing review. This impacts on areas such as utilities, commissioned social care, transport, fuel, the cost of capital projects as well as repair and maintenance costs of assets used in delivering services.

Further details of the Council's budget for 2023/24 and Medium Term are available on the Council's website [Budget Proposals 2023/2024](#) and include the key documents below:

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

Financial Performance 2022/23

The Council's budget for 2022/23 was approved in March 2022. The budget was set against a backdrop of financial uncertainty, significant challenges in funding services, increasing demand for our services, further savings targets to be made and a 1.9% Council Tax increase. A net revenue budget of £743.736 million was approved for 2022/23 as well as a Medium Term Financial Plan based on a rolling four-year period from 2023/24 to 2026/27, 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	37,546	29,696	(7,850)
Economic Development	10,104	11,167	1,063
Economic Development - Recycling and Neighbourhood Services	37,224	39,437	2,213
Education & Lifelong Learning	310,413	313,914	3,501
People & Communities - Communities and Housing	48,986	46,082	(2,904)
People & Communities -Performance and Partnerships	3,491	2,964	(527)
People & Communities - Social Services - Children's	81,689	88,285	6,596

People & Communities - Social Services - Adults	133,760	132,229	(1,531)
Planning, Transport and Environment	8,196	8,196	0
Resources - Governance and Legal Services	6,950	7,619	669
Resources	16,964	16,198	(766)
Directorate Outturn Subtotal	695,323	695,787	464
Capital Financing	34,309	31,020	(3,289)
General Contingency	2,000	0	(2,000)
Summary Revenue Account inc. Council Tax collection and NDR refunds and Discretionary Relief	12,114	16,939	4,825
Total Council Outturn	743,746	743,746	0

The Council contained its spending within the £743.746 million budget approved for the year, after transfers to and from earmarked reserves. The directorate position reflected a net overspend of £464,000 and overspends against the Summary Revenue Account were offset by the general contingency and capital financing budget as well as a better than anticipated position on Council Tax collection. The overall position improved throughout the year, largely due to release of contingencies, reduction in spending and the receipt of additional external grant funding. This also allowed a further increase in non- schools Earmarked Reserves, which will support the Council in the financial challenges arising from increasing demand and cost inflation.

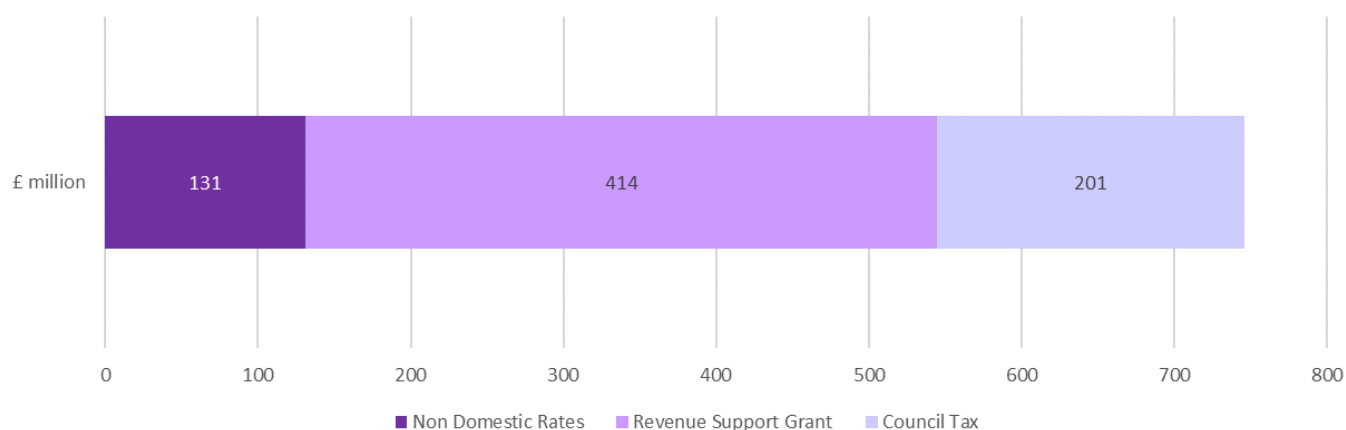
Non-Domestic Rates (NDR) are collected by the Council for Welsh Government based on the value of buildings used in business or for non-domestic purposes and a rate is set annually. The net NDR collectable by Cardiff for 2022/23 totalled £197.199 million of which Cardiff received £131.182 million after redistribution by Welsh Government. The in-year collection rate was 93.51% (95.11% in 2021/22).

All Wales collection statistics can be found using this link [***Non-domestic rates \(gov.wales\)***](#)

Revenue Support Grant of £413.544 million from Welsh Government was received in the year. 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 £201.458 million funds just over a quarter of the Council's net expenditure. The in-year collection rate was 96.18% (96.00% in 2021/22).

All Wales collection statistics can be found using this link [***Council Tax \(gov.wales\)***](#)

How the Revenue budget was paid for



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:

Income including rent and charges for services totalled £94.991 million. Revenue expenditure included repairs and maintenance, supervision and management and capital financing costs, including interest, provision for the repayment of debt and towards capital expenditure. The Housing Revenue Account reported a balanced position for 2022/23 after a transfer to earmarked reserves of £1.833 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.

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 and to re-shape how we deliver our services. Capital spending during the year totalled £216.2 million.

Schemes	Detail	£m
Business and City Development	Town Centre Loans: acquisition of regeneration sites at international sports village, Indoor Arena enabling land acquisitions and Llanrumney sports complex grant.	13.3
Parks, Leisure and Venues	Parks play areas, open space and infrastructure; Leisure and venues buildings maintenance; Roath Park dam scheme design, Pentwyn Leisure Centre Design and Harbour asset renewal.	4.5
Education & Lifelong Learning	21st Century schools Band B including new Fitzalan High School construction. investment in the condition and suitability of school buildings and ICT.	61.0
Neighbourhood Regeneration and Private Housing	Disabled adaptation grants, allowing people to live independently in their homes; environmental and shop front improvements at Tudor Street, Rhiwbina Hub estate environmental improvements, Splott Park 3G Pitch and	12.1

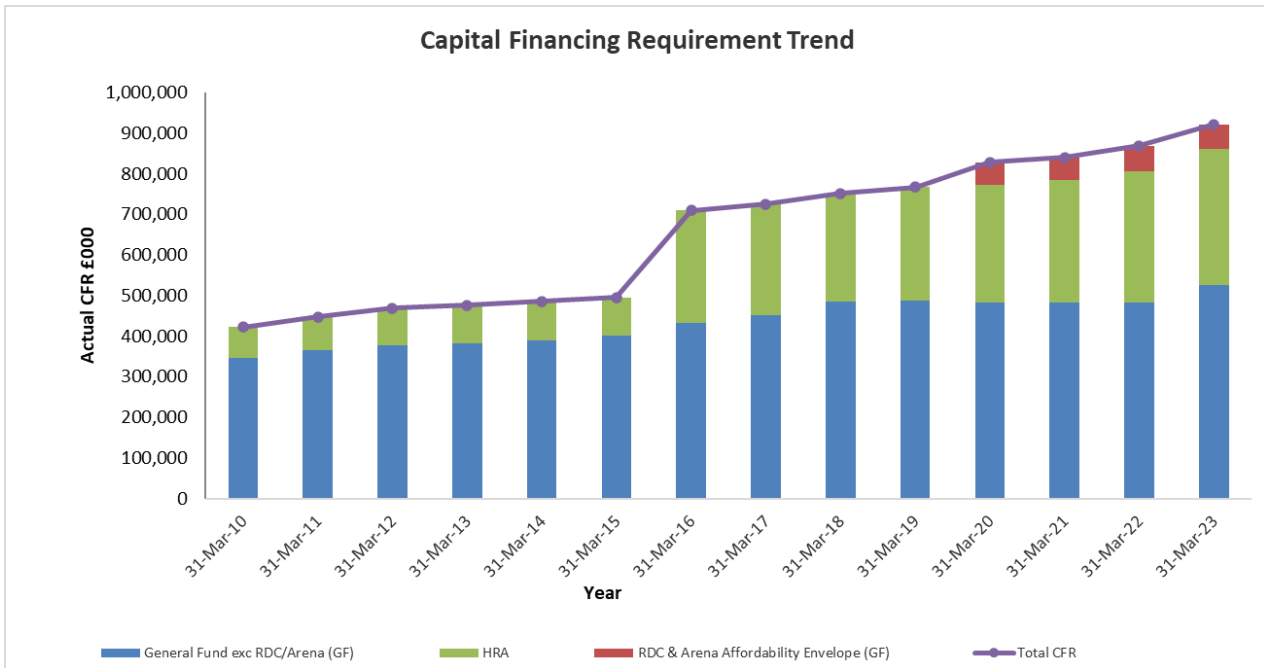
	neighbourhood regeneration schemes, acquisition of property on Cowbridge Road West for Youth Hub options.	
Highways & Transportation	Road and footpath resurfacing; LED lighting in residential areas; Coastal erosion and flood mitigation; public transport and road safety improvements; cycling strategy implementation; investment in active travel and safe routes in communities; city centre air quality measures including Wood Street and Canal Quarter.	32.8
Corporate, Technology and Vehicles	Works to relinquish leased buildings; Modernising ICT; Replacement vehicle fleet including electric refuse collection vehicles and charging points.	7.7
Energy Projects and Sustainability	Energy retrofit of buildings and contribution to Cardiff Heat Network.	4.6
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.	76.3
Other	Recycling depot infrastructure, Bereavement, Property and Asset Management, Investment Property Strategy.	3.9
Total		216.2

Capital spending must be paid for, and the table below highlights the various sources of capital funding for 2022/23. Sources of capital expenditure funding include grants from Welsh Government and other public bodies including the Major Repair Allowance and General Capital grant, capital receipts i.e. proceeds from the sale of Council assets, external contributions from developers and the Council's own revenue budget or Earmarked Reserves previously put aside towards capital schemes.

Where the previous sources of funding are not available, expenditure can only be paid for by the Council increasing its commitment to undertaking borrowing to pay for capital expenditure. Borrowing repayment and any associated interest costs must ultimately be repaid over a prudent period of time from existing budgets and future income. This may be from existing revenue budgets, future increases in Council Tax or Rent, future Revenue Grant or additional income, the latter often being categorised as 'Invest to Save'.

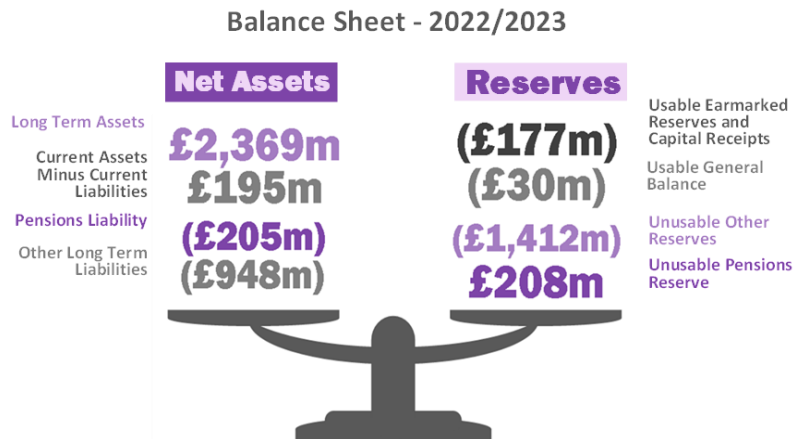
Funding Source	2022/23 Actual	% of funding
	£000	%
Welsh Government and other external Grants	103,356	47.80
Major Repairs Allowance (WG Grant)	9,568	4.43
General Capital Funding (WG Grant)	6,135	2.84
Invest to Save Unsupported Borrowing	38,914	18.00
Additional Unsupported Borrowing	32,051	14.81
Supported Borrowing	8,901	4.12
Capital Receipts	10,379	4.80
Revenue /Reserves	3,995	1.85
External contributions	2,909	1.35
Total	216,208	

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 significantly in future years, with the Council’s Capital and Treasury Management Strategies setting out a range of indicators for affordability, prudence and sustainability of the Council’s capital investment plans. Each year, an amount deemed prudent is charged to our revenue budgets to reduce the CFR.

Financial Position



Balance Sheet - 2021/2022

Net Assets		Reserves	
Long Term Assets	£2,239m	(£175m)	Usable Earmarked Reserves and Capital Receipts
Current Assets Minus Current Liabilities	£213m	(£30m)	Usable General Balance
Pensions Liability	(£853m)	(£1,330m)	Unusable Other Reserves
Other Long Term Liabilities	(£919m)	£855m	Unusable Pensions Reserve



Property, Plant, Equipment and Other Non-Current Assets

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

Note 14 details movements in assets, capital expenditure and its financing:

- capital receipts from the disposal of property assets and similar income was £10.234 million
- as part of the Council's rolling programme, revaluations took place during the year for investment properties, heritage assets including antiquarian books for the first time and surplus assets. This is part of a shortened cycle of revaluations rather than the 5 year period recommended in guidance for valuations which are required solely for accounting purposes. This supports us to ensure the values recorded in the accounts reflect the significant numbers of assumptions, variables and market conditions, where relevant, that impact on such data over a reasonable and planned time frame.

An assessment across all Council buildings in Cardiff has been undertaken to identify if any Reinforced Autoclaved Aerated Concrete (RAAC) was used in the construction of school buildings or any part of the school premises since. Experienced H&S and Asbestos Officers who are familiar with building construction techniques and materials undertook the assessment programme to establish whether RAAC was used/present within the fabric of the building. Following the assessment programme. The only property where RAAC has been identified is in St David's Hall, which was the subject of report considered by the Cabinet in July 2023. The property is closed pending confirmation of a investment strategy. Where significant asset condition or utilisation issues have been identified in the year, updated valuations have been sought, with any impairment in valuation included in the accounts. These valuations are for accounting purposes only.

Financial Assets and Liabilities

Treasury Investment and borrowing activities were undertaken in accordance with regulatory requirements and the Council's Treasury Management Strategy for 2022/23. Investments for treasury management purposes and cash is £156.901million at 31 March 2023 and is primarily represented by temporary cash balances deposited with financial institutions. The average rate of interest earned for the year was 1.74%.

The Council borrows money to manage its daily cash flows and to pay for capital expenditure. In accordance with the Treasury Management Strategy, borrowing is undertaken to manage the capital financing requirement. The net change in external borrowing during the year was a decrease of £482,000. Note 15 of the accounts provides further information on the Council's financial assets and liabilities and the nature and extent of risks involved.

In order to combat inflation, the Bank of England Bank Rate increased from 0.75% at the start of the year to 4.25% by the year end. The Council sources the majority of its borrowing needs from the Public Works Loan Board and borrowing interest rates have risen significantly as a result of the economic background in the UK, future inflation forecasts and wider factors such as the overall level of national debt. Whilst this has little financial impact on the Council in the very short term given that all the Council's external borrowing is at fixed interest rates, it will impact on future borrowing that the Council will need to undertake to meet commitments, if rates remain elevated.

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 2022/23, total provisions decreased by £1.187 million to £27.815 million. Details of the movement of individual provisions are shown in note 21 of the accounts.

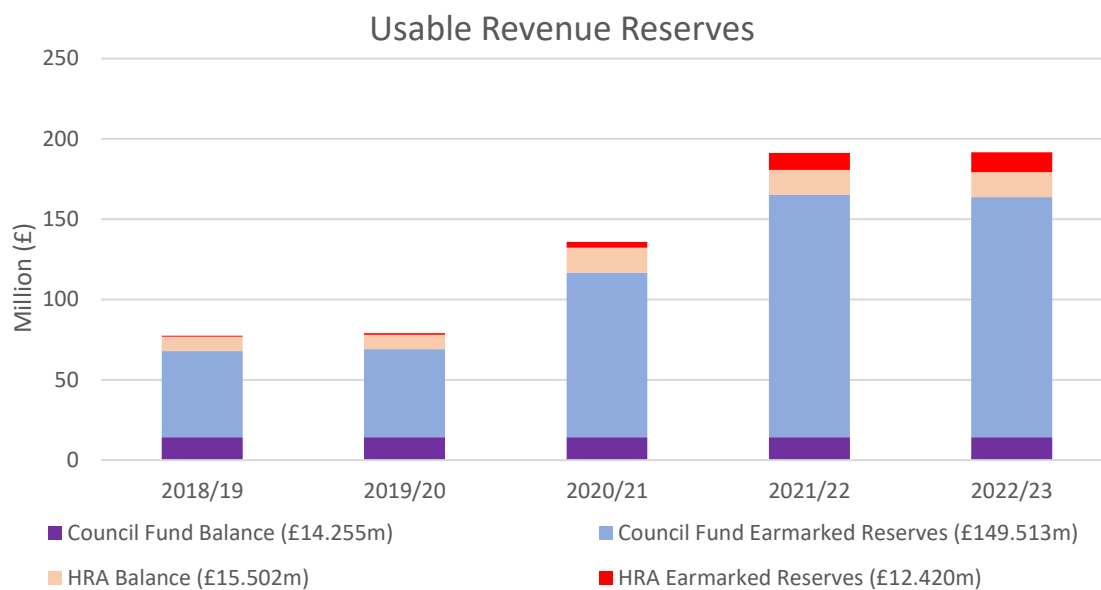
Pensions Liabilities

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 £53.183 million.
- The Council's future liability in respect of pension benefits payable, compared to assets held, is £205.809 million at 31 March 2023. This is based on the latest actuarial assumptions, resulting in a decrease of £647.196 million from 2021/22. The assumptions are detailed in Note 13.2 -Table entitled Basis for estimating Assets and Liabilities, with the main factor being changes in forecast interest rates.
- The Local Government Pension Scheme is revalued every three years, with the fund's assets at 31 March 2022 deemed to cover 98% of future liabilities. A 14 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. The use of reserves, creation of new reserves and assessment of their sufficiency also considers risks to 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. This is shown in the chart below along with the values for 31 March 2023. Earmarked revenue and other usable reserves are detailed in note 25 of the accounts whilst unusable reserves are shown in note 26.



Financial Statements

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

I am grateful for the work of the finance team in supporting directorates and for all officers who facilitate the transparency of our financial transactions set out in these statements. The Governance and Audit Committee and Audit Wales also have a key role in the challenge and independent review of these statements. These accounts are not just prepared to meet compliance with requirements but are an important source of information on the council's financial position and performance. Preparing these statements will be more challenging in future years due to the ambitious change agenda, additional accounting and reporting requirements and consequential audit impacts.

This year was set against continuing uncertainty and risk arising from the post pandemic recovery, increases in costs and geo-political issues. Despite in year pressures, the Council was able to remain within its net revenue budget set for 2022/23. Demand for all Council services continues to increase with significant inflationary impacts on the Council as well as residents of the city during a cost of living crisis. These pressures represent a significant challenge to the Council's ambitious agenda. A challenge which requires difficult choices to be made and a focus on working with our partners to deliver key priorities in order to remain financially sustainable and able to support the most vulnerable into the medium and longer term.

Christopher Lee
Corporate Director Resources and Section 151 Officer



Statement of Responsibilities for the Financial Statements



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TECACH
GWYRDDACH

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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 2022/23 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 Bablin Molik
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 2022/23 (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 2022/23 and financial position of the Council at 31 March 2023.

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 2023 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 the 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 the 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 2022-23.

In my opinion, in all material respects, 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 2023 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 2022-23.

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.

My staff and I are independent of the Council and the 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.

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 is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23;
- The information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and is 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:

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

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 comply with proper practices;
- maintaining proper accounting records;
- internal controls 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;
- assessing the County Council of the City and County of Cardiff 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 the responsible financial officer anticipates that the services provided by the County Council of the City and County of Cardiff Group will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit the financial statements in accordance with the Public Audit (Wales) Act 2004.

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, the County Council of the City and County of Cardiff's head of internal audit 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, expenditure recognition, posting of unusual journals;
- obtaining an understanding of 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; and
- obtaining an understanding of related party relationships.

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 and 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;
- 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. This description forms part of my auditor's report.

Other auditor's responsibilities

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of the County Council of the City and County of Cardiff Group 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

1 Capital Quarter
Tyndall Street
Cardiff, CF10 4BZ



Accounting Policies, Critical Judgements and Assumptions



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Accounting policies used when formulating the accounts

The Statement of Accounts summarises the Council's income and expenditure for the year ended 31 March 2023 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 2022/23 (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 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, civic regalia and antiquarian books 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. Where information is unavailable, prior year balances are included.

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*
Assets under Construction	Depreciated Historical Cost	n/a	n/a	n/a	n/a	n/a
Community Assets	Depreciated Historical Cost	n/a	n/a	n/a	n/a	n/a
Council Dwellings	Existing Use Value for Social Housing	Every 2 years	2021/22	Savills	2023/24	Land: n/a Buildings: 50 years
Infrastructure	Depreciated Historical Cost	n/a	n/a	n/a	n/a	7-120 years**
Other Operational Land & Buildings	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
School Assets	Detailed Depreciated Replacement Cost (Modern Equivalent Asset)	Every 3 years	2021/22	Cooke & Arkwright	2024/25	Land: n/a Buildings: 2-50 years
Surplus Assets	Fair Value	Every year	2022/23	Jones Lang LaSalle	2023/24	n/a
Vehicles, Plant, Furniture & Equipment	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:

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	<p>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.</p> <p>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.</p>	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	<p>These are reviewed annually for significant impairment using data such as historic risk of default and other reviews of recoverability.</p> <p>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.</p>	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	<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>	The outcomes of assumptions will have an impact on the Outturn in future years, however due to the uncertain nature of these events, are difficult to quantify
Arrears	<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>	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.

Accounting Policies, Critical Judgements and Assumptions

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
	<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>	
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>



Core Financial Statements and Notes to the Financial Statements



CRYFACH
TECACH
GWYRDDACH

STRONGER
FAIRER
GREENER



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).

2021/22				2022/23			
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
30,048	(26,007)	4,041	Corporate Management		16,471	(8,340)	8,131
104,625	(45,208)	59,417	Economic Development		140,974	(40,273)	100,701
437,111	(111,419)	325,692	Education & Lifelong Learning		461,993	(106,644)	355,349
9,633	(2,015)	7,618	Governance & Legal Services		9,951	(652)	9,299
9,314	(5,959)	3,355	Harbour Authority		10,005	(6,862)	3,143
236,580	(178,996)	57,584	Housing & Communities		235,524	(181,024)	54,500
96,295	(92,571)	3,724	Housing Revenue Account		82,433	(94,991)	(12,558)
10,097	(6,793)	3,304	Performance & Partnerships		17,700	(13,944)	3,756
76,295	(44,360)	31,935	Planning, Transport & Environment		79,187	(45,521)	33,666
45,573	(25,730)	19,843	Resources		44,681	(23,425)	21,256
172,719	(52,256)	120,463	Social Services - Adults		169,349	(31,023)	138,326
100,358	(25,175)	75,183	Social Services - Children's		116,354	(21,390)	94,964
259	(4,484)	(4,225)	Summary Revenue Account		2,062	(952)	1,110
1,328,907	(620,973)	707,934	Net Cost of Services		1,386,684	(575,041)	811,643
42,523	0	42,523	Police & Crime Commissioner for South Wales	3	45,047	0	45,047
458	0	458	Community Council Precepts		495	0	495
18,632	0	18,632	Levies & Contributions		19,040	0	19,040
719	(1,965)	(1,246)	(Gain)/loss on sale of non-current assets		2,150	(4,622)	(2,472)
62,332	(1,965)	60,367	Other Operating Expenditure		66,732	(4,622)	62,110
34,108	0	34,108	Interest Payable on debt	15	34,175	0	34,175
22,180	0	22,180	Interest on net defined benefit liability/(asset)	13	22,304	0	22,304
0	(388)	(388)	Interest & Investment Income	15	0	(3,589)	(3,589)
30,453	(12,658)	17,795	Income & Expenditure in relation to Investment Properties and changes in their fair value	14	15,315	(20,815)	(5,500)
0	0	0	Movement in Financial Instruments		0	(63)	(63)
86,741	(13,046)	73,695	Financing & Investment Income & Expenditure		71,794	(24,467)	47,327
0	(127,032)	(127,032)	Recognised Capital Grants & Contributions	24	0	(114,112)	(114,112)
0	(373,452)	(373,452)	Revenue Support Grant		0	(413,544)	(413,544)
0	(121,062)	(121,062)	Non-Domestic Rates	6	0	(131,182)	(131,182)
3,081	(240,341)	(237,260)	Council Tax Income	5	1,520	(248,520)	(247,000)
0	(6,022)	(6,022)	Donated Inventories		1,273	0	1,273

Comprehensive Income and Expenditure

2021/22				2022/23			
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
116	0	116	Corporation Tax (CCRCO)		0	(37)	(37)
3,197	(867,909)	(864,712)	Taxation & Non-Specific Grant Income		2,793	(907,395)	(904,602)
1,481,177	(1,503,893)	(22,716)	(Surplus)/Deficit on Provision of Services		1,528,003	(1,511,525)	16,478
		(32,036)	(Surplus)/Deficit on revaluation of non current assets	26			(19,206)
		(3,475)	(Surplus)/Deficit on Financial Instrument Revaluation Reserve				(1,376)
		(307,373)	Remeasurement of the net defined benefit liability/(asset)	13			(726,020)
		(342,884)	Other Comprehensive Income & Expenditure				(746,602)
		(365,600)	Comprehensive Income & Expenditure (Surplus)/Deficit				(730,124)

The 2021/22 breakdown of the Net Cost of Services has been amended to take account of the changes in structure in 2022/23.

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
Balance at 31 March 2021 carried forward	14,255	102,502	15,502	3,700	8,673	0	144,632	170,251	314,883
Movement in Reserves during 2021/22									0
Surplus/(deficit) on the provision of Services	8,283	0	14,433	0	0	0	22,716	0	22,716
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	342,884	342,884
Total Comprehensive Income and Expenditure	8,283	0	14,433	0	0	0	22,716	342,884	365,600
Adjustments between accounting basis & funding basis under regulations (note 1)	40,225	0	(7,546)	0	(1,833)	6,972	37,818	(37,818)	0
Net Increase/(Decrease) before Transfers to/(from) Earmarked Reserves	48,508	0	6,887	0	(1,833)	6,972	60,534	305,066	365,600
Transfers to/(from) Earmarked Reserves	(48,508)	48,508	(6,887)	6,887	0	0	0	0	0
Increase/(Decrease) in 2021/22	0	48,508	0	6,887	(1,833)	6,972	60,534	305,066	365,600
Balance at 31 March 2022 carried forward	14,255	151,010	15,502	10,587	6,840	6,972	205,166	475,317	680,483
Movement in Reserves during 2022/23									0
Surplus/(deficit) on the provision of Services	(64,723)	0	48,245	0	0	0	(16,478)	0	(16,478)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	746,602	746,602
Total Comprehensive Income and Expenditure	(64,723)	0	48,245	0	0	0	(16,478)	746,602	730,124
Adjustments between accounting basis & funding basis under regulations (note 1)	63,226	0	(46,412)	0	840	0	17,654	(17,654)	0
Net Increase/(Decrease) before Transfers to/(from) Earmarked Reserves	(1,497)	0	1,833	0	840	0	1,176	728,948	730,124
Transfers to/(from) Earmarked Reserves (note 25)	1,497	(1,497)	(1,833)	1,833	0	0	0	0	0
Increase/(Decrease) in 2022/23	0	(1,497)	0	1,833	840	0	1,176	728,948	730,124
Balance at 31 March 2023 carried forward	14,255	149,513	15,502	12,420	7,680	6,972	206,342	1,204,265	1,410,607

Balance Sheet

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

31 March 2022		Note	31 March 2023
£000			£000
1,992,202	Property, Plant & Equipment incl Infrastructure Assets	14	2,092,979
58,849	Heritage Assets		67,955
150,718	Investment Properties		167,560
1,135	Intangible assets including AUC		1,098
24,749	Long-term Investments	15	27,596
10,906	Long-term Debtors		11,772
2,238,559	Total Long-Term Assets		2,368,960
210,105	Short-term Investments	15	97,248
0	Assets Held for Sale	16	4,000
11,684	Inventories		10,439
184,300	Short-term Debtors	17	187,806
23,751	Cash and Cash Equivalents	18	56,594
429,840	Total Current Assets		356,087
(31,311)	Short-term Borrowing	15	(12,850)
(175,845)	Short-term Creditors	19	(138,937)
(1,035)	Pension Strain	22	(1,737)
(4,544)	Provisions	21	(3,419)
(3,640)	Deferred Liabilities	23	(3,985)
(216,375)	Total Current Liabilities		(160,928)
(832,819)	Long-term Borrowing	15	(850,737)
(24,458)	Provisions	21	(24,467)
(9,621)	Deferred Liabilities	23	(10,010)
(16,521)	Revenue Grants Receipts in Advance	24	(8,020)
(11,431)	Capital Grants Receipts in Advance		(22,679)
(22,388)	Capital Contributions Receipts in Advance		(31,296)
(1,296)	Pension Strain	22	(494)
(853,005)	Net Pensions Liability	13	(205,809)
(1,771,539)	Total Long-Term Liabilities		(1,153,512)
680,485	NET ASSETS		1,410,607
	Financed by:		
14,255	Council Fund Balance	25	14,255
151,012	Council Fund Earmarked Reserves		149,513
15,502	Housing Revenue Account Balance		15,502
10,587	Housing Revenue Account Earmarked Reserves		12,420
6,840	Capital Receipts Reserve		7,680
6,972	Capital Grants Unapplied		6,972
205,168	Total Usable Reserves		
345,822	Revaluation Reserve	26	362,612
977,282	Capital Adjustment Account		1,046,902
5,003	Deferred Capital Receipts		66
10,366	Financial Instruments Revaluation Reserve		11,742
(855,336)	Pensions Reserve		(208,040)

Balance Sheet

31 March 2022		Note	31 March 2023
£000			£000
(17,054)	Accumulated Absences Adjustment Account		(16,978)
9,234	Donated Inventories Account		7,961
475,317	Total Unusable Reserves		1,204,265
680,485	TOTAL RESERVES		1,410,607

Cashflow Statement

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.

2021/22 £000		Note	2022/23 £000
(22,716)	Net (surplus)/deficit on the provision of services		16,478
(231,213)	Adjustments to net (surplus)/deficit on the provision of services for non-cash movements	28	(107,948)
129,979	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(836,436)
(123,950)	Net cash flows from operating activities		(927,906)
191,372	Purchase of property, plant and equipment, investment property and intangible assets		197,357
117,750	Purchase of short-term and long-term Investments		837,720
2,133	Other investing activities		(10,220)
(2,649)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(9,851)
(126,516)	Capital Grants and Contributions		(121,623)
182,090	Net cash flows from investing activities		893,383
(72,479)	Cash receipts from short-term and long-term borrowing		(31,694)
(2,495)	Other financing activities		10,604
27,533	Repayments of short-term and long-term borrowing		22,770
(47,441)	Net cash flows from financing activities		1,680
10,699	Net (increase)/decrease in cash and cash equivalents		(32,843)
34,450	Cash and cash equivalents at the beginning of the reporting period		23,751
23,751	Cash and cash equivalents at the end of the reporting period	18	56,594

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 2021/22					Movement in Unusable Reserves	Adjustments between Accounting and Funding Basis	Usable Reserves 2022/23				Movement in Unusable Reserves
Council Fund Balance	Housing Revenue Account	Capital Receipts Reserves	Unapplied Capital Grants				Council Fund Balance	Housing Revenue Account	Capital Receipts Reserves	Unapplied Capital Grants	
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000	
						Adjustments to Revenue Resources					
						Amounts by which the income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements					
71,980	5,356	0	0	(77,336)		Pension costs (transferred to/from the Pensions Reserve)	73,443	5,281	0	0	(78,724)
(338)	(290)	0	0	628		Officer remuneration (transferred to the accumulated absence Reserve)	121	(199)	0	0	78
53,417	11,345	0	0	(64,762)		Charges for depreciation and impairment of Non-Current assets	77,053	13,618	0	0	(90,671)
44,806	24,114	0	0	(68,920)		Revaluation losses of Non-Current Assets	15,242	667	0	0	(15,909)
(23,804)	(1,407)	0	0	25,211		Reverse previous impairment on revaluation	(18,750)	(1,027)	0	0	19,777
842	86	0	0	(928)		Amortisation of Intangible Assets	604	0	0	0	(604)
26,694	(62)	0	0	(26,632)		Movements in the market value of Investment Properties	2,446	0	0	0	(2,446)
0	0	0	0	0		Movement in the value of Assets Held for Sale	0	0	0	0	0
(89,508)	(30,552)	0	0	120,060		Capital grants and contributions applied	(66,495)	(47,617)	0	0	114,112
(6,972)	0	0	6,972	0		Capital grants unapplied	0	0	0	0	0
2,662	31	0	0	(2,693)		Revenue expenditure funded from capital under statute	8,407	0	0	0	(8,407)
(6,022)	0	0	0	6,022		Transfer to Donated Inventories	1,273	0	0	0	(1,273)
25	0	0	0	(25)		Movement of Financial Instruments	3	0	47	0	(50)

Usable Reserves 2021/22					Movement in Unusable Reserves	Adjustments between Accounting and Funding Basis	Usable Reserves 2022/23				Movement in Unusable Reserves
Council Fund Balance	Housing Revenue Account	Capital Receipts Reserves	Unapplied Capital Grants				Council Fund Balance	Housing Revenue Account	Capital Receipts Reserves	Unapplied Capital Grants	
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000	
(494)	(753)	1,966	0	(719)	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	(938)	(1,532)	4,621	0	(2,151)	
73,288	7,868	1,966	6,972	(90,094)	Total adjustments to Revenue Resources	92,409	(30,809)	4,668	0	(66,268)	
					Adjustments between Revenue and Capital Resources						
(31,523)	(13,015)	0	0	44,538	Statutory provision for the financing of capital investment	(27,928)	(12,566)	0	0	40,494	
(1,540)	(2,400)	0	0	3,940	Capital expenditure charged against the Council Fund and HRA balances	(958)	(3,037)	0	0	3,995	
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	(17)	0	17	Capital receipts set aside for the repayment of debt	0	0	0	0	0	
(33,063)	(15,415)	(17)	0	48,495	Total adjustments between Revenue and Capital resources	(28,886)	(15,603)	0	0	44,489	
					Adjustments to Capital resources						
0	0	0	0	0	Transfers to the Capital Receipts Reserve upon receipt of cash	(231)	0	1,547	0	(1,316)	
0	0	0	0	0	Transfers to /from the Deferred Capital Receipts Reserve in relation to gain/loss on disposal	(66)	0	5,003	0	(4,937)	
0	0	(3,781)	0	3,781	Use of the Capital Receipts Reserves to finance new capital expenditure	0	0	(10,378)	0	10,378	
0	0	(3,781)	0	3,781	Total adjustments to Capital resources	(297)	0	(3,828)	0	4,125	
40,225	(7,547)	(1,832)	6,972	(37,818)	Total adjustments	63,226	(46,412)	840	0	(17,654)	

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).

2021/22			Directorate	2022/23		
Net Expenditure Charged to CF and HRA	Adjustments between accounting & funding basis	Net expenditure CIES		Net Expenditure Charged to CF and HRA (outturn)	Adjustments between accounting & funding basis (see note 2.1)	Net expenditure CIES (Net Cost of Services)
£000	£000	£000		£000	£000	£000
26,429	(22,388)	4,041	Corporate Management	29,696	(21,565)	8,131
38,787	20,630	59,417	Economic Development	50,604	50,097	100,701
297,868	27,824	325,692	Education & Lifelong Learning	313,914	41,435	355,349
6,514	1,104	7,618	Governance & Legal Services	7,619	1,680	9,299
0	3,355	3,355	Harbour Authority	0	3,143	3,143
47,560	10,024	57,584	Housing & Communities	46,082	8,418	54,500
0	3,724	3,724	Housing Revenue Account	0	(12,558)	(12,558)
2,882	422	3,304	Performance & Partnerships	2,964	792	3,756
5,976	25,959	31,935	Planning Transport & Environment	8,196	25,470	33,666
15,186	4,657	19,843	Resources	16,198	5,058	21,256
120,741	(278)	120,463	Social Services - Adults	132,229	6,097	138,326
71,189	3,994	75,183	Social Services - Children's	88,285	6,679	94,964
49,120	(53,345)	(4,225)	Summary Revenue Account	47,959	(46,849)	1,110
682,252	25,682	707,934	Net Cost of Services	743,746	67,897	811,643
(636,441)	(94,209)	(730,650)	Other income and expenditure	(696,558)	(98,607)	(795,165)
45,811	(68,527)	(22,716)	(Surplus)/Deficit on Provision of Services	47,188	(30,710)	16,478
	Council Fund	HRA Balance			Council Fund	HRA Balance
	(14,255)	(15,502)	Opening Balance as at 1 April		(14,255)	(15,502)
	0	0	Surplus/(Deficit)		0	0
	(14,255)	(15,502)	Closing Balance as at 31 March		(14,255)	(15,502)

The 2021/22 breakdown of the Net Cost of Services has been amended to take account of the changes in structure in 2022/23

2.1 Note to the Expenditure and Funding Analysis

The adjustments between Accounting and Funding basis are analysed further in the following table with further explanation provided below the table.

2021/22				Directorate	2022/23			
Adjustments for capital purposes (a)	Net change for Pensions Adjustments (b)	Other Adjustments (c)	Total Adjustments		Adjustments for capital purposes (a)	Net change for Pensions Adjustments (b)	Other Adjustments (c)	Total Adjustments
£000	£000	£000	£000		£000	£000	£000	£000
396	890	(23,674)	(22,388)	Corporate Management	21	586	(22,172)	(21,565)
18,339	7,363	(5,072)	20,630	Economic Development	45,414	8,066	(3,383)	50,097
32,346	15,982	(20,504)	27,824	Education & Lifelong Learning	14,731	15,915	10,789	41,435
0	958	146	1,104	Governance & Legal Services	34	982	664	1,680
2,826	500	29	3,355	Harbour Authority	2,733	465	(55)	3,143
5,153	6,043	(1,172)	10,024	Housing & Communities	886	6,255	1,277	8,418
31,771	5,356	(33,403)	3,724	Housing Revenue Account	10,222	5,281	(28,061)	(12,558)
0	641	(219)	422	Performance & Partnerships	0	809	(17)	792
20,862	3,492	1,605	25,959	Planning, Transport & Environment	22,446	3,491	(467)	25,470
2,701	4,140	(2,184)	4,657	Resources	2,404	4,998	(2,344)	5,058
(263)	5,230	(5,245)	(278)	Social Services - Adults	548	4,796	753	6,097
1,228	4,536	(1,770)	3,994	Social Services - Children's	139	4,777	1,763	6,679
101	9	(53,455)	(53,345)	Summary Revenue Account	0	0	(46,849)	(46,849)
115,460	55,140	(144,918)	25,682	Net Cost of Services	99,578	56,421	(88,102)	67,897
(110,483)	22,180	(5,906)	(94,209)	Other income and expenditure from the Expenditure & Funding Analysis	(122,147)	22,304	1,236	(98,607)
4,977	77,320	(150,824)	(68,527)	(Surplus)/Deficit on Provision of Services	(22,569)	78,725	(86,866)	(30,710)

The 2021/22 breakdown of the Net Cost of Services has been amended to take account of the changes in structure in 2022/23

(a) Adjustments for capital purposes – this column adds in depreciation, impairment and revaluation gains and losses in the net cost of services line and:

- **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 receivables without conditions or for which conditions were satisfied throughout the year. The taxation and non-specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied within the year.

(b) Net change for the removal of pension contributions and the addition of the IAS19 Employee Benefits pension related expenditure and income:

- **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.

(c) Other adjustments between the amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute:

- **for net cost of services** – the accrual made for the cost of holiday/leave entitlements earned by employees but not taken before the year end which employees can carry forward into the next financial year. These are required to be included within the Net Cost of Services under GAAP, however, are not chargeable to the Council Fund.
- **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.
- For taxation and non-specific grant income - 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.

2021/22 £000		2022/23 £000
599,145	Employee benefits expenses	648,745
689,422	Other service expenses	671,803
65,717	Depreciation, amortisation & impairment	91,233
30,453	Expenditure in relation to investment properties & changes in their fair value	15,315
34,108	Interest payments	34,175
61,613	Precepts & levies	64,582
719	Loss on sale of non-current assets	2,150
1,481,177	Total Expenditure	1,528,003
(231,877)	Fees, charges & other service income	(213,518)
(12,658)	Income in relation to investment properties & changes in their fair value	(20,815)
(388)	Interest & investment income	(3,589)
(361,403)	Income from Council Tax & Non-Domestic Rates	(379,702)
(895,602)	Grants & contributions	(889,279)
(1,965)	Gain on sale of non-current assets	(4,622)
(1,503,893)	Total Income	(1,511,525)
(22,716)	(Surplus)/Deficit on the Provision of Services	16,478

3. Precepts and Levies

2021/22 £000		2022/23 £000
	Precepts	
42,523	Police and Crime Commissioner for South Wales	45,047
	Community Councils:	
51	- Lisvane	61
175	- Pentyrch	185
126	- Radyr & Morganstown	131
34	- St Fagans	42
49	- Old St Mellons	51
23	- Tongwynlais	25
42,981	Total Precepts	45,542
	Levies & Contributions	
18,374	South Wales Fire and Rescue Service	18,776
139	Natural Resources Wales	139
114	Cardiff Port Health Authority	120
5	Newport Port Health Authority	5
18,632	Total Levies and Contributions	19,040

4. Participation in Joint Committees

During 2022/23 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 following approval.

2021/22 £000	Committee	Purpose	Lead Authority	2022/23 £000
275	Cardiff Capital Region City Deal (CCRCD)	To co-ordinate and discharge Councils' obligations in relation to the City Deal	Cardiff Council	289
1,293	Central South Consortium Joint Education Service	To provide a regional approach to improvement in schools	Rhondda Cynon Taf Council	1,327
243	Glamorgan Archives	Management and administration of the Glamorgan Records Office	Cardiff Council	265
27	Prosiect Gwyrdd	To manage residual waste treatment	Cardiff Council	27
699	Regional Adoption Service	To share best practice, develop and improve adoption services	Vale of Glamorgan Council	778
4,722	Shared Regulatory Service	To provide environmental health services	Vale of Glamorgan Council	5,162
7,259	Total			7,848

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

Any capital contributions to CCRCD in respect to the Wider Investment Fund would be included in the core financial statements but not shown in the table above. No capital contribution was made in 2022/23 (£0 for 2021/22).

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 2022/23 was 149,107 (147,794 for 2021/22).

The amounts for a band D property in Cardiff during 2022/23 were as follows:

2021/22 £	Band D Council Tax:	2022/23 £
1,310	Cardiff Council	1,335
288	Police and Crime Commissioner for South Wales	302
1,598	Total	1,637

The above amount (£1,637) 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	2,051	12,671	24,600	30,959	30,348	26,942	15,476	5,181	3,096	151,328
Apply Collection rate										98.50%	149,058
Plus Class O (Ministry of Defence) dwellings											49
Council Tax Base											149,107

Analysis of the net proceeds from Council Tax:

2021/22 £000		2022/23 £000
(240,341)	Council Tax collectable	(248,520)
3,081	Impairment for non-payment of Council Tax	1,520
(237,260)	Net proceeds	(247,000)
	Represented by:	
42,981	Precepts	45,542
194,279	Council Tax attributable to the Council	201,458

The cumulative impairment for non-payment of Council Tax held at the 31 March 2023 is £10.388 million (£10.422 million at 31 March 2022).

Council Tax that is past due but not impaired:

31 March 2022 £000		31 March 2023 £000
4,876	Debts less than one year	5,636
1,920	Debts between two and 5 years	2,164
117	Debts over five years	127
6,913	Total Council Tax due but not impaired	7,927

6. Non-Domestic Rates (NDR)

The Welsh Government specifies an amount for the rate 53.5p in 2022/23 and (53.5p in 2021/22) 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 £451.288 million for 2022/23 (£457.565 million 2021/22). An analysis of the net proceeds from non-domestic rates is shown below:

2021/22 £000		2022/23 £000
198,777	Non-Domestic Rates collectable	197,199
(933)	Cost of collection allowance	(938)
3,685	Impairment for non-payment	1,952
201,529	Payment into national pool	198,213
(121,062)	Redistribution from national pool	(131,182)

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 debtor of £8.440 million at 31 March 2023 (£2.022 million creditor at 31 March 2022) is included in the balance sheet which represents the amount paid over to Welsh Government exceeds the amount collected from ratepayers.
- Houses into Homes Loans - provide loans to bring back unused properties into homes. At 31 March 2023 the Welsh Government had provided £2.173 million of funding, of which £201,000 is outstanding as loans provided. The balance available for new loans was £1.771 million (£1.652 million at 31 March 2022).
- Home Improvement loans – provide loans for home improvements. At 31 March 2023 the Welsh Government had provided £1.624 million of funding, of which £1.055 million is outstanding as loans provided leaving a balance available for new loans of £569,000.
- Covid-19 Business Grants - the Council distributed grants to eligible business on behalf of the Welsh Government totaling £32,000 in 2022/23 (£18.908 million in 2021/22)
- 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 2023 Welsh Government had provided £22.107 million for this support.

South Wales Trunk Road Agency

The total reimbursement received by the Council was £333,000 in 2022/23 (£265,000 in 2021/22).

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 £2.190 million in 2022/23 (£1.457 million in 2021/22).

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 £10.055 million in 2022/23 (£10.198 million in 2021/22) on behalf of all the partners.

8. Remuneration

8.1 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 2022/23 was 1:6 (1:7 in 2021/22). The median full time equivalent earnings for 2022/23 was £31,176 (£28,572 in 2021/22). 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 number of employees, whose remuneration is over £60,000 per annum within bands of £5,000 is shown in table below. It includes all employees who are full time, full year equivalent of part time staff and those working part of the year, including senior officers whose remuneration is disclosed in more detail in note 8.3. It 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	
2021/22			2022/23	
Non Schools	Schools		Non Schools	Schools
12	63	60,000-64,999	59	91
14	46	65,000-69,999	18	56
21	49	70,000-74,999	36	53
1	25	75,000-79,999	7	26
0	8	80,000-84,999	2	24
0	7	85,000-89,999	2	8
10	1	90,000-94,999	10	7
0	7	95,000-99,999	0	4

Number of Employees		Remuneration band £	Number of Employees	
2021/22			2022/23	
Non Schools	Schools		Non Schools	Schools
0	4	100,000-104,999	0	3
1	4	105,000-109,999	1	2
0	1	110,000-114,999	0	5
0	1	115,000-119,999	0	2
0	0	120,000-124,999	0	1
0	0	125,000-129,999	0	1
6	1	130,000-134,999	6	0
0	0	135,000-139,999	0	0
2	3	140,000-144,999	0	1
0	0	145,000-149,999	2	0
0	0	150,000-154,999	0	2
0	0	155,000-159,999	0	1
0	1	160,000-164,999	0	0
0	0	165,000-169,999	0	0
0	1	170,000-174,999	0	1
0	0	175,000-179,999	0	0
0	0	180,000-184,999	0	1
1	0	185,000-189,999	0	0
0	0	190,000-194,999	1	0
68	222	Total	144	289

The increase in the number of employees above £60,000 is due to increases in pay but no increase to the banding threshold since inception. The number of redundancy/compensation payments on exit has increased in 2022/23 compared to 2021/22.

8.3 Shown in the tables below are remuneration details of those defined as senior employees:

- senior employees who form part of the Council's Senior Management Team (Directors, Assistant Directors, and Heads of Service) whose salary is £60,000 or more per annum but less than £150,000. These are identified by job title.
- senior employees whose salary is £150,000 or more on an annualised basis are identified by name.
- the table does not include senior employees in schools.

Remuneration also includes the cost of any additional contributions that the Council is required to make to the Pension Fund in respect of the individuals who are leaving the Council i.e., Enhancement of Retirement Benefits (Pension Strain costs). No bonuses have been paid during 2022/23 (£1,470 in 2021/22).

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)	2022/23	190,091	0	0	0	0	39,349	229,440	
		2021/22	188,166	0	0	0	0	38,950	227,116	
Corporate Director Resources & Section 151 Officer		2022/23	145,816	0	0	0	0	30,184	176,000	
		2021/22	143,891	0	0	0	0	29,785	173,676	
Corporate Director People & Communities		2022/23	145,816	0	0	0	0	30,184	176,000	
		2021/22	143,891	0	0	0	0	29,785	173,676	
Director Planning, Transport & Environment		2022/23	134,747	0	0	0	0	27,893	162,640	
		2021/22	132,822	0	0	0	0	27,494	160,316	
Director Economic Development		2022/23	134,747	0	0	0	0	27,893	162,640	
		2021/22	132,822	0	0	0	0	27,494	160,316	
		2022/23	134,747	0	0	0	0	27,893	162,640	

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 Education & Lifelong Learning		2021/22	132,822	0	0	0	0	27,494	160,316	
Director Governance & Legal Services & Monitoring Officer		2022/23	134,747	0	0	0	0	27,893	162,640	
		2021/22	132,822	0	0	0	0	27,494	160,316	
Director Children's Services	(b)	2022/23	134,747	0	0	0	0	27,893	162,640	
		2021/22	133,557	0	0	0	0	27,646	161,203	
Director Adults Housing & Communities Services		2022/23	134,747	0	0	0	0	27,893	162,640	
		2021/22	132,822	0	0	0	0	27,494	160,316	
Chief Digital Officer		2022/23	108,553	0	0	0	0	22,471	131,024	
		2021/22	106,628	0	0	0	0	22,072	128,700	
Assistant Director Adult Services	(b)	2022/23	0	0	0	0	0	0	0	Left the Council 05/04/2021.
		2021/22	1,971	0	0	0	0	408	2,379	
Assistant Director County Estates		2022/23	92,245	0	0	0	0	19,095	111,340	
		2021/22	90,320	0	0	0	0	18,696	109,016	
Assistant Director Education & Lifelong Learning		2022/23	92,245	0	0	0	0	19,095	111,340	
		2021/22	90,320	0	0	0	0	18,696	109,016	
Assistant Director Housing & Communities		2022/23	92,245	0	0	0	0	19,095	111,340	Commenced 12/07/2021.
		2021/22	65,069	0	0	0	0	13,469	78,539	
Assistant Director Street Scene		2022/23	92,245	0	0	0	0	19,095	111,340	
		2021/22	90,320	0	0	0	0	18,696	109,016	
		2022/23	92,245	0	0	0	0	19,095	111,340	

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 £			
Programme Director - Schools Organisation Programme		2021/22	90,320	0	0	0	0	18,696	109,016	
Chief Human Resources Officer		2022/23	92,245	0	0	0	0	19,095	111,340	
		2021/22	90,320	0	0	0	0	18,696	109,016	
Head of Finance		2022/23	92,245	0	0	0	0	19,095	111,340	
		2021/22	90,320	0	0	0	0	18,696	109,016	
Head of Performance & Partnerships		2022/23	92,245	0	0	0	0	19,095	111,340	
		2021/22	90,320	0	0	0	0	18,696	109,016	

(a) In addition to the remuneration fees detailed in the table above, the Chief Executive is the Council's nominated Returning Officer. Any fees payable in relation to this role have been waived.

(b) 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.

Schools 2022/23				Exit package cost band (including special payments)	Non-schools 2022/23			
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 £
3	14	17	118,984	0 - 20,000	3	25	28	290,912
0	1	1	20,208	20,001 – 40,000	1	25	26	663,606
0	1	1	48,038	40,001 – 60,000	0	15	15	750,886
0	1	1	63,156	60,001 – 80,000	0	22	22	1,559,846
0	1	1	93,327	80,001 – 100,000	0	6	6	529,085
0	0	0	0	100,001 – 150,000	0	7	7	776,965
0	0	0	0	150,001 – 200,000	0	4	4	685,160
3	18	21	343,713	Total	4	104	108	5,256,460

Schools 2021/22				Exit package cost band (including special payments)	Non-schools 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 £
10	14	24	148,585	0 - 20,000	5	39	44	418,025
1	6	7	170,513	20,001 – 40,000	1	16	17	478,341
0	1	1	42,445	40,001 – 60,000	0	3	3	154,645
0	0	0	0	60,001 – 80,000	0	2	2	153,951
0	0	0	0	80,001 – 100,000	0	2	2	165,771
0	0	0	0	100,001 – 150,000	0	0	0	0
0	0	0	0	150,001 – 200,000	0	0	0	0
11	21	32	361,543	Total	6	62	68	1,370,733

*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 2022/23 was £1.616 million (£1.385 million in 2021/22). 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. The transactions are included in the Social Services - Adults 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. The Cardiff Council transactions are included in the Social Services - Adults line of the Comprehensive Income and Expenditure statement.

Income and expenditure for these pooled budget arrangements for the year ending 31 March 2023 are as follows:

2021/22 £000			2022/23 £000	
Joint Equipment	Care Homes for older people		Joint Equipment	Care Homes for older people
		Expenditure		
1,689	0	Equipment	2,058	0
487	0	Contribution to Overheads	487	0
0	64,046	Care Home costs	0	63,331
2,176	64,046	Total Expenditure	2,545	63,331
		Funding		
(1,376)	(24,549)	Cardiff and Vale University Health Board	(1,573)	(25,572)
(663)	(23,744)	Cardiff Council	(606)	(25,699)
(347)	(15,753)	Vale of Glamorgan Council	(366)	(12,060)
(2,386)	(64,046)	Total Funding	(2,545)	(63,331)
(210)	0	(Surplus)/Deficit transferred to Reserve	0	0

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 2022/23 financial transactions with the Welsh Government totaled £10.239 million of expenditure and approximately £319.761 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 approximately £81.957 million 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 2022/23 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 Councilors': Cardiff Council (modern.gov.co.uk) The Code of Conduct for Members of Local Authorities in Wales specifies Members have 28 days to register any changes to declared interests. Democratic Services remind Members of this requirements on a regular basis. This process is relied upon for the related parties notes as all Members are required to comply with the Code of conduct. Within this process, the length of time between declarations being updated by Members is not an indication that they have not complied but instead an indication that no changes have been made since they were last updated.

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. The relevant members did not take part in any discussion or decision relating to any grants received.

2021/22				Related Party	Related Party Relationship	Transaction details	2022/23			
Transactions		Balances					Transactions		Balances	
Amounts paid by the Authority	Amounts received by the Authority	Amounts owed by the Authority	Amounts owed to the Authority				Amounts paid by the Authority	Amounts received by the Authority	Amounts owed by the Authority	Amounts owed to the Authority
£000							£000			
25	(15)	0	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	0	0	0
949	(8)	0	0	Cartref Care Homes	Trustee	Primarily Residential Care	200	(1)	0	0
214	0	1	0	Cathays and Central Youth & Community Project	Trustee	Day Care	0	0	0	0
0	0	0	0	Cathays Community Centre	Director	Day Care	185	0	0	0
38	(1)	0	(1)	Cylch Meithrin Pwll Coch	Trustee	Childcare	44	0	0	0
0	0	0	0	Diverse Cymru	Director and Trustee	Primarily Trade Refuse	0	(1)	0	0
1,149	(91)	11	(45)	Huggard	Member of Management Committee	Primarily Supporting people	1,905	(215)	0	(4)
24	(3)	0	0	Llanrumney Hall Community Trust Ltd	Trustee	Primarily Trade Refuse	7	(4)	0	0
0	0	0	0	Llanrumney Phoenix Boxing Club	Trustee	Training Courses	33	0	0	0
0	0	0	0	Omidaze	Director	Hire of premises	6	0	0	0
0	0	0	0	Race Council Cymru	Trustee	Staff training	2	0	0	0
21	(4)	0	0	Safer Wales	Chief Executive Officer	Grant for Domestic Abuse support	64	(6)	0	(2)
60	0	0	0	Seren in the Community CIO	Trustee	Primarily Childrens Play Grant	14	0	0	0
0	0	0	0	Splott Community Volunteers	Trustee	Grant provision	2	0	0	0
137	(90)	0	(2)	Wales and the West Housing Association	Family Member is Chief Executive	Payment relates to supporting individuals in relation to alarm subsidy	152	(207)	27	(119)

2021/22				Related Party	Related Party Relationship	Transaction details	2022/23			
Transactions		Balances					Transactions		Balances	
Amounts paid by the Authority	Amounts received by the Authority	Amounts owed by the Authority	Amounts owed to the Authority				Amounts paid by the Authority	Amounts received by the Authority	Amounts owed by the Authority	Amounts owed to the Authority
£000				£000						
0	0	0	0	Welsh Hosptals and Health	Non Executive Director	Primarily Trade Refuse	0	(1)	0	0
2,618	(212)	12	(48)	Total transactions			2,614	(435)	27	(125)

Officer's emoluments are shown in note 8. In 2022/23, for organisations in which Senior Officers had an interest there were no goods or services commissioned (£0 in 2021/22). For goods and services provided, income of £97,000 was received in 2022/23 (£51,000 in 2021/22).

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 £73,000 to Police and Crime Commissioner for South Wales during 2022/23 (£123,000 in 2021/22).

11. External Audit Costs

2021/22 £000		2022/23 £000
401	Fees payable to Audit Wales for external audit services	456
69	Fees payable to Audit Wales for the certification of grant claims	75
14	Fees payable to Audit Wales for other financial audit work	16
484	Total	547

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 2022/23

2021/22 £000		2022/23 £000
1,357	Property leases	1,520
2,130	Other leases	1,728
3,487		3,248

The Council was committed at 31 March 2023 to making payments of £12.531 million under operating leases (£12.995 million at 31 March 2022) comprising the following elements:

31 March 2022			31 March 2023	
Property Leases £000	Other Leases £000		Property Leases £000	Other Leases £000
		Minimum lease payments		
1,122	1,864	Not later than one year	287	2,447
1,028	2,052	Later than one year but not later than five years	936	2,137
6,897	32	Later than five years	6,702	22
9,047	3,948		7,925	4,606

Finance Leases

There were no finance leases recognised at 31 March 2023 (none in 2021/22) 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 £9.139 million in 2022/23 (£8.939 million in 2021/22)

The Council was committed as at 31 March 2023 to receiving income of £472.566 million (£476.917 million as at 31 March 2022) under operating leases for Land & Buildings comprising the following elements:

31 March 2022 £000	Minimum Income	31 March 2023 £000
8,687	Not later than one year	8,162
28,467	Later than one year and not later than five years	28,592
439,763	Later than five years	436,780
476,917		473,534

Finance Leases

There were no finance leases recognised at 31 March 2023 (none in 2021/22).

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

13.1 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 2022/23 the Council paid £33.870 million in respect of teachers' pension costs, which represents 23.7% of teachers' pensionable pay for 2022/23 (£32.252 million representing 23.7% of teachers' pensionable pay for 2021/22). 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.

13.2 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.

2021/22				2022/23		
Funded scheme	Unfunded liabilities	Total		Funded scheme	Unfunded liabilities	Total
£000	£000	£000	£000	£000	£000	
			Comprehensive Income and Expenditure Statement (CIES)			
			Net Cost of Services			
104,900	0	104,900	Current service cost	108,573	0	108,573
1,470	0	1,470	Past service costs	1,130	0	1,130
			Financing & investment income and expenditure			
21,260	910	22,170	Interest on net defined benefit liability/(asset)	21,320	980	22,300
127,630	910	128,540	Net charge to CIES	131,023	980	132,003
			Remeasurement of the net defined liability comprising			
(124,670)	0	(124,670)	Returns on plan assets excluding amounts included in net interest	63,503	0	63,503
(160,590)	(1,210)	(161,800)	Actuarial (gains)/losses arising from changes in financial assumptions	(926,800)	(5,780)	(932,580)
(24,350)	(560)	(24,910)	Actuarial (gains)/losses arising from changes in demographic assumptions	(5,200)	(650)	(5,850)
7,570	(3,210)	4,360	Other experience and Actuarial adjustments	145,267	3,290	148,557
(302,040)	(4,980)	(307,020)	Total remeasurements recognised in Other Comprehensive Income	(723,230)	(3,140)	(726,370)
(174,410)	(4,070)	(178,480)	Total charged to CIES	(592,207)	(2,160)	(594,367)

2021/22				2022/23		
Funded scheme £000	Unfunded liabilities £000	Total £000		Funded scheme £000	Unfunded liabilities £000	Total £000
			Movement in Reserves Statement			
(127,630)	(910)	(128,540)	Reversal of net charges made for retirement benefits in accordance with IAS19	(131,023)	(980)	(132,003)
			Actual amount charged against Council Tax in respect of pensions for the year			
45,850	0	45,850	Employers contributions payable to the scheme	50,353	0	50,353
0	2,790	2,790	Payments in respect of unfunded pensions liabilities *	0	2,830	2,830
45,850	2,790	48,640	Total	50,353	2,830	53,183

* 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 approach to this element of the valuation by the Pension Fund actuary, Aon, is consistent with the recommended approach.

Reconciliation of Funded Status to Balance Sheet

31 March 2022				31 March 2023		
Funded scheme £000	Unfunded liabilities £000	Total £000		Funded scheme £000	Unfunded liabilities £000	Total £000
(2,476,000)	(44,720)	(2,520,720)	Opening present value of liabilities	(2,412,110)	(37,860)	(2,449,970)
(104,900)	0	(104,900)	Current service cost	(108,573)	0	(108,573)
(51,540)	(910)	(52,450)	Interest cost	(64,520)	(980)	(65,500)
(13,410)	0	(13,410)	Contributions by participants	(15,030)	0	(15,030)
177,330	4,980	182,310	Remeasurements in Other Comprehensive Income (OCI)	786,733	3,140	789,873
57,880	2,790	60,670	Net benefits paid out *	61,550	2,830	64,380
(1,470)	0	(1,470)	Past service cost	(1,130)	0	(1,130)
(2,412,110)	(37,860)	(2,449,970)	Closing present value of liabilities	(1,753,080)	(32,870)	(1,785,950)
1,440,850	0	1,440,850	Opening fair value of assets	1,597,220	0	1,597,220
30,280	0	30,280	Interest income	43,200	0	43,200
124,710	0	124,710	Remeasurement gains/(losses)	(63,503)	0	(63,503)
45,850	2,790	48,640	Contributions by employer	50,353	2,830	53,183
13,410	0	13,410	Contributions by participants	15,030	0	15,030
(57,880)	(2,790)	(60,670)	Net benefits paid out *	(61,550)	(2,830)	(64,380)
1,597,220	0	1,597,220	Closing fair value of assets	1,580,750	0	1,580,750
(814,890)	(37,860)	(852,750)	Net pension asset/(liability)	(172,330)	(32,870)	(205,200)

*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 2023. 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 2023 as compared to the previous year. This is primarily due to the change in interest rates which impacts the discount rate used 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 2024

Local Government Scheme - employer's regular contributions to the Fund for the accounting period ending 31 March 2024 are estimated to be £50.550 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 2024 the Council expects to pay £3.261 million directly to beneficiaries.

Basis for estimating assets and liabilities

The LGPS principal assumptions used by the independent qualified actuaries in updating the full March 2022 valuation figures as at 31 March 2023, for IAS19 purposes, are shown in the following table:

31 March 2022	Assumptions	31 March 2023
	Longevity at 45 for current pensioners (years)	
23.2	Men	23.2
26.0	Women	25.8
	Longevity at 65 for current pensioners (years)	
22.1	Men	22.6
24.6	Women	24.7
	Rates	
3.0%	Rate of inflation - Consumer Price Index (CPI)	2.7%
4.0%	Rate of general increase in salaries	3.7%
3.0%	Rate of increase to pensions in payment	2.7%
3.0%	Rate of increase to deferred pensions	2.7%
2.7%	Discount rate for scheme liabilities	4.7%

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 2022				31 March 2023		
Quoted %	Unquoted %	Total %	Assets	Quoted %	Unquoted %	Total %
63.8	3.7	67.5	Equities	63.4	4.5	67.9
6.9	0.0	6.9	Property	7.2	0.0	7.2
9.2	0.0	9.2	Government Bonds	8.8	0.0	8.8
8.4	0.0	8.4	Corporate Bonds	7.6	0.0	7.6
5.7	0.0	5.7	Multi Asset Credit	5.3	0.0	5.3
2.3	0.0	2.3	Cash	3.2	0.0	3.2
96.3	3.7	100.0	Total	95.5	4.5	100.0

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

	31 March 2019	31 March 2020	31 March 2021	31 March 2022	31 March 2023
	£000	£000	£000	£000	£000
Fair value of assets	1,317,980	1,183,130	1,440,850	1,597,220	1,580,750
Present value of funded liabilities	(1,931,978)	(1,974,720)	(2,476,000)	(2,412,110)	(1,753,080)
Present value of unfunded liabilities	(48,720)	(44,120)	(44,720)	(37,860)	(32,870)
Surplus/(deficit)	(662,718)	(835,710)	(1,079,870)	(852,750)	(205,200)

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 £205,200,000	+0.1% p.a		-0.1% p.a	
Change in assumptions on present value of the funded defined benefit obligations	£000	% Increase / Decrease to Defined Benefit Obligation		£000
Adjustment to discount rate	1,723,280	-1.7%	1.7%	1,782,880
Adjustment to salary increase rate	1,756,590	0.2%	-0.2%	1,749,570
Adjustment to pension increase rate	1,779,380	1.5%	-1.5%	1,726,780
	-1 year		1 year	
Adjustment to mortality rate	1,800,410	2.7%	-2.7%	1,705,750

13.3 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 2022 £000	Cardiff Bus Defined Contribution Pension Scheme	31 March 2023 £000
(13,138)	Opening present value of liabilities	(12,980)
(242)	Interest cost	(342)
(468)	Remeasurement (gains)/losses	4,768
868	Net benefits paid out	363
(12,980)	Closing present value of liabilities	(8,191)
11,891	Opening fair value of assets	10,925
218	Interest income	286
(316)	Remeasurement gains/(losses)	(3,204)
(868)	Net benefits paid out	(363)
10,925	Closing fair value of assets	7,644
(2,055)	Net pension asset/(liability)	(547)

31 March 2022 £000	Cardiff Bus Defined Benefit Pension Scheme	31 March 2023 £000
(40,045)	Opening present value of liabilities	(38,142)
(751)	Interest cost	(1,012)
1,596	Remeasurement (gains)/losses	10,310
1,058	Net benefits paid out	1,323
(38,142)	Closing present value of liabilities	(27,521)
40,694	Opening fair value of assets	39,942
765	Interest income	1,064
(459)	Remeasurement gains/(losses)	(12,224)
(1,058)	Net benefits paid out	(1,323)
39,942	Closing fair value of assets	27,459
1,800	Net pension asset/(liability)	(62)

31 March 2022 %	Cardiff Bus Defined Benefit Pension Scheme Assets	31 March 2023 %
0.0	Equities	19.7
24.3	Diversified Growth Funds	19.5
21.7	Cash & Liability Driven Investments	12.4
54.0	Bonds	48.4
100.0	Total	100.0

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
1 April 2021	630,782	851,257	49,430	19,897	74,686	66,854	1,692,906
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)
31 March 2022	653,600	837,290	64,937	23,576	76,308	89,220	1,744,931
Additions	30,458	28,746	7,244	1,704	240	86,794	155,186
Revaluations Increases/(Decreases) recognised in the RR	846	3,584	0	0	377	0	4,807
Revaluations Increases/(Decreases) recognised in the SDPS	0	(8,146)	0	0	(660)	0	(8,806)
Impairment Losses/Reversals to RR	0	(112)	0	0	0	0	(112)
Impairment Losses/Reversals to SDPS	(1,362)	(17,011)	0	0	(3,786)	(13)	(22,172)
Derecognition - Disposals	0	(1)	(5,248)	0	(3,450)	(13)	(8,712)
Reclassified (to)/from Held for Sale	0	0	0	0	(4,000)	0	(4,000)
Other Reclassifications - Transfers	15,276	(784)	636	168	1,743	(20,417)	(3,378)
31 March 2023	698,818	843,566	67,569	25,448	66,772	155,571	1,857,744
Movements in Depreciation/Impairment							
1 April 2021	9,325	50,112	20,962	0	0	0	80,399
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
31 March 2022	10,135	22,140	25,839	0	(600)	(36)	57,478
Depreciation Charge	10,439	25,754	8,646	0	0	0	44,839
Depreciation written out on Impairment	0	0	0	0	0	0	0
Depreciation written out to the RR	0	(5,603)	0	0	(21)	0	(5,624)
Depreciation written out to the SDPS	0	(12,674)	0	0	0	0	(12,674)
Derecognition - Disposals	0	(1)	(5,248)	0	(3,450)	(13)	(8,712)
Reclassifications - Transfers	0	(24)	0	0	24	0	0
31 March 2023	20,574	29,592	29,237	0	(4,047)	(49)	75,307
Net Book Value							
At 31 March 2022	643,465	815,150	39,098	23,576	76,908	89,256	1,687,453
At 31 March 2023	678,244	813,974	38,332	25,448	70,819	155,620	1,782,437

*RR Revaluation Reserve

**SDPS Surplus or Deficit on Provision of Services

2021/22	Net Book Value	2022/23
304,749	Infrastructure Assets	310,542
1,687,453	Other PPE Assets	1,782,437
1,992,202	Total PPE Assets	2,092,979

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:

2021/22 £000		2022/23 £000
285,682	Net Book Value at 1 April	304,749
33,063	Additions	27,637
(22,701)	Depreciation	(23,614)
8,705	Other movements in cost (Reclassification)	1,770
304,749	Net Book Value at 31 March	310,542

Heritage Assets

2021/22 £000		2022/23 £000
58,682	Balance at 1 April	58,849
167	Additions	219
0	Revaluation increases/(decreases) to RR	8,887
58,849	Balance at 31 March	67,955

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 and antiquarian books

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, civic regalia and antiquarian books - the Council has a collection of paintings, artefacts, civic regalia and antiquarian books much of which is related to local interest. The main items in terms of number and value are collections are at Cardiff Castle reflecting its historic significance and interpretation for visitors. Other items held at public buildings have been accumulated over a number of years. Paintings, artifacts and Civic regalia are included in the balance sheet at £42.379 million and were valued by Mr. A.N. Schoon, Antiques and Fine Art Valuer in 2022/23. Antiquarian books were valued for the first time for inclusion in the Accounts, by Bernard Quaritch Ltd. at £9.101 million in 2022/23.

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:

2021/22 £000		2022/23 £000
156,238	Balance at 1 April	150,718
17,180	Additions	20,033
(12)	Impairment	0
(50)	Disposals	(2,150)
0	Reclassified (to)/from Held for Sale	0
2,175	Other Reclassifications	1,397
0	Revaluation increases/(decreases) to RR*	0
(24,813)	Revaluation increases/(decreases) to SDPS**	(2,438)
150,718	Balance at 31 March	167,560

* 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:

2021/22 £000		2022/23 £000
(10,318)	Rental income from investment property	(12,066)
3,273	Direct operating expenses arising from investment property	4,128
(7,045)	(Surplus)/Deficit on Investment Properties	(7,938)

Intangible Assets

Movements in intangible assets during 2022/23 are summarised as follows:

2021/22 £000		2022/23 £000
	Cost or Valuation	
4,418	Balance at 1 April	4,740
352	Additions	359
0	Reclassifications -Transfers	209
(30)	Derecognition - Disposals	(2,134)
4,740	Balance at 31 March	3,174
	Amortisation	
2,707	Balance at 1 April	3,605
928	Amortisation	604
(30)	Derecognition - Disposals	(2,133)
3,605	Balance at 31 March	2,076
	Net Book Value:	
1,135	Balance at 31 March	1,098

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.

2021/22 £000		2022/23 £000
858,757	Opening Capital Financing Requirement*	885,949
	Capital Expenditure:	
172,241	Property, Plant and Equipment incl Infrastructure Assets	182,823
167	Heritage Assets	219
137	Assets Held for Sale	0
17,180	Investment Properties	20,033
352	Intangible Assets	359
7,751	Loans/Equity	449
19,306	Expenditure on REFCUS	25,303
	Sources of Finance:	
(3,781)	Capital Receipts	(10,378)
(136,674)	Government grants and other contributions	(131,009)
0	City Deal additional funding	(2,600)
(3,940)	Direct revenue contributions and reserves	(3,995)
(45,547)	Prudent revenue and capital provision for loan repayment	(40,825)
0	Amendment for previous manual adjustments**	10,688
885,949	Closing Capital Financing Requirement*	937,016
	Explanation of movements in year:	
0	Amendment for previous manual adjustments**	10,688
2,437	Increase/(Decrease) in underlying need to borrow (supported by government financial assistance)	2,414
24,755	Increase/(Decrease) in underlying need to borrow (unsupported by government financial assistance)	37,966
27,192	Increase in Capital Financing Requirement	51,068

*This includes a notional amount in respect of Landfill provision of 2022/23 £15.309 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.

**adjustment to reverse historic manual adjustments to the CFR note that should not have had an impact on the Council's CFR balance. This includes adjustments made re CCRCD and notional VAT transactions. The correcting amendments align this disclosure note to the balance of the CFR as calculated in accordance with the balance sheet.

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.

2021/22		2022/23
£000		£000
31,523	Council Fund provision	27,928
13,015	Housing Revenue Account provision	12,566
44,538	Prudent revenue provision	40,494

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.

2021/22		2022/23
£000		£000
	Expenditure:	
5,117	Housing Improvement Grants	6,303
9,837	Buildings not owned by Cardiff Council	8,836
4,352	Grants awarded (not Housing Grants)	3,683
0	Repayment of Grant	6,481
19,306	Charged to Income and Expenditure Statement	25,303
	Funded by:	
(16,613)	Grants and Contributions	(16,896)
(2,693)	Borrowing, Receipts and other Capital Resources	(8,407)
(19,306)		(25,303)

Significant Capital Expenditure contractual commitments

At 31 March 2023, the significant capital expenditure commitments scheduled for completion in 2022/23 and future years is shown below (£117.758 million 2021/22):

Capital Scheme	£000
Fairwater Campus Enabling Works	22,747
New Build Housing - Bute Street Community Living	14,460
New Build Housing - Leckwith Road Community Living	13,300
Moorland Primary School	5,977
Arena Pre-Contract Service Agreement	5,000
Cardiff Living Housing - Eastern High	4,804
Fitzalan High School	4,704
Cardiff Living Housing - Brookfield Drive	4,498
City Centre East Transport & Canal Public Realm Works	3,429

Capital Scheme	£000
Pentyrch Primary School Extension and Nursery	2,646
New Build Housing - Iorwerth Jones Centre	2,445
Lydstep Flats Recladding	1,840
Allensbank Roof Replacement Scheme	1,749
Gladstone Primary School Roof Replacement Scheme	1,329
Transport Interchange South Entrance Highway Scheme	1,205
Oak House Refurbishment	1,045
Fairwater Campus Professional Services	815
New Build Housing - Wakehurst Place	765
LED Residential Street Lighting	607
County Hall Alarm Receiving Centre (ARC) and Telecare	593
A4119 Bus Corridor Improvements	579
Cardiff Living Housing - Howardian	535
Total	95,072

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 2022				31 March 2023		
Long Term	Short Term	Total		Long Term	Short Term	Total
£000	£000	£000		£000	£000	£000
			Financial assets at amortised cost:			
0	210,012	210,012	Investments - Principal	0	96,736	96,736
0	93	93	Investments - Accrued Interest	0	512	512
0	23,718	23,718	Cash & Cash Equivalents	0	56,514	56,514
0	33	33	Cash & Cash Equivalents - Accrued Interest	0	80	80
0	233,856	233,856	Total Investments at Amortised Cost Included in Investments	0	153,842	153,842
24,749	0	24,749	Total Investments at Fair Value through Other Comprehensive Income	27,596	0	27,596
2,103	449	2,552	Loans	1,336	1,339	2,675
8,803	183,851	192,654	Other Debtors	10,436	186,467	196,903
10,906	184,300	195,206	Total Debtors	11,772	187,806	199,578
35,655	418,156	453,811	Total Financial Assets	39,368	341,648	381,016
			Financial liabilities at amortised cost:			

31 March 2022				31 March 2023		
Long Term	Short Term	Total		Long Term	Short Term	Total
£000	£000	£000		£000	£000	£000
(832,819)	(22,802)	(855,621)	Loans - Principal	(850,737)	(4,419)	(855,156)
0	(8,509)	(8,509)	Loans - Accrued Interest	0	(8,431)	(8,431)
(832,819)	(31,311)	(864,130)	Total Borrowings	(850,737)	(12,850)	(863,587)

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 as part of the implementation of a financial support package. No further shares have been issued during 2022/23. The fair value of the investment at 31 March 2023 is estimated to be £25.451 million (£24.046 million in 2021/22)
- 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 2023 Interest payable for 2022/23 is £8.431 million (£8.509 million in 2021/22).

31 March 2022			Valuation Method - Level	31 March 2023	
Carrying amount £000	Fair value £000			Carrying amount £000	Fair value £000
(770,882)	(983,511)	Public Works Loan Board Loans (PWLB)	Level 2	(767,521)	(715,282)
(51,632)	(70,297)	Lender Option Borrower Option	Level 2	(51,637)	(46,624)
(23,281)	(17,828)	Welsh Government	Level 2	(44,399)	(32,594)
(18,335)	(18,316)	Local Authorities and other loans	Level 2	(30)	(30)
(864,130)	(1,089,952)	Financial Liabilities		(863,587)	(794,530)

The fair value of borrowing and financial liabilities is less than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower 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 2023. An exit price fair value of £816.065 million 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. It includes 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.

	Financial Liabilities			Financial Assets				Financial Liabilities			Financial Assets		
	Measured at Amortised Cost	Amortised Cost	Investments at Fair Value through Other Comprehensive Income	Total	Measured at Amortised Cost	Amortised Cost		Investments at Fair Value through Other Comprehensive Income	Total	Measured at Amortised Cost	Amortised Cost	Investments at Fair Value through Other Comprehensive Income	Total
	2021-22							2022-23					
	£000							£000					
	34,108	0	0	34,108	Interest Payable & Similar Charges	34,175	0	0	34,175				
	0	(381)	0	(381)	Interest and Investment Income	0	(3,332)	0	(3,332)				
	0	0	(98)	(98)	(Gain)/loss arising on Disposal/ Derecognition of Financial Assets	0	0	(63)	(63)				
	0	0	(3,382)	(3,382)	(Gain)/loss arising on Revaluation or Disposal of Financial Assets	0	0	(1,376)	(1,376)				
	34,108	(381)	(3,480)	30,247	Net (gain)/loss for the year	34,175	(3,332)	(1,439)	29,404				

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 sums owed by 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 2022 £000	Likelihood of Default	31 March 2023 £000
	<p>Deposits are placed with banks and building societies that have Fitch minimum criteria of F1 (i.e. highest credit quality), local authorities or Debt Management Account Deposit Facility (DMADF). Lending is restricted to a maximum amount and duration for each financial institution, also taking into account the extent of public ownership and sovereign rating.</p> <p>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 2023, the expected credit loss calculated on a historic risk of default basis is 0.004% or £3,139. This is minimal, so no provision for expected credit loss is recognised.</p> <p>The value of deposits will fluctuate daily as a result of the timing of many transactions. The decrease of £76.955 million from 31 March 2022 is primarily as a result of lower working capital. There are also capital expenditure outflows in the year to be paid for by borrowing in future years of £55 million.</p>	
233,856	Deposits- Banks, Building Societies, Local Authorities, DMADF	153,842
	Repayments are recovered directly from employees pay and indemnity insurance is a condition of the loan. Default experience is minimal.	
282	Car Loans	198
	Includes loans to SME's and Town Centre regeneration. Where there is deemed to be a risk of non-repayment a provision for impairment is considered.	
2,269	Loans to External bodies	2,478
	<p>The Council does not generally allow credit for customers and provision is made for non-payment based on the age profile of outstanding debt, adjusted for large invoices known to have been settled after the balance sheet date and any other material factors that could affect the 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 considered necessary. The impairment for bad debt in 2022/23 was based on the adjusted age profile disclosed as following:</p>	
17,123	Less than one year	27,119
1,456	1-2 years	1,724
614	2-3 years	788
337	3-4 years	467
166	4-5 years	336
497	Over 5 years	533
20,193	Customers	30,967
256,600	Total	187,485

Liquidity and Refinancing Risk

This is the possibility that the Council may not have funds available to make payments or may have to refinance a financial liability at disadvantageous interest rates or terms. The Council has ready access to funds from the financial markets and Public Works Loan Board in order to raise finance. 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 2022 £000	Loans Outstanding	31 March 2023 £000
763,077	Public Works Loans Board	759,727
51,000	Market Lender Option Borrower Option (LOBO)	51,000
23,281	Welsh Government	44,399
18,263	Local Authorities and other loans	30
855,621	Total	855,156
22,803	Under 12 months	4,419
0	CCRCD	17
4,459	12 months and within 24 months	4,358
18,187	24 months and within 5 years	29,550
76,638	5 years and within 10 years	100,365
174,522	10 years and within 20 years	174,434
176,800	20 years and within 30 years	182,800
217,888	30 years and within 40 years	214,213
159,324	40 years and within 50 years	140,000
5,000	50 years and within 60 years	5,000
855,621	Total	855,156

Currently, £24 million of the LOBO loans are subject to the lender having the right to change the rate of interest payable during the next financial year. The Council has the right to refuse the change, triggering early repayment and the need to re-finance. Details are shown in the following table:

£m	Potential Repayment Date	Option Frequency	Full Term Maturity
6	22/05/2023	6 months	21/11/2041
6	22/05/2023	6 months	21/11/2041
6	22/05/2023	6 months	23/05/2067
6	01/09/2023	6 months	23/05/2067
22	21/11/2025	5 years	23/11/2065
5	17/01/2028	5 years	17/01/2078

Interest Rate Risk

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

Variable affected by interest rate fluctuations	Impact of Variation	Actions to mitigate interest rate risk
Interest earned on variable rate investments	Interest rate rises will increase income credited to the Comprehensive Income and Expenditure Statement, while reductions may result in less income than budgeted.	Production and Council approval of a Treasury Management Strategy at the start of each financial year 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. The Council's borrowing is primarily at fixed, rather than variable, interest rates.
Fair value of fixed rate financial assets	Interest rate rises will have no material effect on fair value, as the current periods of such assets are very short term, 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 2022/23 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	94
Increase in interest receivable on investments	(1,188)
Impact on Income and Expenditure Account	(1,094)
Increase in interest transferred to other balances and accounts	372
Net (Income)/ Expenditure	(722)

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
Change in Fair Value of fixed rate borrowings	(96,729)

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 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 £21,000 (£41,000 in 2021/22) which are quoted on a recognised stock exchange at 31 March 2023

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 £1.272 million gain or loss being recognised in the Movement in Reserves Statement in terms of valuations for accounts purposes only.

16. Assets Held for Sale

31 March 2022 £000		31 March 2023 £000
918	Balance at 1 April	0
137	Additions	0
(660)	De-recognition	0
0	Impairment	0
(395)	Reclassified to/(from) Held for Sale	4,000
0	Balance at 31 March	4,000

17. Short Term Debtors

31 March 2022 £000		31 March 2023 £000
108,295	Central Government Bodies	118,295
15,954	Other Local Authorities & NHS Bodies	17,310
60,051	Other Entities & Individuals including Public Corporations	52,201
184,300	Total Short-Term Debtors	187,806

18. Cash and Cash Equivalents

31 March 2022 £000		31 March 2023 £000
148	Cash	158
6,432	Bank (including cheque book schools and CCRCO)	(7,860)
17,171	Short-term deposit with banks & building societies	64,296
23,751	Total Cash and Cash Equivalents	56,594

19. Short Term Creditors

31 March 2022 £000		31 March 2023 £000
(55,691)	Central Government Bodies	(25,004)
(10,204)	Other Local Authorities & NHS Bodies	(14,584)
(109,950)	Other Entities & Individuals including Public Corporations	(99,349)
(175,845)	Total Short Term Creditors	(138,937)

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 the turnover and the net assets of the group and have therefore been excluded from consolidation in 2022/23. 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 Limited. (Cardiff Bus)

Company number 02001229 Incorporated 1986

Cardiff Bus was set up in accordance with the provisions of the Transport Act 1985 to operate 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. This included patronage below pre-covid levels impacting on income, fuel and wage increases, labour shortages and transport changes in the city. The Bus Emergency Grant Scheme support, which commenced during the pandemic, continued during 2022/23 and is expected to do so for a further year subject to Welsh Government confirmation of approach.

The Council agreed in October 2020 to implement a range measures to address risks to financial viability, allowing the company to implement a turnaround plan to build a more sustainable financial and operational future. The Council became the statutory employer of the Cardiff Bus Pension Scheme on 3 March 2021 and injected equity of £13.6 million between 2020/21 and 2021/22.

The company's audited accounts are summarised below:

31 March 2022 £000		31 March 2023 £000
(36,892)	Turnover and other income	(38,567)
32,811	Operating and other expenditure	36,798
(4,081)	Net (Profit)/Loss before Taxation	(1,769)
696	Taxation	374
(3,385)	(Profit)/Loss after Taxation	(1,395)

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

31 March 2022 £000		31 March 2023 £000
26,262	Bus and other operating assets	22,171
15,144	Current Assets	14,576
(6,460)	Less Current Liabilities	(3,307)
	Creditors: Amounts falling due after more than one year	
(10,900)	Provisions & Long term liabilities	(7,999)
24,046	Total Assets less Liabilities	25,441
	Represented by:	
18,218	Share Capital	18,218
1,957	Retained Earnings	3,374
3,871	Revaluation Reserve	3,849
24,046	Net Worth	25,441

During 2022/23 the Council made payments totaling £8.234 million to Cardiff City Transport Services Ltd (£17.408 million in 2021/22), of which £7.498 million related to concessionary fares payments (£9.617 million in 2021/22). The Council also received income of £782,000 (£1.850 million in 2021/22).

At year-end, there is a balance due to Cardiff City Transport Services Ltd of £26,000 (£58,000 at March 2022) and a balance due of £198,000 from Cardiff City Transport Services Ltd (£210,000 at March 2022).

The company's auditors are Kilsby Williams.

Cardiff Business Technology Centre Limited (CBTC)

Company number 02074331 Incorporated 1986

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 post pandemic recovery. 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 company's audited accounts are summarised below:

31 March 2022 £000		31 March 2023 £000
18	Net (Profit)/Loss before Taxation	74
(7)	Less: Taxation	(7)
11	(Profit)/Loss after Taxation	67

31 March 2022 £000		31 March 2023 £000
755	Total assets less current liabilities	680
(29)	Provision for taxation	(22)
0	Pension Liability	0
726	Total Assets less Liabilities	658
	Represented by:	
402	Retained Profit	364
0	Pension Reserve	0
324	Revaluation Reserve	294
726	Net Worth	658

During 2022/23 the Council made payments of £380,000 to CBTC (£284,000 in 2021/22) and received no income (£0 in 2021/22) from CBTC. At year end, there is no balance due to or from CBTC Limited. (£0 at 31 March 2022)

The company's auditors are Gerald Thomas.

Atebion Solutions Limited

Company number 10411758 Incorporated 2016

Atebion Solutions aims to deliver procurement and commercial services to the public sector. In addition to undertaking Atebion Solutions work the Council's Procurement Team are now delivering the procurement service for Monmouthshire, Torfaen and Vale of Glamorgan Councils and also managing 3 regional frameworks. In common with the wider public procurement sector, challenges of recruitment and employee retention are impacting on the capacity to take on additional work. In light of this, the Atebion Board and Shareholder Representative have agreed that Atebion Solutions should adopt Non trading status in 2023/24. The company has the financial assets to meet all financial liabilities in full.

The company's audited accounts are summarised below:

31 March 2022 £000		31 March 2023 £000
(16)	Net (Profit)/Loss before Taxation	8
3	Less: Taxation	(2)
(13)	(Profit)/Loss after Taxation	6

31 March 2022 £000		31 March 2023 £000
43	Total assets less current liabilities	31
(4)	Creditors: falling due after more than one year	0
39	Total Assets less Liabilities	31
	Represented by:	
39	Retained Profit	31
39	Net Worth	31

During 2022/23, the Council made no payments (£0 in 2021/22) to Atebion Solutions Ltd and received income of £32,000 (£79,000 in 2021/22) from Atebion Solutions Ltd. At year end, there is no balance due to Atebion Solutions Ltd (£0 at 31 March 2022) and a balance due of £23,000 from Atebion Solutions Ltd (£69,000 at 31 March 2022).

The company's auditors are Azets.

Cardiff Heat Network Limited

Company number 13199235 Incorporated 2021

Cardiff Heat Network aims 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 early summer 2024. 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 2022 £000		31 March 2023 £000
15	Net (Profit)/Loss before Taxation	26
0	Less: Taxation	0
15	(Profit)/Loss after Taxation	26

31 March 2022 £000		31 March 2023 £000
(15)	Total assets less current liabilities	(40)
0	Creditors: falling due after more than one year	0
(15)	Total Assets less Liabilities	(40)
	Represented by:	
(15)	Retained Profit	(40)
(15)	Net Worth	(40)

During 2022/23, the Council made grant payments of £4.178 million (£2.450 million in 2021/22) to Cardiff Heat Network Ltd and received £16,000 (£0 in 2021/22) from Cardiff Heat Network Ltd. At year end, there is no balance due to or from Cardiff Heat Network Ltd. (£0 at 31 March 2022)

The company's auditors are Azets.

Cardiff Waste Limited

Company number 02664172 Incorporated 1991

The company was incorporated 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 2022	Utilised/ Released in year	Transfers to Provisions	Balance 31 March 2023	Not later than one year	Later than one year
	£000	£000	£000	£000	£000	£000
Insurance & MMI Scheme	(10,180)	4,324	(3,922)	(9,778)	(1,955)	(7,823)
Ferry Road Landfill	(7,547)	1,256	0	(6,291)	(222)	(6,069)
Lamby Way Landfill	(9,762)	428	0	(9,334)	(431)	(8,903)
Cardiff Capital Region City Deal	(586)	0	(71)	(657)	0	(657)
Other	(927)	1,004	(1,903)	(1,826)	(811)	(1,015)
Total	(29,002)	7,012	(5,896)	(27,886)	(3,419)	(24,467)

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 2023/24.

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

Other – includes £1.394 million for Adults Services provisions plus various smaller provisions.

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 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 2022 £000	Pension Strain	31 March 2023 £000
(1,035)	Pension Strain due within 1 year	(1,737)
(1,296)	Pension Strain due later than 1 year	(494)
(2,331)	Total Pension Strain	(2,231)

23. Deferred Liabilities

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

	Balance 31 March 2022 £000	Utilised/ Released in year £000	Transfers to Deferred Liabilities £000	Balance 31 March 2023 £000	Not later than one year £000	Later than one year £000
Commuted Maintenance Sums	(7,992)	937	(1,173)	(8,228)	(685)	(7,543)
Rent Smart Wales Income in Advance	(5,269)	3,341	(3,839)	(5,767)	(3,300)	(2,467)
Total Deferred Liabilities	(13,261)	4,278	(5,012)	(13,995)	(3,985)	(10,010)

24. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2022/23

2021/22 £000		2022/23 £000
	Grants and contributions credited to the CIES	
(373,452)	Revenue Support Grant	(413,544)
(121,062)	Non-Domestic Rates	(131,182)
(124,743)	Capital Grants	(111,234)
(2,289)	Developers' Contributions	(2,878)
(621,546)	Total	(658,838)

2021/22 £000		2022/23 £000
	Credited to Services (Revenue Grants & Contributions)	
(365,870)	Central Government Bodies	(326,518)
(24,691)	Other Local Authorities & NHS Bodies	(27,677)
(4,557)	Other Entities and Individuals including Public Corporations	(7,428)
(395,118)	Total	(361,623)

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 may require the monies or property to be returned to the provider. The balances at the year-end are as follows:

31 March 2022 £000	Revenue Grants and Contributions Receipts in Advance	31 March 2023 £000
(15,560)	Central Government Bodies	(6,918)
0	Other Local Authorities & NHS Bodies	0
(961)	Other Entities and Individuals including Public Corporations	(1,102)
(16,521)	Total	(8,020)

31 March 2022 £000	Capital Grants Receipts in Advance	31 March 2023 £000
(11,431)	Central Government Bodies	(22,679)
0	Other Local Authorities & NHS Bodies	0
0	Other Entities and Individuals including Public Corporations	0
(11,431)	Total	(22,679)

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 2022 £000	Capital Contributions Receipts in Advance	31 March 2023 £000
(22,155)	Balance as at 1 April	(22,388)
(3,589)	Contributions received during the year	(11,892)
3,314	Contributions applied to expenditure during the year	2,910
42	Reclassification	74
(22,388)	Balance as at 31 March	(31,296)

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 2022 £000	From Revenue £000	To Revenue £000	31 March 2023 £000
COUNCIL FUND AND HRA BALANCES				
Council Fund Balance	14,255	0	0	14,255
Housing Revenue Account Balance	15,502	0	0	15,502
Total Council Fund and HRA Balances	29,757	0	0	29,757

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 2022 £000	From Revenue £000	To Revenue £000	31 March 2023 £000	
SCHOOLS BALANCES					
Schools Reserves	33,370	1,792	(13,712)	21,450	The net position on individual school balances, comprising surpluses, deficits and the overall deficit on the Mutual Supply Fund
Cathays – Maintenance of Playing Field	3	0	0	3	To maintain path alongside Cathays High School
Primary/Special Schools Repairs	1,122	268	(139)	1,251	The overall balance held on the mutual scheme for repairs to school buildings
	34,495	2,060	(13,851)	22,704	
SCHOOLS RESERVES					
Out of School Childcare	85	13	(22)	76	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	990	0	(990)	0	Schools Catering Service, including kitchen improvements and cashless transaction system
Schools Formula Funding	3,548	184	(1,064)	2,668	Unplanned and unforeseen expenditure incurred by or on behalf of the delegated schools budgets
Schools ICT Infrastructure	171	0	0	171	Cyclical replacement of Schools ICT in order to ensure equipment and infrastructure is current and avoid obsolescence

	Balance	Contributions		Balance	Purpose of the Reserve / To fund:
	31 March 2022 £000	From Revenue £000	To Revenue £000	31 March 2023 £000	
Schools Organisational Plan	2,935	10,934	(10,236)	3,633	Manage the cash flow implications of the Schools Organisational Plan financial model
	7,729	11,131	(12,312)	6,548	
OTHER COUNCIL RESERVES					
Adults Social Care	3,415	800	(808)	3,407	Service specific pressures and to enhance financial resilience
Apprenticeships and Trainees	619	445	(151)	913	Corporate Apprentice Scheme
Bereavement Services	152	794	(912)	34	Planned programme of refurbishment and improvement
Building Control Regulations	196	0	(20)	176	Smooth effects of future deficits within ring fenced building control account
Bute Park Match Funding	73	0	(22)	51	Match funding for grant funded initiatives in relation to Bute Park, as per Heritage Lottery Fund agreement
Capital Business Case Development	900	1,000	(331)	1,569	Development of capital business cases
Cardiff Academy Training	78	0	(28)	50	Support initiatives undertaken in connection with the Academy
Cardiff Capital Region City Deal	201	0	(29)	172	Council's contribution to the Joint Cabinet for the Cardiff Capital Region City Deal
Cardiff Dogs Home Legacy	382	41	(160)	263	Donations left to Cardiff Dogs Home to be used for improvements to the home
Cardiff Enterprise Zone	2,240	1,557	0	3,797	Cardiff Enterprise Zone in future years
Central Market Works	185	0	(29)	156	Works at Cardiff Central Market and as potential match funding for external grants bids
Central Transport Service	1,096	768	(420)	1,444	Central transport vehicle service
Children's Services	4,841	0	(1,593)	3,248	Enhance resilience
City Events	1,000	0	0	1,000	City events that contribute to the economy
City Wide Management and Initiatives	3,012	0	(591)	2,421	City wide management and initiatives including supporting marketing and infrastructure
Community Based Services Transition	105	0	0	105	Better integration of community facilities across the public sector
Community Initiatives	1,767	299	0	2,066	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*	2,919	2,048	(110)	4,857	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	(131)	505	Corporate landlord functions across the Council in order to provide a cohesive and commercial operating model
Corporate Recovery Risk	4,250	0	0	4,250	Mitigate risk of transition post pandemic
Cost of Living Support	2,194	0	(2,194)	0	Welsh Government discretionary grant for cost of living support
Council Tax Reduction Scheme pressures	4,153	0	(2,000)	2,153	Medium term increases in Council Tax Reduction Scheme expenditure
Demand Pressures	4,652	2,750	0	7,402	Financial resilience to help manage demand volatility and uncertainty

	Balance	Contributions		Balance	Purpose of the Reserve / To fund:
	31 March 2022 £000	From Revenue £000	To Revenue £000	31 March 2023 £000	
Digital Transformation	2,942	0	(457)	2,485	New ways of working
Discretionary Rate Relief	100	0	0	100	Non-Domestic Rates due diligence
Emergency Management, Safeguarding and Prevent	139	0	0	139	Preventative measures in relation to safeguarding, the Prevent agenda and emergency management
Employee Changes	8,413	3,000	(766)	10,647	Costs associated with voluntary redundancy and other employee costs in future years
Empty Homes and Housing Needs	1,223	484	(133)	1,574	Housing needs including activities relating to investing in empty homes and bringing them back in use
Energy Conservation (One Planet Cardiff)	1,245	100	(48)	1,297	Energy conservation initiatives
Energy Market Volatility	1,336	2,000	0	3,336	Expected fluctuations in the cost of energy
Family Guarantor	339	0	0	339	Transfer of families from temporary accommodation into permanent homes
Flatholm	7	0	0	7	Initiatives, repairs and renewals
Fraud Detection	44	0	0	44	Supplement staffing and other costs associated with fraud detection
Governance and Legal Services	140	0	0	140	Future Governance & Legal Services initiatives, including projects in connection with ICT upgrades
Harbour Authority Project and Contingency Fund	104	26	0	130	Improvement and enhancement of infrastructure, assets, activities or services in or around Cardiff Bay
Highways Section 278	264	0	(60)	204	Highway investment
Homelessness	2,241	0	(335)	1,906	Increases in homelessness pressures
Housing Support	734	0	0	734	Improve sustainability by maintaining the independence of people in their own homes
ICT Holding Account	716	0	(89)	627	Future business process improvement initiatives and other future ICT initiatives
Insole Court*	74	39	0	113	Council building repair liabilities in line with lease terms
Inspectorate Support	1,108	0	0	1,108	Consultancy for inspections and regulatory environment
Insurance	7,919	269	0	8,188	Protect from future potential insurance claims
Invest to Save	261	0	0	261	Used in connection with revenue invest to save schemes
Joint Equipment Store	515	0	0	515	Offset deficits or one off expenditure items in the pooled budget, in future years
Local Development Plan	400	0	(125)	275	Local Development Plan and any potential appeals or judicial reviews
Major Projects	1,006	0	(498)	508	Major Projects
Members Development	170	0	(137)	33	Members' ICT software
Municipal Election	880	76	(625)	331	Local elections

	Balance	Contributions		Balance	Purpose of the Reserve / To fund:
	31 March 2022 £000	From Revenue £000	To Revenue £000	31 March 2023 £000	
Municipal Mutual Insurance	935	0	0	935	Liability to pay a percentage of claims previously settled by Municipal Mutual Insurance (MMI) and contribute to the cost of future settled claims
New Theatre Repairs	210	198	0	408	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	1,985	5,429	(6,392)	1,022	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	1,957	930	0	2,887	Premises funding requirements
Rentsmart Wales	341	241	0	582	Training and service delivery in respect of Rentsmart Wales
Resources	3,254	365	(209)	3,410	Number of areas within the Resources Directorate particularly where transition to alternative methods of operation are required
Scrutiny Development and Training	118	0	(37)	81	Scrutiny member development and training
Shared Regulatory Service	108	0	(108)	0	Future flexibility in relation to the Council's costs of the Shared Regulatory Service
Social Care Technology	655	0	(322)	333	Social care ICT developments
Social Care Worker Mobility	600	0	(58)	542	Increase domiciliary support service capacity in conjunction with decarbonisation of services
South East Wales Construction Framework	1,253	756	(7)	2,002	Ring fenced revenue to fund future costs of the project. Remaining funding to be distributed amongst the participating authorities
Strategic Budget	6,396	1,958	0	8,354	Financial resilience and the future budget requirements of the Council over the Medium Term Financial Plan
Treasury Management	11,318	3,500	0	14,818	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	419	0	(88)	331	Manage in-year fluctuations in funding and financial performance of the service
Waste Management	1,183	1,183	(543)	1,823	Initiatives to achieve recycling targets and offset the impact of additional tonnage and associated waste management costs
Welfare Reform	2,509	502	(128)	2,883	Mitigate pressures and reduced funding within the Housing Benefit Service following the transfer of services as part of the rollout of the Universal Credit Scheme
Youth and Community Education	952	54	(115)	891	Costs connected with the refurbishment of youth centres
	105,665	31,612	(20,809)	116,468	

	Balance	Contributions		Balance	Purpose of the Reserve / To fund:
	31 March 2022	From Revenue	To Revenue	31 March 2023	
	£000	£000	£000	£000	
SHARE OF JOINT COMMITTEE RESERVES					
Cardiff Capital Region City Deal (CCRCD)	3,123	670	0	3,793	The Council's percentage share of the accumulated balances and earmarked usable reserves of Cardiff Capital Region City Deal
	3,123	670	0	3,793	
Total Council Fund Reserves	151,012	45,473	(46,972)	149,513	
HRA RESERVES					
Housing Development Resilience	500	500	0	1,000	Improve resilience within the Housing Development Capital Programme
Housing Repairs and Building Maintenance	9,022	0	(4,031)	4,991	Housing repairs and to mitigate against risk within the construction industry
Housing Supply Increase	636	6,000	(636)	6,000	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
Total HRA Reserves	10,587	6,500	(4,667)	12,420	
TOTAL EARMARKED RESERVES	161,599	51,973	(51,639)	161,933	

*Insole Court opening balance has been moved from Corporate Events and Cultural Services Reserve.

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.

2021/22 £000		2022/23 £000
776	Operational costs / Parking and Permits	660
6,279	Enforcement service	5,998
7,055	Total Expenditure	6,658
(3,130)	On-street pay car parking fees	(4,110)
(808)	Off-street car parking fees	(1,199)
(441)	Residents parking permits	(367)
(1,903)	Penalty charge notices	(2,199)
(3,046)	Moving Traffic Offences	(3,450)
(449)	Camera car	(656)
(6)	Traffic Enforcement Centre	0
(31)	Other income	(106)
(9,814)	Total Income	(12,087)
(2,759)	Civil Parking Enforcement Net (Surplus)/Deficit	(5,429)

2021/22 £000		2022/23 £000
(983)	Covid-19 LG Hardship Fund/Job Retention Scheme	0
(3,742)	Revised Civil Parking Enforcement Net (Surplus)/Deficit	(5,429)
	Appropriations to Parking Reserve:	
4,536	Balance 1 April	1,985
3,742	Contributions from CPE	5,429
(6,293)	Contributions to revenue*	(6,392)
1,985	Balance 31 March	1,022

* Income has returned to pre-pandemic levels resulting in a surplus of £5.429million. The amount drawn down from the reserve towards revenue costs was £6.392 million, leaving a balance of £1.022 million at 31 March 2023. The drawdown included a budgeted sum of £5.935 million to support a range of services, including ongoing support and improvements to transport, parking, highways and environmental services. It also included specific drawdowns to support various approved improvement schemes and initiatives.

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.

2021/22 £000		2022/23 £000
8,673	Balance as at 1 April	6,840
	Movements during Year:	
2,649	Sale of land, buildings and other assets	10,030
323	Recoupments of grant/other	1,519
2,972		11,549
(3,781)	Finance Capital Expenditure	(10,378)
(1,009)	Provide for repayment of external loans	(331)
(15)	Other	0
(4,805)		(10,709)
6,840	Balance as at 31 March	7,680

25.4 Unapplied Capital Grants

The Usable Capital Receipts Reserve represents grants received without conditions that are to be applied to capital expenditure projects identified in the 2023/24 Capital Investment Strategy

2021/22 £000		2022/23 £000
0	Balance as at 1 April	6,972
6,972	Transfer of capital grants and contributions to capital grants unapplied	0
6,972	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.

2021/22 £000		2022/23 £000
310,754	Balance as at 1 April	345,822
5,182	Adjusting amounts from Capital Adjustment Account	0
46,288	Upward revaluation of assets	20,021
(14,253)	Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	(815)
37,217	Surplus or deficit on revaluation of non-current assets not posted to the (Surplus)/ Deficit on the Provision of Services	19,206
(2,046)	Difference between fair value depreciation and historical cost depreciation (charged to Capital Adjustment Account)	(2,416)
(103)	Accumulated gains on assets sold or scrapped	0
(2,149)	Amount written off to the Capital Adjustment Account	(2,416)
345,822	Balance as at 31 March	362,612

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.

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

2021/22 £000		2022/23 £000
947,365	Balance as at 1 April	977,282
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(64,762)	Charges for depreciation and impairment of non-current assets	(90,672)
(928)	Amortisation of intangible assets	(604)
25,211	Reverse previous impairment on revaluation	19,778
(68,920)	Revaluation losses on Property, Plant and Equipment	(15,909)

2021/22 £000		2022/23 £000
0	Movement in Assets Held for Sale	0
(2,692)	Expenditure on REFCUS	(8,407)
(616)	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	(2,150)
(112,707)		(97,964)
(3,139)	Adjusting amounts to the Revaluation Reserve (including historic cost adjustment)	2,416
(115,846)	Net written out amount of the cost of non-current assets consumed in the year	(95,548)
	Capital financing applied in the year:	
3,781	Capital Receipts	10,378
3,940	Direct Revenue Financing	3,995
120,060	Grants and contributions	114,112
44,538	Prudent Revenue Provision	40,494
1,009	Capital receipts to provide for repayment of external loans	331
(933)	Reduction in loan debtors	(1,698)
172,395		167,612
(26,632)	Movements in the value of Investment Properties	(2,444)
977,282	Balance as at 31 March	1,046,902

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.

2021/22 £000		2022/23 £000
5,003	Balance as at 1 April	5,003
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	66
0	Transfers to the Capital Receipts Reserve upon receipt of cash	(5,003)
5,003	Balance as at 31 March	66

The receipt of cash in 2022/23 relates primarily to the disposal of land at Central Square.

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.

2021/22 £000		2022/23 £000
6,984	Balance as at 1 April	10,366
3,382	(Downwards)/Upwards revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	1,376
10,366	Balance as at 31 March	11,742

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. There has been a significant decrease in the pensions reserve at 31 March as compared to the previous year. This is primarily due to the change in interest rates which impacts the discount rate used in the actuarial assumptions.

2021/22 £000		2022/23 £000
(1,085,373)	Balance as at 1 April	(855,336)
307,373	Actuarial gains or losses on pensions assets and liabilities	726,020
(128,564)	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	(132,058)
2,574	Reversal of amounts accrual in respect of pension strain for future years	99
48,654	Employer's pensions contributions and direct payments to pensioners payable in the year	53,235
(855,336)	Balance as at 31 March	(208,040)

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.

2021/22 £000		2022/23 £000
(17,693)	Balance as at 1 April	(17,054)
639	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	76
(17,054)	Balance as at 31 March	(16,978)

26.7 Donated Inventories Account

The Donated Inventories Account represents the value of donated inventories held as at 31 March.

The Council received donated equipment from NHS Shared Services (NHSS), at nil cost, towards its Social Care responsibilities.

2021/22 £000		2022/23 £000
3,211	Balance as at 1 April	9,234
6,023	Movement in Donated Inventories Account	(1,273)
9,234	Balance as at 31 March	7,961

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 2023 is £12.338 million (£9.107 million at 31 March 2022).

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 £392,000 to 31 March 2023. 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 £1.568 million remains 100% impaired at 31 March 2023. 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 2023 one claim 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 £10,000 (£25,000 at 31 March 2022) 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 £149,000 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 2023 are shown in note 13.

28. Notes to Cash Flow Statement

2021/22 £000	Adjust net surplus or deficit on the provision of services for non - cash movements	2022/23 £000
(109,376)	Depreciation, impairment & amortisation	(87,213)
(77,335)	Charges made for retirement benefits (IAS19) less employers contributions	(78,824)
(616)	Carrying amount of non-current assets sold or derecognised	(2,150)
5,920	Increase/(decrease) in stock	(1,245)
20,923	Increase/(decrease) in debtors	(133)
(45,177)	Increase/(decrease) in creditors	52,661
(25,552)	Other non-cash items affecting net surplus or deficit on provision of services	(679)
0	CCRCD	9,635
(231,213)		(107,948)

2021/22 £000	Items in net surplus/ deficit on provision of services that are investing and financing activities	2022/23 £000
2,624	Proceeds from non-current assets & investments	(943,853)
127,355	Capital grants/contributions recognised in CIES	107,417
129,979		(836,436)

2021/22 £000	Interest and Dividends	2022/23 £000
(235)	Interest Received	(3,669)
33,983	Interest Paid	34,251
0	Dividends Received	0
33,748		30,582

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 28 March 2024 by the Corporate Director Resources. Post Balance Sheet events have been considered up to this date.

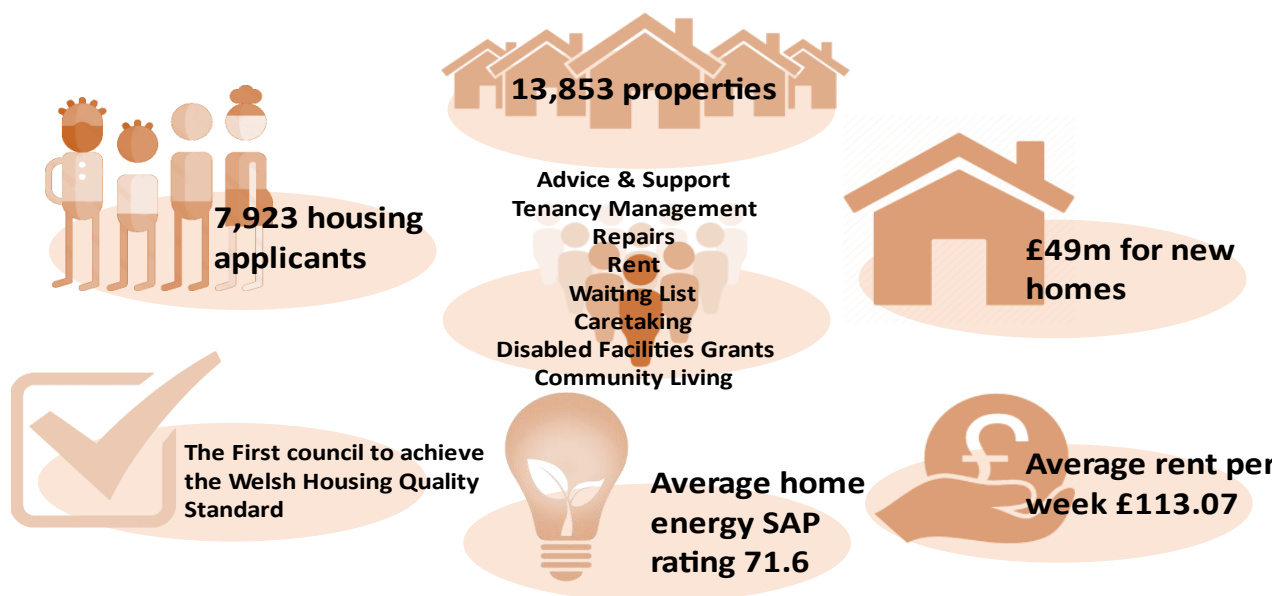


Housing Revenue Account



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, repair 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 objectives for the HRA. The plan aims to demonstrate the long-term sustainability and financial viability of the HRA over the period 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:

- 80% of tenants were satisfied with their neighbourhood as a place to live
- 74% of tenants were satisfied with the way the Council deals with repairs
- 73.4% of respondents were satisfied with the service provided by their social landlord
- 76.7% of tenants were satisfied that their rent provides value for money

Risks and Financial Outlook

The HRA records income and expenditure in relation to Council Housing stock. The main expenditure items for the Council's 13,853 properties include repairs and maintenance, capital financing charges on borrowing (interest and provision for repayment), supervision and management (including tenant consultation, rent collection, housing allocations and property and estate management). The major income streams include rent and income from service charges.

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.

The Council sets the level of HRA rents within a policy framework set by the Welsh Government. The 5-year Social Housing Rent policy was introduced in 2020/21 and will continue until 2024/25 and allows for a maximum 1% rent increase above the rate of the consumer price index (CPI). Where CPI is outside the range 0 to 3%, a ministerial decision is required for that year.

There is no confirmation of the rent policy approach beyond 2024/25. This and other uncertainties particularly around the impact of inflation represent a significant risk to the resilience of the HRA and business planning as the Council cannot control or accurately predict a key component of the plan. In addition, 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 2022/23

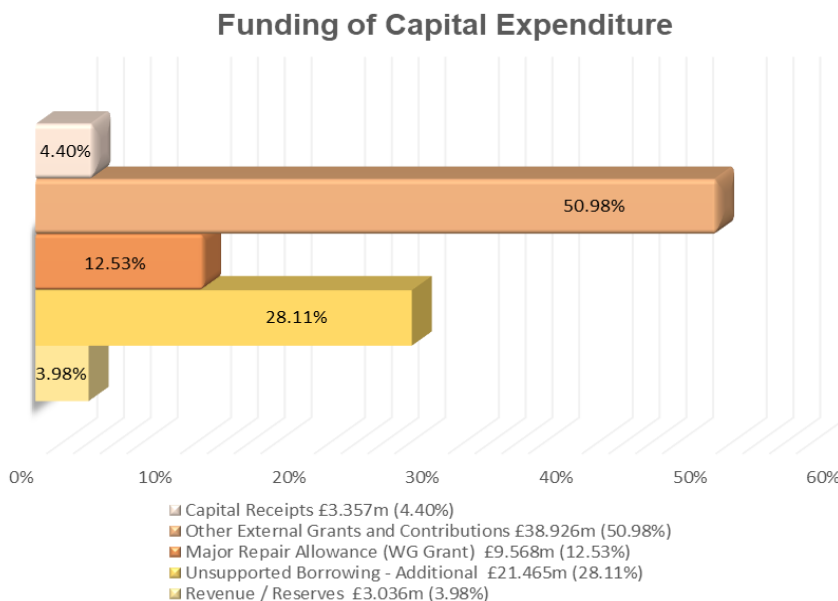
The HRA reported a balanced position for 2022/23 after a net transfer to earmarked reserves of £1.833 million towards future expenditure on purchasing additional homes to meet demand for affordable housing. The overall position included lower capital financing costs arising from lower interest charges and provision for debt repayment due to delay in some projects; additional grant funding; reduced spend on repairs and maintenance against external painting and electrical testing budgets.

Rent and service charge income was above budget, due to reduced void rent loss and bad debt provision requirements based on the year end arrears levels. In addition, there were significant employee vacancy savings and other efficiencies across the functions, partly offset by increased hostel accommodation and general premises costs. Void property levels were 2.20% as a percentage of overall stock (1.49% in 2021/22).

HRA earmarked reserves and the HRA General Balance amounted to £12.420 million and £15.502 million respectively as at 31 March 2023.

Our housing stock is valued in the accounts at £678.244 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



Expenditure in the year was £76.352 million, with investment in estate regeneration, housing stock remodeling, the fabric of dwellings, disabled adaptations and in the acquisition and development of new Council Housing. During the year additional grant was bid for and awarded by Welsh Government such as for Building Safety on high rise buildings, housing with care and energy retrofit.

The Capital Financing Requirement is a measure of debt in relation to the HRA. At 31 March 2023, this stands at £335.003 million; an increase of £10.264 million compared to the previous year. This is forecast to increase significantly over the next few years as set out in the 2023/24 HRA Revenue budget and Medium Term Financial Plan approved by Council March 2023. 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.

2021/22 £000		Note	2022/23 £000
	Management and maintenance comprising :		
25,010	Repairs and maintenance		30,076
33,100	Supervision and management		37,029
291	Rents, rates, taxes and other charges		407
372	Provision for bad and doubtful debts		752
34,139	Depreciation, impairment and revaluation losses of non-current assets	8	13,258
0	Movement in Assets Held for Sale		0
3,341	Sums directed by the Welsh Government that are expenditure in accordance with the Code	9	876
42	Debt management costs		35
96,295	Total Expenditure		82,433
(77,684)	Dwelling rents		(80,732)
(63)	Non-dwelling rents		(26)
(11,514)	Charges for services and facilities		(13,357)
(3,310)	Sums directed by the Welsh Government that are income in accordance with the Code		(876)
(92,571)	Total Income		(94,991)
3,724	Net Cost of HRA Services as included in the Income and Expenditure Statement		(12,558)
	HRA share of the operating income and expenditure included in the Comprehensive Income & Expenditure Statement:		
(754)	(Gain)/loss on sale of HRA non-current assets		(1,532)
13,211	Interest payable and similar charges		13,462
(62)	Changes in fair value of investment properties		0
0	Interest and Investment income		0
(30,552)	Capital grants and contributions applied		(47,617)
(14,433)	(Surplus)/Deficit for year on HRA Services		(48,245)

Movement on HRA Balance

2021/22 £000		Note	2022/23 £000
(15,502)	Balance at 31 March brought forward		(15,502)
(14,433)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement		(48,245)
7,547	Adjustments between accounting basis and funding basis under regulations	1	46,412
(6,886)	Net (increase)/decrease before transfers to or from reserves		(1,833)
6,886	Transfers to/(from) earmarked reserves		1,833
0	Increase or decrease in the year on the HRA		0
(15,502)	Balance at 31 March carried forward		(15,502)

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.

2021/22 £000		Note	2022/23 £000
	Adjustments to Revenue Resources		
	Amounts by which the income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements		
5,356	Pension costs (transferred to/from the Pensions Reserve)	4	5,281
(290)	Officer remuneration (transferred to the accumulated absence Reserve)		(199)
11,345	Charges for depreciation and impairment of non-current assets	8	13,618
24,114	Revaluation losses of non-current assets		667
(1,407)	Reverse previous impairment on revaluation		(1,027)
86	Amortisation of intangible assets		0
(62)	Movement in the market value of investment properties		0
0	Movement in Assets Held for Sale		0
(30,552)	Capital grants and contributions applied		(47,617)
31	Sums directed by Welsh Government		0
(753)	Non-current assets written off as part of the gain/loss on disposal to the HRA Income and Expenditure Statement		(1,532)
(13,015)	Prudent Provision for the financing of capital investment		(12,566)
(2,400)	Capital expenditure charged against the HRA		(3,037)
0	Credit for disposal costs that qualify to be met from the resulting capital receipts		0
(7,547)	Total Adjustments		(46,412)

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 2.20% of the total potential rental income (2.51% in 2021/22). Average rents were £113.07 per week (£110.38 in 2021/22) 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 2022			31 March 2023	
Arrears £000	Bad debt provision £000		Arrears £000	Bad debt provision £000
		Rent Arrears		
4,720	3,486	Dwellings	5,068	3,744
426	426	Hostels /Other accommodation	584	584
5,146	3,912	Total Rent Arrears	5,652	4,328
		Other		
88	53	Service charges	107	65
269	269	Tenants recoverables	287	287
357	322	Total Other Arrears	394	352
5,503	4,234	Total	6,046	4,680

During 2022/23 debts totaling £306,000 were written off as irrecoverable (£489,000 in 2021/22).

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:

2021/22 £000		2022/23 £000
9,510	Current service cost	10,101
(4,157)	Cost of employer's contributions plus discretionary benefits	(4,817)
3	Pension Strain Accrual	(3)
5,356	Net transfer to Pensions Reserve	5,281

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 2022		31 March 2023
7,382	Houses	7,403
634	Bungalows	634
5,253	Flats/Bedsits	5,309
171	Maisonettes	177
349	Retirement complexes	330
13,789	Total	13,853

The Council also has hostels and non-standard/temporary accommodation providing the following:

31 March 2022		31 March 2023
112	Bed spaces in hostels	112
127	Flats in hostels	179
239	Total	291

6. Capital Expenditure and Capital Financing

2021/22		2022/23
£000		£000
301,370	Opening Capital Financing Requirement	324,739
	Capital Expenditure:	
58,054	Property, Plant and Equipment	75,476
0	Intangible assets including intangible AUC	0
0	Investment Properties	0
3,342	Expenditure on REFCUS	876
12,536	Appropriation of land	1,365
	Sources of Finance:	
(1,276)	Capital Receipts	(3,357)
(33,872)	Government grants and other contributions *	(48,494)
(2,400)	Direct revenue contributions and reserves	(3,036)
(13,015)	Prudent revenue and capital provision for loan repayment	(12,566)
324,739	Closing Capital Financing Requirement	335,003
	Explanation of movements in year:	
23,369	Increase / (Decrease) in underlying need to borrow (unsupported by government financial assistance)	10,264
23,369	Increase in Capital Financing Requirement	10,264

* £9.568 million (£9.557 million in 2021/22) 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 2022/23 were as follows:

- Council Dwellings and Home Purchase Contributions £344,000 (£257,000 in 2021/22)
- Land £1.192 million (£541,000 in 2021/22)

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.

2021/22		2022/23
£000		£000
8,933	Council dwellings	11,801
2,117	Land and buildings	680
380	Vehicles, plant & equipment, intangibles, surplus and AUC	1,137
11,430	Total Depreciation, Amortisation and Impairment	13,618
21,013	Council dwellings	0
1,643	Land and buildings	(92)
52	Vehicles, plant & equipment, intangibles, surplus and AUC	(268)
22,708	Total Revaluation	(360)
34,138	Total	13,258

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

2021/22		2022/23
£000		£000
	Expenditure:	
3,222	Buildings not owned by Cardiff Council	876
120	Grants awarded not housing grants	0
3,342	Charged to Income and Expenditure Account	876
	Funded by:	
(3,311)	Grants and Contributions	(876)
(31)	Borrowing, Receipts and other Capital Resources	0
(3,342)		(876)



Group Accounts



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Introduction

The group accounts that follow comply with the requirement of the 2022/23 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 2022/23 accounts for Cardiff Bus are being prepared.

The final audited statements for Cardiff Bus for the year ended 2021/22 can be found on the Companies House website and the [link](#) here.

The company, in common with many public transport operators, continues to be significantly impacted by changes in travel patterns since the covid pandemic and is in receipt of Welsh Government Bus Emergency support grant along with all other bus operators.

Uncertainty in respect of travel patterns, labour shortages and significant upward cost pressures directly impact on the company as well as regulatory and funding uncertainties which remain difficult to predict. In response to the challenges faced by the company, it continues review its business planning and opportunities to invest in modern fleet and infrastructure to provide vital services. The Council continues to work with the Board of the company to meet future challenges and that includes the appointment of Non-Executive Directors to the Board.

The Council also has interests in the following active 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 2022/23. 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 Bus. 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 Bus 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.

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

2021/22				2022/23		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
30,048	(26,007)	4,041	Corporate Management	15,699	(8,340)	7,359
104,625	(45,208)	59,417	Economic Development	140,962	(40,273)	100,689
437,154	(111,419)	325,735	Education & Lifelong Learning	461,993	(106,522)	355,471
9,634	(2,015)	7,619	Governance & Legal Services	9,951	(652)	9,299
9,314	(5,959)	3,355	Harbour Authority	10,005	(6,862)	3,143
96,295	(92,571)	3,724	Housing Revenue Account	82,433	(94,991)	(12,558)
236,581	(178,997)	57,584	Housing and Communities	235,524	(181,024)	54,500
10,097	(6,793)	3,304	Performance and Partnerships	17,700	(13,944)	3,756
99,922	(72,690)	27,232	Planning , Transport and Environment	108,752	(75,835)	32,917
45,573	(25,730)	19,843	Resources	44,681	(23,421)	21,260
173,301	(52,256)	121,045	Social Services- Adults	169,349	(31,023)	138,326
100,358	(25,175)	75,183	Social Services- Children's	116,354	(21,344)	95,010
259	(4,484)	(4,225)	Summary Revenue Account	1,871	(952)	919
1,353,161	(649,304)	703,857	Net Cost of Services	1,415,274	(605,183)	810,091
42,523	0	42,523	Police and Crime Commissioner for South Wales	45,047	0	45,047
458	0	458	Community Council Precepts	495	0	495
18,632	0	18,632	Levies & Contributions	19,040	0	19,040
707	(1,965)	(1,258)	(Gain)/loss on sale of non-current assets	2,150	(4,622)	(2,472)
62,320	(1,965)	60,355	Other Operating Expenditure	66,732	(4,622)	62,110
34,127	(11)	34,116	Interest Payable on debt	34,193	0	34,193
22,180	0	22,180	Interest on net defined liability/(asset)	22,304	0	22,304
0	(388)	(388)	Interest & Investment Income	0	(3,825)	(3,825)
30,453	(12,658)	17,795	Income and Expenditure in relation to Investment Properties and changes in their fair value	15,315	(20,815)	(5,500)
0	0	0	Movement in Financial Instruments	0	(63)	(63)
86,760	(13,057)	73,703	Financing and Investment Income & Expenditure	71,812	(24,703)	47,109
0	(127,032)	(127,032)	Recognised Capital Grants & Contributions	0	(114,112)	(114,112)
0	(373,452)	(373,452)	Revenue Support Grant	0	(413,544)	(413,544)
0	(121,062)	(121,062)	Non-Domestic Rates	0	(131,182)	(131,182)
3,081	(240,341)	(237,260)	Council Tax Income	1,520	(248,520)	(247,000)
0	(6,022)	(6,022)	Donated Inventories	1,273	0	1,273
812	0	812	Tax expenses - Corporation Tax	374	(37)	337
3,893	(867,909)	(864,016)	Taxation & Non-Specific Grant Income	3,167	(907,395)	(904,228)

2021/22				2022/23		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
1,506,134	(1,532,235)	(26,101)	(Surplus)/Deficit on Provision of Services	1,556,985	(1,541,903)	15,082
		(32,036)	(Surplus)/Deficit on revaluation of non current assets			(19,206)
		(90)	(Surplus)/Deficit on Financial Instrument Revaluation Reserve			20
		(307,373)	Remeasurement of the net defined benefit liability/(asset)			(726,020)
		0	Other gains/losses to be included in the Comprehensive Income and Expenditure			0
		(339,499)	Other Comprehensive Income & Expenditure			(745,206)
		(365,600)	Total Comprehensive Income & Expenditure			(730,124)

The 2021/22 breakdown of the Net Cost of Services has been amended to take account of the changes in structure in 2022/23

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 2021 carried forward	14,255	102,502	15,502	3,700	8,673	0	144,632	164,694	5,557	314,883
Movement in Reserves during 2021/22										
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
Total Comprehensive Income and Expenditure	8,283	0	14,433	0	0	0	22,716	339,499	3,385	365,600
Adjustments between accounting basis & funding basis under regulations	40,225	0	(7,546)	0	(1,833)	6,972	37,818	(37,818)	0	0
Net Increase / (Decrease) before Transfers to/(from) Earmarked Reserves	48,508	0	6,887	0	(1,833)	6,972	60,534	301,681	3,385	365,600
Transfers to/(from) Earmarked Reserves	(48,508)	48,508	(6,887)	6,887	0	0	0	0	0	0
Increase / (Decrease) in 2021/22	0	48,508	0	6,887	(1,833)	6,972	60,534	301,681	3,385	365,600
Balance at 31 March 2022 carried forward	14,255	151,010	15,502	10,587	6,840	6,972	205,166	466,375	8,942	680,483
Movement in Reserves during 2022/23										
Surplus or (deficit) on the provision of Services	(64,723)	0	48,245	0	0	0	(16,478)	0	1,396	(15,082)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	745,206	0	745,206
Total Comprehensive Income and Expenditure	(64,723)	0	48,245	0	0	0	(16,478)	745,206	1,396	730,124
Adjustments between accounting basis & funding basis under regulations	63,226	0	(46,412)	0	840	0	17,654	(17,654)	0	0
Net Increase / (Decrease) before Transfers to/(from) Earmarked Reserves	(1,497)	0	1,833	0	840	0	1,176	727,552	1,396	730,124
Transfers to/(from) Earmarked Reserves	1,497	(1,497)	(1,833)	1,833	0	0	0	0	0	0
Increase / (Decrease) in 2022/23	0	(1,497)	0	1,833	840	0	1,176	727,552	1,396	730,124
Balance at 31 March 2023 carried forward	14,255	149,513	15,502	12,420	7,680	6,972	206,342	1,193,927	10,338	1,410,607

Group Balance Sheet

31 March 2022		31 March 2023
£000		£000
2,016,110	Property, Plant & Equipment including Infrastructure Assets	2,115,149
58,849	Heritage Assets	67,955
150,718	Investment Properties	167,560
1,135	Intangible Non-Current Assets including AUC	1,098
705	Long-term Investments	2,155
10,906	Long-term Debtors	11,772
584	Deferred tax asset	210
2,239,007	Total Long-Term Assets	2,365,899
212,912	Short-term Investments	97,248
0	Assets Held for Sale	4,000
12,170	Inventories	10,980
185,213	Short-term Debtors	191,228
34,527	Cash and Cash Equivalents	66,773
444,822	Total Current Assets	370,229
(31,311)	Short-term Borrowing	(12,850)
(181,722)	Short-term Creditors	(141,494)
(1,035)	Pension Strain	(1,737)
(4,977)	Provisions	(3,945)
(4,277)	Deferred Liabilities	(3,985)
(223,322)	Total Current Liabilities	(164,011)
(832,819)	Long Term Borrowing	(850,737)
(24,988)	Provisions	(25,429)
(10,351)	Deferred Liabilities	(10,010)
(16,521)	Revenue Grants Receipts in Advance	(8,020)
(17,404)	Capital Grants Receipts in Advance	(28,715)
(22,388)	Capital Contributions Receipts in Advance	(31,296)
(1,296)	Pension Strain	(494)
(854,255)	Net Pensions Liability	(206,809)
0	Deferred Tax Liability	0
(1,780,022)	Total Long-Term Liabilities	(1,161,510)
680,485	NET ASSETS	1,410,607
	Financed by:	
14,255	Council Fund Balance	14,255
151,012	Council Fund Earmarked Reserves	149,513
15,502	Housing Revenue Account Balance	15,502
10,587	Housing Revenue Account Earmarked Reserves	12,420
6,840	Capital Receipts Reserve	7,680
6,972	Capital Grants Unapplied	6,972
205,168	Usable Reserves	206,342
349,693	Revaluation Reserve	366,462
977,282	Capital Adjustment Account	1,046,902
5,003	Deferred Capital Receipts	66
4,540	Financial Instruments Revaluation Reserve	4,519
(867,671)	Pensions Reserve	(220,374)

31 March 2022		31 March 2023
£000		£000
(17,054)	Accumulated Absences Adjustment Account	(16,978)
9,234	Donated Inventories	7,961
14,290	Reserves (Group Entities)	15,707
475,317	Unusable Reserves	1,204,265
680,485	TOTAL RESERVES	1,410,607

Group Cash Flow

2021/22		2022/23
£000		£000
(26,101)	Net (Surplus) /Deficit on the provision of services	15,082
(235,082)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(106,819)
129,979	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(836,436)
(131,204)	Net cash flows from operating activities	(928,173)
191,372	Purchase of property, plant and equipment, investment property and intangible assets	197,805
111,150	Purchase of short-term and long-term Investments	837,720
15,560	Other payments for investing activities	(10,220)
(2,649)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(10,115)
(126,516)	Capital Grants and Contributions	(121,623)
188,917	Net cash flows from investing activities	893,567
(72,479)	Cash receipts from short-term and long-term borrowing	(31,694)
(2,487)	Other receipts from financing activities	10,604
2,233	Cash payments for the reduction of outstanding liabilities relating to finance leases	680
27,533	Repayments of short-term and long-term borrowing	22,770
(45,200)	Net cash flows from financing activities	2,360
12,513	Net (increase)/ decrease in cash and cash equivalents	(32,246)
47,040	Cash and cash equivalents at the beginning of the reporting period	34,527
34,527	Cash and cash equivalents at the end of the reporting period	66,773

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
2021/22		2022/23
1	60,000-69,999	0
0	70,000-74,999	0
1	75,000-79,999	1
3	80,000-84,999	3
0	85,000-139,999	0
1	140,000-144,999	1
6	Total	5

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



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Trust Funds

During 2022/23, the Corporate Director Resources had financial responsibility for a number of charities. Although their financial administration is integrated with that of the Council, the charities are legally separate from it. Separate financial statements are produced for each, which are in accordance with applicable accounting standards and the Statement of Recommended Practice on Accounting by Charities, published by the Charity Commissioners.

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

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

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

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

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

Norwegian Church Preservation Trust (519831) – Assets of the Norwegian Church Preservation Trust (NCPT) have been transferred to the Norwegian Church Cardiff Bay charity, a non-Council charity. NCPT charity pending formal closure. There are no balances or income and expenditure for this trust.

The accounts for the Cardiff Further Education Trust are required by the Charity Commission to be independently examined. The accounts for the year ended 31 March 2023 have yet to be examined.

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 2022 £	Income £	Expenditure £	Asset Revaluation £	Balance as at 31 March 2023 £
Funds for which the Council is Sole Trustee					
Llandaff War Memorial Fund	(1,408)	(47)	11	0	(1,444)
Maindy Park Foundation	(79,384)	(1,659)	11	0	(81,032)
Cardiff Further Education Trust/Craddock Wells	(24,849,249)	(156,662)	17,541	218,485	(24,769,885)
Total funds for which the Council is Sole Trustee	(24,930,041)	(158,368)	17,563	218,485	(24,852,361)
Funds administered by the Council					
R Fice Memorial Trust	(63,938)	(2,267)	2,173	3,894	(60,138)
The Howardian Trust	(39,589)	(919)	0	2,493	(38,015)
Total funds which are administered by the Council	(103,527)	(3,186)	2,173	6,387	(98,153)
Total	(25,033,568)	(161,554)	19,736	224,872	(24,950,514)

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



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Narrative Report

Introduction

This document presents the Statement of Accounts for Cardiff Harbour Authority. Section 42(1) of the Harbours Act 1964 sets out that statutory undertakings, such as local authorities that have functions of maintaining, improving or managing a harbour are required to prepare an annual statement of accounts relating to the harbour activities. 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 Deeds of Variation between the Welsh Ministers and Council, with the latest dated 24 May 2022.

Review of the Financial Year

For the financial year 2022/23, the Council worked with Welsh Government to identify pressures around increases in materials, contractors, energy prices, as well as historical shortfalls in service level agreement budgets and to agree on an appropriate budget arrangement for Asset Renewal. The Welsh Government agreed Fixed Costs funding of £5.374 million and Asset Renewal of £26,000. Additional Asset Renewal funding of £521,000 was awarded to cover upgrade works on the Senedd Boardwalk and to upgrade works to control system, resulting in a total approved budget of £5.921 million.

The outturn position included overspends on maintenance dredging, groundwater control and barrage maintenance reflecting materials and contractor price increases. These variances were mitigated by additional income from Harbour dues, site fees and car parking.

The financial deficit after accounting adjustments for the year ended 31 March 2023 was £2.683 million (£2.649 million in 2021/22).

Total capital expenditure incurred during the year was £571,000 and included purchase and installation of boardwalk decking, upgrading barrage control equipment and purchase of asset management software.

Key Achievements

The Harbour Authority action plan and performance indicators, which form part of the Business Plan, reported to the Welsh Government include:

- A continuation of the water safety project to warn of the dangers of swimming and tombstoning in the Bay. An online film with workshops via Theatre Na Nog, supported by Arts and Business Culture Step grant was delivered.
- Three Green Flag Awards were retained at the: Barrage, Cardiff Bay Wetlands and Flat Holm Island.
- ISO14001 audit resulting in retention of the award for ensuring excellent environmental management.
- 350 tonnes of waste removed from the rivers and safely disposed throughout the year.
- 76,624 Cardiff Bay Wetlands users throughout the year.
- 1,108,742 Barrage users throughout the year.
- 25,980 Social Media followers across Facebook, Twitter and Instagram accounts.
- 99% compliance on Dissolved Oxygen performance.
- Delivery of the Cardiff 10k run and Cardiff Half Marathon.
- More than 1,500 youth and school sailing sessions at Cardiff Sailing Centre.
- Development of a PhD proposal with Cardiff University and the Water Research Institute to investigate environmental challenges to Cardiff Bay and inform the future need for the aeration system.

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 396 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 2022/23 and financial position of the Harbour Authority at 31 March 2023.

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 2023 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, in all material respects, the financial statements:

- give a true and fair view of the financial position of Cardiff Harbour Authority as at 31 March 2023 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.

My staff and I are 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 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 narrative 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.

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:

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

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 comply with proper practices;
- maintaining proper accounting records;
- internal controls 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;
- 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 the responsible financial officer anticipates that the services provided by Cardiff Harbour Authority will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit the financial statements in accordance with the Public Audit (Wales) Act 2004.

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, expenditure recognition, posting of unusual journals;
- 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; and
- obtaining an understanding of related party relationships

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 and 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;
- 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. This description forms part of my auditor's report.

Other auditor's responsibilities

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

1 Capital Quarter
Tyndall Street
Cardiff, CF10 4BZ

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 2022/23 financial year and its financial position at 31 March 2023. 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	10-90
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	1-117
Intangible Assets	Amortised Historical Cost	3-7
Investment Properties	Fair Value	n/a
Surplus Assets	Fair Value	n/a
Vehicles, Plant, Furniture & Equipment	Depreciated Historical Cost	1-14

* 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 and revaluation 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

2021/22		2022/23
£000		£000
	Expenditure	
2,975	Employees	3,121
1,354	Premises	1,357
120	Transport	129
1,601	Supplies and Services	2,165
434	Support Services	384
3	Third Party Payments	5
2,826	Capital Charges	2,844
9,313	Total Expenditure	10,005
	Income	
(4,979)	Government Grants	(5,673)
(704)	Capital Grants Applied	(460)
(981)	Fees and Charges	(1,189)
(6,664)	Total Income	(7,322)
2,649	Net Expenditure for the Year	2,683

Balance Sheet

31 March 2022		Note	31 March 2023
£000			£000
162,304	Property, Plant and Equipment incl Infrastructure Assets	2	159,989
56	Heritage Assets	2	56
123	Intangible Assets	2	249
483	Investment Properties	2	425
162,966	Total Long Term Assets		160,719
437	Inventory	3	444
2,719	Debtors	4	137
(2,995)	Cash		(399)
161	Total Current Assets		182
(900)	Creditors	5	(1,275)
(900)	Total Current Liabilities		(1,275)
162,227	Net Assets		159,626
	Funded by:		
150,889	General Reserve	1	148,206
11,338	Revaluation Reserve	1	11,420
162,227	Total Reserves		159,626

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 £130,000 as at 31 March 2023 (£104,000 as at 31 March 2022).

2021/22			2022/23	
General Reserve £000	Revaluation Reserve £000		General Reserve £000	Revaluation Reserve £000
153,538	4,489	Balance as at 1 April	150,889	11,338
(2,649)	6,849	Movements in Reserves	(2,683)	82
150,889	11,338	Balance as at 31 March	148,206	11,420

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
1 April 2021	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
At 31 March 2022	13,109	1,719	1,103	43	105	16,079	483	56	168
Additions	0	(17)	0	0	434	417	0	0	180
Revaluations Increases/(Decreases) recognised in the RR	36	0	0	0	0	36	0	0	0
Revaluations Increases/(Decreases) recognised in the SDPS	18	0	0	0	0	18	(58)	0	0
Derecognition - Disposals	0	(161)	0	0	0	(161)	0	0	0
Other Reclassifications - Transfers	0	0	0	0	0	0	0	0	0

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
At 31 March 2023	13,163	1,541	1,103	43	539	16,389	425	56	348
Movements in Depreciation/Impairment									
1 April 2021	216	812	0	0	0	1,028	0	0	16
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
At 31 March 2022	225	863	0	0	0	1,088	0	0	45
Depreciation Charge	228	181	0	0	0	409	0	0	54
Depreciation written out to the RR	(47)	0	0	0	0	(47)	0	0	0
Depreciation written out to the SDPS	(17)	0	0	0	0	(17)	0	0	0
Derecognition - Disposals	0	(161)	0	0	0	(161)	0	0	0
At 31 March 2023	389	883	0	0	0	1,272	0	0	99
Net Book Value:									
At 31 March 2022	12,884	856	1,103	43	105	14,991	483	56	123
At 31 March 2023	12,774	658	1,103	43	539	15,117	425	56	249

2021/22	Net Book Value	2022/23
147,313	Infrastructure Assets	144,872
14,991	Other PPE Assets	15,117
483	Investment Properties	425
56	Heritage Assets	56
123	Intangible Assets	249
162,966	Total Assets	160,719

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:

2021/22 £000	Infrastructure Assets	2022/23 £000
149,691	Net Book Value at 1 April	147,313
39	Additions	(26)
(2,417)	Depreciation	(2,415)
0	Other movements in cost (Reclassification)	0
147,313	Net Book Value at 31 March	144,872

3. Inventory

31 March 2022 £000		31 March 2023 £000
434	Balance as at 1 April	437
3	Stock adjustment	7
437	Balance as at 31 March	444

4. Debtors

31 March 2022 £000		31 March 2023 £000
2,649	Central Government Bodies	90
70	Trade Receivables	47
2,719	Total Debtors	137

5. Creditors

31 March 2022 £000		31 March 2023 £000
(133)	Central Government Bodies	(35)
(767)	Trade Payables	(1,240)
(900)	Total Creditors	(1,275)



Glossary of Accounting Terms



CRYFACH
TECACH
GWYRDDACH

STRONGER
FAIRER
GREENER



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.

Supported Borrowing –

Costs of servicing are included within the annual Revenue Support Grant the Council receives from Welsh Government

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.

Unsupported Borrowing

Costs of servicing to be met from Council tax, rent, savings, incidental income or sale of assets.

Audit of Accounts Report – The County Council of the City and County of Cardiff

Audit year: 2022-23

Date issued: March 2024

Document reference: 4104A2024

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

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at infoofficer@audit.wales.

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

Contents

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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Audit of Accounts Report

Introduction

- 1 We summarise the main findings from our audit of your 2022-23 statement of accounts in this report.
- 2 We have already discussed these issues with the 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 £15.1million 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 (correct banding)
 - Number of senior officers earning over £60,000 (correct banding)
 - Related party transactions (non-corporate only) £10,000
- 6 We have now substantially completed this year's audit.
- 7 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.

Status of the audit

- 8 We received the draft statement of accounts for the year ended 31 March 2023 on 16 June 2023 which was in advance of the agreed deadline of 31 July 2023 and the more challenging Society of Welsh Treasurers deadline of 30 June 2023.
- 9 At the date of this report, our audit of the financial statements is substantially complete, subject to completion of the following:
 - audit of the cash-flow statements and associated notes;
 - checking all audit amendments agreed have been correctly reflected in the final draft;
 - director and manager review of audit files and clearance of any review points;
 - completing final checks on the signed financial statements after the Council has approved them; and
 - a review of events after the reporting period up to signing date.
- 10 A verbal update on the progress made on these areas since this report was submitted for papers will be provided at the Committee meeting.

11 We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements.

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, including material misstatements, 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 were some issues arising in these areas this year as shown in **Exhibit 2**

Exhibit 2 – significant issues arising from the audit

Property, Plant and Equipment – valuation of land, buildings & council dwellings	The Council's last valuation of its land, building and council dwelling was as at 1 April 2022. There was an audit risk raised in the Audit Plan that, due to inflationary	Recommendation: Management should ensure appropriate valuation work has been completed to provide sufficient assurance that the carrying value of
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	<p>pressures and changes in other market conditions, the carrying value of assets reflected in the accounts could be materially different to the current value of assets as at 31 March 2023.</p> <p>Subsequent to the submission of the draft accounts, Management commissioned its valuers to assess the current value of a representative sample of assets to determine if the carrying value as reported at 31 March 2023 was not materially different to the current value.</p> <p>This work concluded there were materially differences in the current value and carrying values of the depreciated replacement cost (DRC) assets and so amendments have been required.</p>	<p>assets as at year end is not materially different to the current value.</p> <p>Any valuation updates must be reasonable and in line with expectation and professional guidance.</p> <p>This work should be completed to inform the preparation of the draft annual statements and certified by the S151 officer, prior to submission for audit.</p>
<p>Property, Plant and Equipment – evidencing impairment and downward revaluations</p>	<p>It is the Council's accounting policy to annually assess assets for impairment and downward revaluation. Subsequent to the submission of the draft accounts and following audit enquiries, three key Council buildings were reviewed by valuers for impairment and downward revaluation. These buildings were St Davids Hall (RAAC), City Hall (works and closure), County Hall (Continued Under Occupancy). As a result, material amendments were required to the statements.</p>	<p>Recommendation: Asset impairment and downward revaluations reviews should be completed to inform the preparation of the draft annual statements and certified by the S151 officer, prior to submission for audit.</p>

Recommendations

- 19 The recommendations arising from our audit will be reported in an Addendum Report to be presented to the next Governance and Audit Committee.

Appendix 1

Final Letter of Representation

[Council's letterhead]

Auditor General for Wales
Wales Audit Office
1 Capital Quarter
Cardiff
CF10 4BZ

[Date]

Representations regarding the 2022-23 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 2023 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 2022-23; in particular the financial statements give a true and fair view in accordance therewith;
- 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. All information available has been shared in respect to the purportedly under-declared landfill tax HMRC assessment received by the Council from 1 April 2015, for waste tipped at Lamby Way Landfill site.

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 ensuring that the company maintains adequate accounting records.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by Members of the County Council of the City and County of Cardiff on 28 March 2024.

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:

Signed by:

Corporate Director Resources

Chair of the Council – signed on behalf
of those charged with governance

Date: 28 March 2024

Date: 28 March 2024

Appendix 2

Proposed Audit Report

The 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 2023 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 the 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 the 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 2022-23.

In my opinion, in all material respects, 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 2023 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 2022-23.

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.

My staff and I are independent of the Council and the 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.

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 is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23;
- The information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and is 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:

- I have not received all the information and explanations I require for my audit;

- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my team; or
- the financial statements are not in agreement with the accounting records and returns.

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 comply with proper practices;
- maintaining proper accounting records;
- internal controls 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;
- assessing the County Council of the City and County of Cardiff 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 the responsible financial officer anticipates that the services provided by the County Council of the City and County of Cardiff Group will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit the financial statements in accordance with the Public Audit (Wales) Act 2004.

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, the County Council of the City and County of Cardiff 's head of internal audit 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, expenditure recognition, posting of unusual journals;
- obtaining an understanding of 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; and
- obtaining an understanding of related party relationships.

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 and 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;
- 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. This description forms part of my auditor's report.

Other auditor's responsibilities

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of the County Council of the City and County of Cardiff Group 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
[Date]

1 Capital Quarter
Tyndall Street
Cardiff, CF10 4BZ

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
£29.51million £1.77million	<p>Group Balance Sheet</p> <p>The 'Capital Grants Receipts in Advance' figure of £29.51million should be a negative figure.</p> <p>The 'Deferred Tax Liability' figure of £nil should be £1.77million.</p>	To correct figures in the group Balance Sheet.
£32.15million	<p>Note 13 Property, Plant & Equipment</p> <p>Three properties had not been assessed for impairment or downward revaluations during the year to reflect significant changes in use. These properties were St Davids Hall (RAAC), City Hall (works and closure), County Hall (Continued Under Occupancy). As a result, there was a decrease in gross cost of other land & buildings of £32.15m.</p>	To correctly disclose impairments in line with the Code Guidance.
£28.73million	<p>Note 13 Property, Plant & Equipment</p> <p>Assets valued on a depreciated replacement cost basis had not been revalued in the year to reflect significant changes since the last valuation.</p>	To correctly disclose the value of depreciated replacement cost land and buildings in line with the Code requirements.

	<ul style="list-style-type: none"> • Increase in the gross cost of depreciated replacement cost land & buildings £10.45million; and • Decrease in the gross accumulated depreciation of depreciated replacement cost land & buildings £18.28million. 	
£13.18million	<p>Note 2.2 Expenditure & Income Analysed by Nature and Note 24 Grant Income</p> <p>Note 2.2 – Increase in ‘Grants and contributions’ of £13.18million and corresponding decrease in ‘Fees, charges & other service income’.</p> <p>Note 24 – increase in ‘Central Government Bodies’.</p>	This amendment corrects an error in the classification of grant income.
£6.97million	<p>Movement in Reserves Statement</p> <p>Increase of £6.97million in the ‘Increase/(Decrease) in 2021/22’ line for the ‘Total Usable Reserves’ column.</p> <p>Increase of £6.97million in the ‘Balance at 31 March 2022 carried forward’ line for the ‘Total Usable Reserves’ column.</p>	To correct the brought forward figures for Total Usable Reserves.
£2.00million	<p>Note 25.2 Earmarked Reserves</p> <p>Decrease of £2.00million in ‘Contributions From’ for the ‘Council Tax Reduction Scheme’ reserve line and corresponding increase in ‘Contributions From’ for the ‘Energy Market Volatility’ reserve line.</p>	This amendment corrects an error in the classification of contributions from reserves.

<p>£1.04million £0.58million</p>	<p>Note 14 Property, Plant & Equipment Decrease in depreciation of land & buildings of £1.04million and corresponding increase in depreciation of plant & equipment.</p> <p>Decrease in revaluations of land & buildings of £0.58million and a corresponding increase in revaluation of plant & equipment.</p>	<p>This amendment corrects an error in the classification of movements in property, plant & equipment.</p>
<p>£0.97million</p>	<p>Note 12 Leasing – Council as Lessor Increase in ‘Not later than one year’ of £0.01million, increase in ‘Later than one year and not later than five years’ of £0.03million and increase in ‘Later than five years’ of £0.93million.</p>	<p>To correct disclosure of minimum lease income.</p>
<p>£0.93million</p>	<p>Note 17 Short Term Debtors Decrease in ‘Central Government Bodies’ of £0.93million.</p>	<p>To correct the value of recoverable grant debtors.</p>
<p>Various</p>	<p>Note 10 Related Parties Various related party transactions and balances were omitted from the disclosure.</p>	<p>The amendments have been made to comply with the CIPFA Code and to provide clarification to the reader of the financial statements.</p>
<p>Various</p>	<p>Various Statements & Notes Various amendments have been made to reflect the Council’s share of the updated City Deal financial statements and the final audited Cardiff Bus financial statements.</p>	<p>The amendments have been made to update figures not previously available at the time of preparing the financial statements.</p>

Various	<p>Cashflow Statement Various entries in the statement were either misstated or misclassified.</p>	<p>The amendments have been made to correct classification issues and to comply with the CIPFA Code.</p>
Various	<p>Various Notes Various narrative and presentational amendments made.</p>	<p>To correct minor narrative and presentational errors and provide further clarity to the reader of the accounts.</p>



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Audit of Accounts Report – Cardiff Harbour Authority

Audit year: 2022-23

Date issued: March 2024

Document reference: 4103A2024

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

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at infoofficer@audit.wales.

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

Contents

We intend to issue an unqualified audit report on your Accounts. There are some issues to report to you prior to their approval.

Audit of Accounts Report

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Audit of Accounts Report

Introduction

- 1 We summarise the main findings from our audit of your 2022-23 statement of accounts in this report.
- 2 We have already discussed these issues with the 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 £3.21million 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.

Proposed audit opinion

- 7 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**.
- 8 We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 9 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.
- 10 Our proposed audit report is set out in **Appendix 2**.

Significant issues arising from the audit

Uncorrected misstatements

11 There are no misstatements identified in the accounts, which remain uncorrected.

Corrected misstatements

12 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

13 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 were no issues arising in these areas this year.

Appendix 1

Final Letter of Representation

[Insert proposed Letter of Representation]

Auditor General for Wales
Wales Audit Office
1 Capital Quarter
Cardiff
CF10 4BZ

[Date]

Representations regarding the 2022-23 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 2023 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 International Financial Reporting Standards (IFRSs); in particular the financial statements give a true and fair view in accordance therewith;
- 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 ensuring that the company maintains adequate accounting records.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Council on 28 March 2024.

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: 28 March 2024

Signed by:

Chair of the Council – signed on behalf
of those charged with governance

Date: 28 March 2024

Appendix 2

Proposed Audit Report

The 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 2023 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, in all material respects, the financial statements:

- give a true and fair view of the financial position of Cardiff Harbour Authority as at 31 March 2023 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.

My staff and I are 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 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 narrative 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.

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:

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

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 comply with proper practices;
- maintaining proper accounting records;
- internal controls 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;

- 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 the responsible financial officer anticipates that the services provided by Cardiff Harbour Authority will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit the financial statements in accordance with the Public Audit (Wales) Act 2004.

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, expenditure recognition, posting of unusual journals;
- 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; and
- obtaining an understanding of related party relationships.

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 and 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;
- 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. This description forms part of my auditor's report.

Other auditor's responsibilities

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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
[Date]

1 Capital Quarter
Tyndall Street
Cardiff, CF10 4BZ

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
£114,000	<p>CIES, Balance Sheet & Note 2-movements in property, plant, equipment & Other long term assets</p> <ul style="list-style-type: none">• Increase in revaluation recognised in the revaluation reserve £36,000• Increase in revaluation in recognised in the CIES £18,000• Increase in depreciation charges (£4,000)• Increase in depreciation written out to revaluation reserve £47,000• Increase in depreciation written out to the CIES £17,000.	To correctly disclose the value of depreciated replacement cost land and buildings in line with the Code requirements.



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Governance & Audit Committee Financial Update

26th March 2024



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Month 9 2023/24



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Month 9 – Reported to Cabinet 29th February



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Directorate	£000
Corporate Management	(23)
Economic Development	2,234
Recycling & Neighbourhood	294
Education & Lifelong Learning	1,746
Housing, & Communities	(480)
Performance & Partnerships	(106)
Adult Services (after contingency allocation)	0
Children's Services (after contingency allocation)	3,633
Planning, Transport & Environment	106
Governance & Legal Services	624
Resources	(546)
Total Directorate Position	7,482
Capital Financing	(2,200)
General Contingency	(1,000)
Summary Revenue Account / Council Tax	(1,550)
TOTAL	2,732

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Budget Strategy 2024/25 And Medium-Term Challenge



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Revenue Budget 2024/25



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Resources Required	£000
Base Budget Brought Forward	806,474
Pay Award	7,671
Price Inflation	12,574
Commitments (including Capital Financing)	5,292
Realignments	12,421
Demographic Pressures	6,773
Schools Pressure	12,804
Sub Total Cost Pressures 2024/25	57,535
Impact on CTRS Budget of 6.0% Council Tax	2,183
Savings	(16,908)
Total Resources Required	849,284

Resources Available	£000
AEF	623,158
Council Tax – 2024/25 Tax Base and 2023/24 Rate	210,024
Council Tax (before impact on CTRS)	12,602
Base assumption for Use of Reserves	500
Additional use of Reserves as part of strategy	3,000
Total Resources Available	849,284

£32.307 million budget gap



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Savings



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Savings	£000
Efficiency Savings	(10,470)
Corporate Savings	(2,386)
Service Change Proposals	(4,052)
TOTAL	(16,908)

Efficiency Savings	£000
Review of Staffing Arrangements	(6,137)
Reduction in External Spend & Premises Costs	(2,615)
Increase in Income & grant maximisation	(1,718)
TOTAL	(10,470)

Efficiency Savings

- Achieving the same output (or more) for less resource, with no significant impact on the resident / customer.

Corporate Savings

- £1m removal of general contingency
- £0.5m reduction in Adult Services contingency (to £1.5m)
- £0.150m reduction in Children's Services contingency (to £2.0m)
- Cross cutting savings – supplies & services, hybrid mail, mobiles, car allowances - £0.736m

Service Change Proposals

- Range of savings agreed post consultation (*see next slide*)

Equality Impact Assessment (EqIA)

- All relevant budget proposals have been subject to a EqIA, the findings of which have informed the Council's consultation and engagement activity
- The Council engages directly with any groups identified as being disproportionately impacted



Consultation



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Ask Cardiff

- Budget Priority Question - 3,187 responses
- Top three priorities both short and long term were
 - School & Education including Youth Services
 - Supporting vulnerable children & families
 - Supporting vulnerable adults & older people
- Revenue Budget and Capital Programme support these areas

Citywide Consultation - 9,001 responses

- Built on findings of Ask Cardiff
- Ran between 8th Jan 2024 to 4th Feb 2024
- Measures included in the 2024/25 Budget are consistent with the outcomes of citywide consultation as far as resources allow.

Reflection of Consultation Feedback in the 2024/25 Budget

- Cabinet did not take forward some proposals consulted upon at this time - these included proposals totalling £1.019 million in relation to ward-based cleaning and focussed placement of public bins.
- In addition, other proposals whilst taken forward were at a lower level to that consulted upon. These included proposals in relation to Community Park Rangers, Community Hubs, Local Action Teams and increases to some fees and charges including sports pitches and out of hours burials



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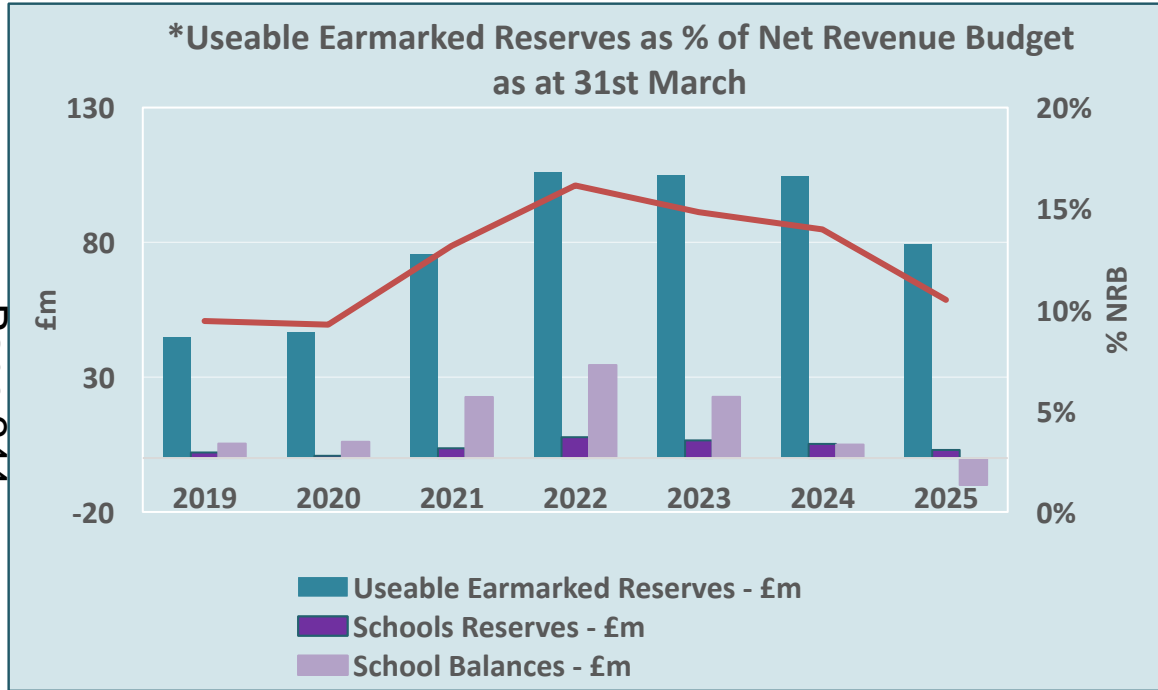
Financial Resilience - Reserves



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	Projection at 31 March 2024 £000	Projection at 31 March 2025 £000
General Fund Reserve	14,255	14,255
General Fund Earmarked Reserves	108,752	81,179
Schools Balances	5,000	(10,000)
HRA General Reserves	15,502	15,502
HRA Earmarked Reserves	5,300	5,221



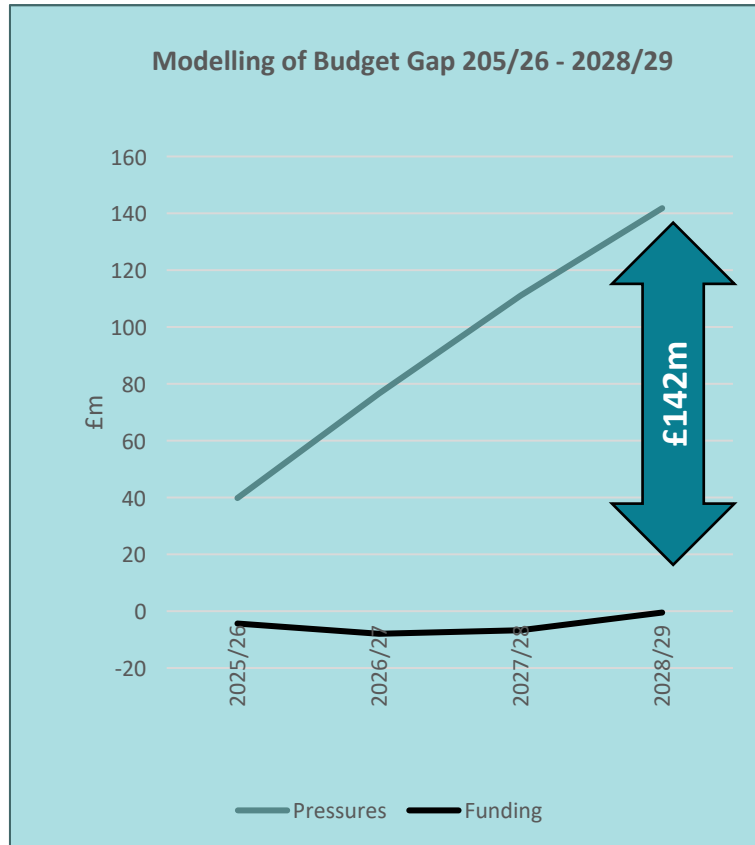
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Medium Term Financial Plan 2025/26 – 2028/29



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Directorate	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	Total £000
Total Pressures	39,948	36,777	34,427	30,723	141,875
Funding - AEF & Reserves	4,369	3,625	(1,256)	(6,269)	469
Total Budget Gap	44,317	40,402	33,171	24,454	142,344
Council Tax - Modelled at 3.95%	(7,382)	(7,674)	(7,977)	(8,292)	(31,325)
Savings	(36,935)	(32,728)	(25,194)	(16,162)	(111,019)
Budget Strategy Requirement	(44,317)	(40,402)	(33,171)	(24,454)	(142,344)

- C-Tax assumptions are used for modelling purposes only – reflect last 3 year’s average rate
- Above is a base case – other scenarios are considered in the MTFP
- MTFP also outlines several key risks to keep under review
- Will require review of budget-setting timescales to deliver savings on the levels required



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Housing Revenue Account – MTFP



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Page 2/16

- Background, key objectives and service priorities
- Rent policy framework – average 2024/25 rent increase approved Dec 23
- +6.7% - £7.92 per week (£8.41 based on 49-week collection)
- Final year of current WG rent policy of CPI +1% - no confirmation beyond this year
- Revenue Budget and Capital Investment Programme
- Medium Term Financial Plan
- Additional capital investment to meet demand for new affordable housing and external/internal improvements including building safety and energy efficiency schemes
- Investment in new sheltered housing and specialist accommodation schemes
- Revenue budget impact of increased capital financing and operating costs of additional schemes in response to the housing emergency
- Key assumptions
- Affordability and Value for Money
- Cost Efficiencies
- Financial Resilience
- Key Risks and Uncertainties
- HRA 30-Year Business Plan to be sent to WG March 2024



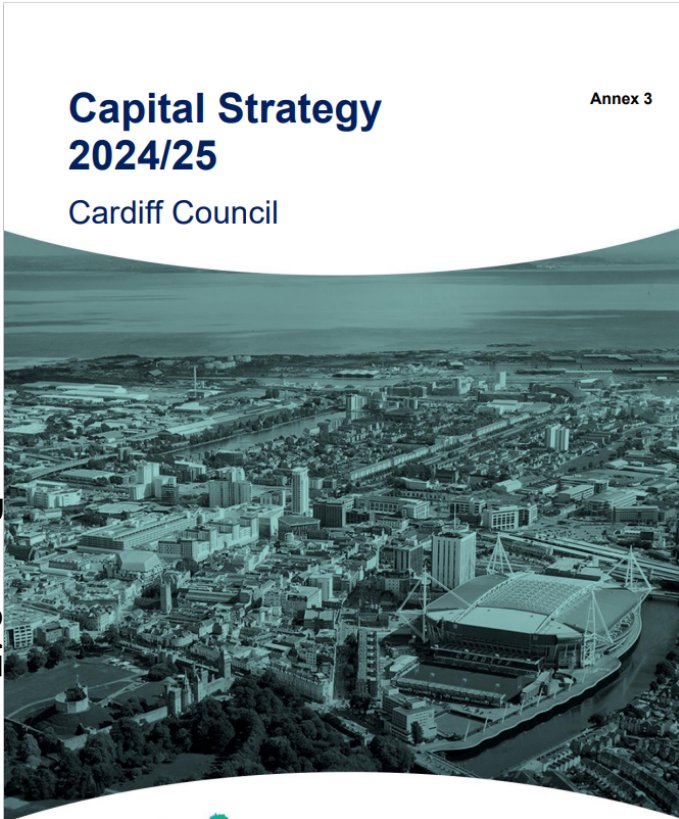
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Capital Strategy 2024/25



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Sets out Council’s approach to:

- Working with partners
- Asset Management Planning
- Risk Appetite
- Governance and decision-making
- Five Year Capital Investment Programme - General Fund and HRA
- Funding the strategy and investment programme
- Managing the borrowing requirement and link to the proposed Treasury Management Strategy
- Prudent Minimum Revenue Provision (MRP) Policy i.e approach to repayment of expenditure to be paid for by borrowing
- Affordability and Prudential indicators.

Additional investment includes in the following areas with detail in Annex 3

Disabled Adaptations

Schools Property Asset Renewal to continue to improve condition of existing schools

21st Century Schools – Additional contribution to financial model

New Social Housing



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Treasury Management Strategy 2024/25



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Treasury Management Strategy 2024/25

Annex 4

Cardiff Council



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Sets out Council's:

- Treasury position at 31 January 2024
- Economic Background
- Borrowing Policy and Strategy
- Treasury indicators and limits
- Investment Policy and Strategy

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Work Planned Into 2024/25



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Work Ongoing / Planned

- Accounts and Audit 2022/23
- Accounts Closure 2023/24
- Delivery of a budget strategy 2024/25 including regular monitoring / budget management focus
- Consideration **NOW** of the challenge for 2025/26 and beyond:
 - Report an update this summer
 - Consideration of the Council's Operating Model going forward and the need to transform services to support delivery
- Ongoing review / focus on Financial Resilience and Assurance





STATEMENT OF ACCOUNTS 2023/24 – TIMESCALES, ACCOUNTING POLICIES AND FUTURE REGULATORY CHANGES

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 6.2

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 2023/24 statements.
 - B. The draft accounting policies on which the Statement of Accounts for 2023/24 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 2023/24 accounts arising from the 2023/24 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 based on council financial and information systems across many Directorates and relies on technical expertise and capacity 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. Officers are happy to guide members of the Committee individually through the accounts for 2022/23 and process involved to support their scrutiny role. A guide produced by CIPFA on Understanding Local Authority Financial Statements may also be useful information to members and this is 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. The Council works closely with Audit Wales (AW) on a process of continual improvement.

A - Timescales for the 2023/24 statements

6. The 2023/24 statutory deadlines are shown in the table below. Since the Covid Pandemic, extensions to the statutory deadlines were introduced by Welsh Government and following discussions with the audit profession, and these are likely to continue for 2023/24 pending a wider national review on future approach.

Item	Statutory Deadline	Agreed Target 2023/24
Draft Statement of Accounts	31 May 2024	30 June 2024
Audited Statement of Accounts	31 July 2024	30 November 2024

7. The proposed Council timescales in relation to the 2023/24 accounts are shown in the table below:

Date	Item
30 June 2024	Draft Statement of Accounts signed off by Corporate Director Resources and submitted for external audit
9 July 2024 (TBC)	Draft Statement of Accounts available for Governance & Audit Committee review and start process of public inspection for 20 working days
9 July 2024 (TBC)	Receipt of Audit Wales Audit Plan
9 July 2024 (TBC)	Draft Statement of Accounts presented to Governance & Audit Committee meeting
31 October 2024	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
November 2024 (TBC progress)	Audited accounts presented to Governance & Audit Committee
November 2024 (TBC)	Final audited accounts and accompanying disclosures presented to Full Council for approval
30 November 2024 (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. The Finance function continues to review its approach and resilience to achieving timescales set out above. Compared to previous years achievement of 15 June, circa

two weeks has been added to the timescale in which the draft 2023/24 accounts are proposed to be signed and passed to Audit Wales.

B - Draft Accounting Policies 2023/24 and significant assumptions used in the Accounts

10. The Council's draft 2023/24 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 assumptions could have a significant impact on the values included in the accounts and disclosure notes, but in many cases 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.
11. Changes made to the draft policies and assumptions are minimal and have been shared with Audit Wales. The main changes include:
- Updates to asset valuation dates as part of the recurring programme of revaluation of assets and continuing to emphasize that inflation is just one of the variables that impact on the accounting valuation of an asset.
 - Inclusion of a new accounting policy to allow capitalisation (spreading over time) of borrowing interest costs under specified circumstances. External advice, comparison with other authorities and Audit Wales advice has been sought in determining this change for projects that involve a significant period of construction and cost, prior to beneficial use.

There may also be further changes during the audit and as any further guidance issued by CIPFA is received.

C – Changes in the CIPFA 2023/24 Code

12. The main changes in the 2023/24 code issued by CIPFA relates to:
- Definition of accounting estimates.
 - Disclosure of accounting policies.
 - Making materiality judgements.
 - Disclosures for accounting standards issued but not yet adopted.

These changes are not deemed to impact on Cardiff Council or Cardiff & Vale of Glamorgan Pension Fund current approach to the accounts.

D – Factors impacting on the preparation of Statement of Accounts for 2024/25 and onwards

13. As well as resourcing implications for Audit and Council teams, several reviews and changes are being proposed for future years which are likely to impact on the Code and Council's approach to implementation, where adopted by CIPFA.

Leasing

14. 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. The Council's focus will be on Property and Vehicle assets. Governance & Audit Committee received an update on 18 July 2023 of the council's current position and next steps. This position remains as previously outlined and continues to be developed.

Valuation of Property Assets

15. A HM Treasury thematic review identified the costs and benefits of the current regime and aims to explore possible alternatives, which would need to be the subject of CIPFA consultation and agreement. Preliminary findings include 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.

Any changes are unlikely to be applicable until future financial years, however the aims of the review are deemed welcome, if they succeed in addressing the cost benefit issues of the current approach.

Infrastructure Assets

16. 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.
17. 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

18. The Council has paused its approach to meeting the statutory closing deadlines until further clarification is received. Following discussion with Directors of Finance, Welsh Government and Audit Wales, the approach to future timings are expected to be set out shortly. This is expected to require a phased return to the Draft Accounts to be signed by 30 June and audited accounts to have been approved by 30 September. The Council and any other bodies charged with governance will need to carefully consider the timing of meetings and potentially the responsibility for approving accounts.

Transition of Cardiff Capital Region City Deal (CCRCD) to Corporate Joint Committee (CJC)

19. The Council's share of CCRCD transactions are included in the Council's accounts and relevant notes. The South East Wales Corporate Joint Committee Regulations 2021, Part 1 (Establishment and area), established a body corporate to be known as the South East Wales Corporate Joint Committee for the region. The CJC will amongst other things deliver the City Deal as part of its functions. From the 1 April 2024, the activities of the CCRCD will transfer to the CJC, which will involve reducing the balances to nil.

Reason for Recommendations

20. To inform Governance & Audit Committee of the key changes impacting on the Council's Statement of Accounts for 2023/24 and changes expected in the medium term.

Legal Implications

21. There are no direct legal implications as a result of this report.

Financial Implications

22. The changes outlined in this report particularly beyond 2023/24 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

23. Governance & Audit Committee are requested to note:-

- the timescales proposed for the 2023/24 accounts
- the draft accounting policies and assumptions to be used in preparing the statement of accounts for 2023/24
- the key changes in the Code of Practice for 2023/24 and changes in the medium term

CHRISTOPHER LEE
CORPORATE DIRECTOR RESOURCES
26 MARCH 2024

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 2023/24 - Cardiff Council

Appendix 4 – Draft Accounting Policies and Assumptions 2023/24 – Cardiff & Vale of Glamorgan Pension Fund

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Cardiff Council

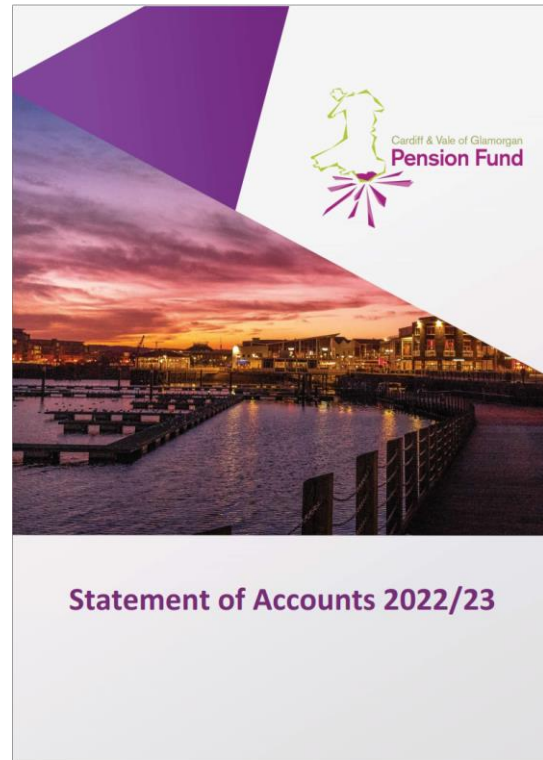
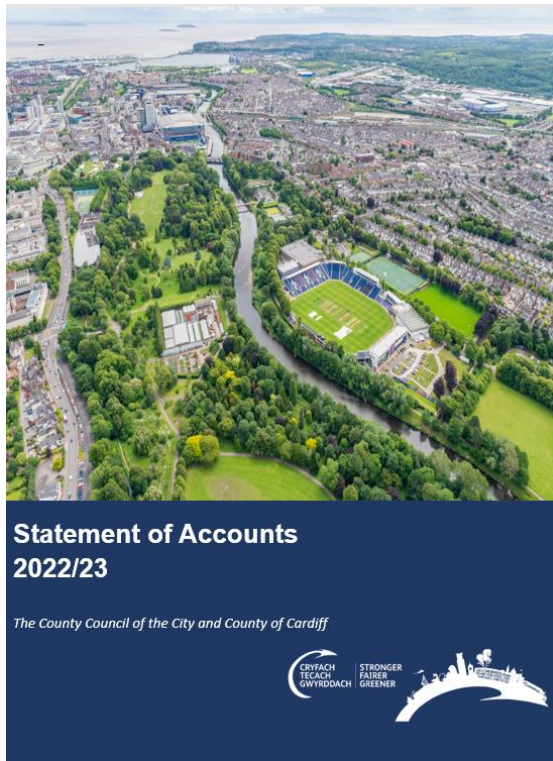
Introduction to the Financial Statements



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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:

A Narrative Report	A user-friendly description of performance, identifying key events and the impact on the financial statements
Accounting Policies	Sets out the accounting rules the authority has followed when compiling the financial statements
Critical Judgements	Shows the key areas where officers have made judgements about the application of the accounting policies
Statement of Responsibilities	Responsibilities of those charged with governance and S151 officer in preparing the statements
Notes to the Accounts	Provide further details on the accounts e.g. related parties, liabilities, Joint Committees, provisions and earmarked reserves
Property, Plant and Equipment	Accounting valuation of assets, such as dwellings, property, art. Capital expenditure and how it is paid for including the sale of assets
Employee Remuneration	A note providing details of the pay of the most senior officers, all officers' remuneration disclosed in bands and the cost of redundancies
Financial Instruments	A note identifying the monetary contracts between entities e.g. investments, borrowings
Related Party Disclosures	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:

Housing Revenue Account (HRA)	Where income from housing rents and related expenditure is required to be ring fenced by statute
Trust Funds	Where the Council is a trustee or administers a charity
Cardiff Harbour Authority	To meet requirements of the Harbours Act 1964
Group Accounts	Shows the combined statements where the Council has material interests in subsidiaries, associates and joint ventures e.g. Cardiff Bus

Governance and Assurance Process

Governance Arrangements	
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	Targeted to be approved in line with extended deadlines

External audit of the financial statements



Cardiff Council

Outline Audit Plan 2023

Audit year: 2022-2023

Date issued: July 2023



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

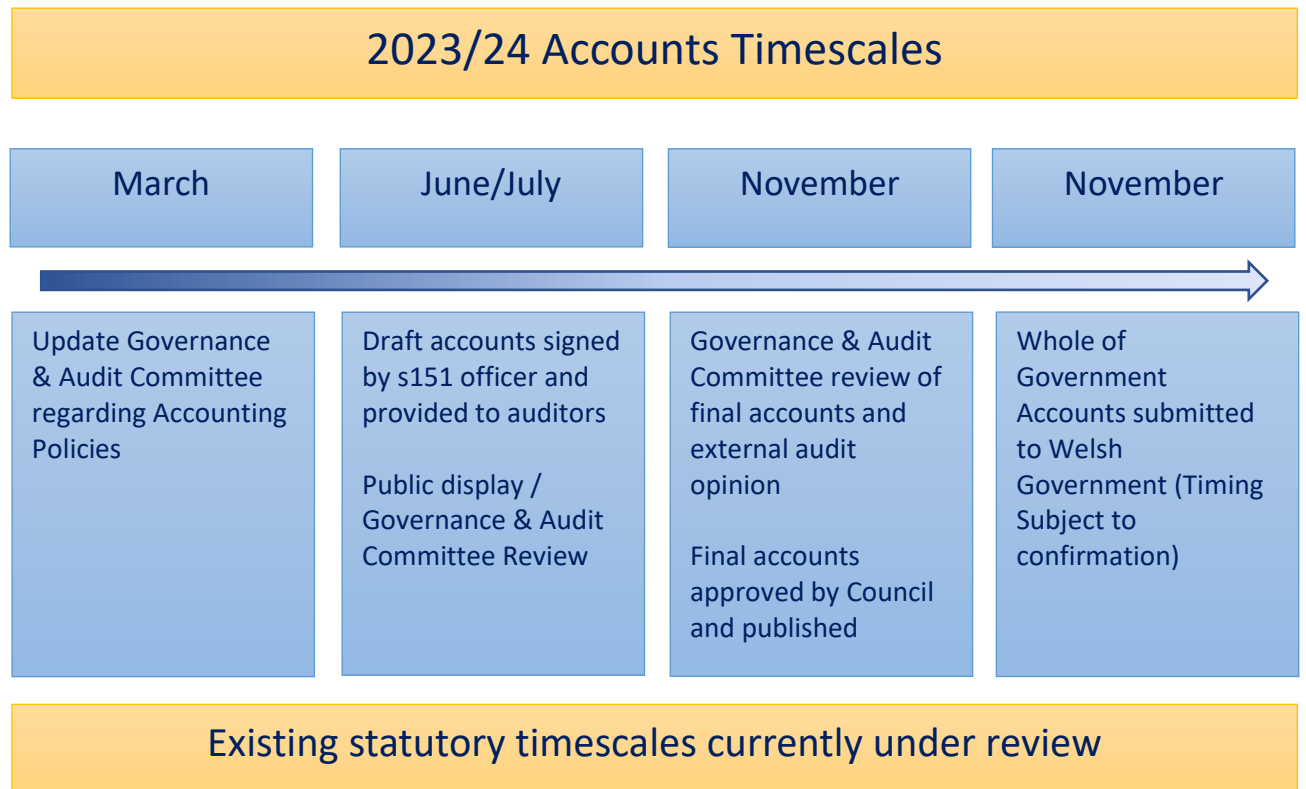
Audit of Financial Statements Report

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
- 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
Net Cost of Services	72,702	15,563	88,265
Other Income and Expenditure	(72,658)	(1,019)	(73,677)
Surplus or Deficit	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		
Closing General Fund and HRA Balance at 31 March 20x1*	(25,203)		

*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
Cost of Services	168,167	(79,902)	88,265
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)
(Surplus) or Deficit on Provision of Services			14,588
(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)
Other Comprehensive Income and Expenditure			(45,142)
Total Comprehensive Income and Expenditure			(30,554)

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
Balance at 31 March 20X0	22,118	3,129	10,065	1,600	450	37,362	1,350,567	1,387,929
Movement in reserves during 20X0/X1								
Total Comprehensive Income and Expenditure	(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)	–
Increase or (decrease) in 20X0/X1	(148)	104	(750)	–	–	(794)	31,348	30,554
Balance at 31 March 20X1 carried forward	21,970	3,233	9,315	1,600	450	36,568	1,381,915	1,418,483

* 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
Long-term assets		1,670,478	
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	
Current assets		42,589	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
Current liabilities		(45,227)	
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
Long-term liabilities		(249,357)	
Net assets		1,418,483	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.¹ 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	
Net cash flows from Operating Activities (Note 26)	(10,156)	Three groups of transactions: <ul style="list-style-type: none"> ■ Operating ■ Investing ■ Financing
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)	
Cash and cash equivalents at the end of the reporting period (Note 19)	(13,767)	Cash and cash equivalents figure in the balance sheet

¹ 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.

Checklist	
Expenditure and Funding Analysis	
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?
Comprehensive Income and Expenditure Statement	
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?
Movement in Reserves Statement	
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)



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Accounting policies used when formulating the accounts

The Statement of Accounts summarises the Council's income and expenditure for the year ended 31 March 2024 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 2023/24 (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 continued during 2023/24 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. An annual review is 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, civic regalia and antiquarian books 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 *Interest Costs of Borrowing*

For 2023/24 the Council has updated its accounting policy for interest costs of borrowing incurred where items of property, plant and equipment take a substantial period of time to construct, acquire or produce the asset for their intended use. Previously borrowing costs had been charged to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement in the financial year in which they were incurred. This will continue for non qualifying assets, however this is to be supplemented to capitalise borrowing interest costs for qualifying assets, the latter which is defined below:

- an asset that incurs interest cost during the construction, acquisition or production of the asset;
- it is probable that the capital expenditure will result in future economic benefits or service potential to the Council; and that the interest costs can be measured reliably
- takes in excess of two years to prepare the asset for its intended use or sale and
- has forecast Council capital expenditure in excess of £50 million in total during the construction phase.

Capitalisation of interest costs will cease when all the activities necessary to prepare the qualifying asset for its intended use are complete.

The calculation of interest costs are either interest forgone on temporary cash balances; where the Council borrows to specifically fund a scheme the amount that is capitalised is the actual cost of borrowing less investment income; or where funds are borrowed generally, a capitalisation rate is used based on the weighted average of borrowing costs during the period.

In applying the new accounting policy, the council has identified no similar qualifying assets previously created for which the change in accounting policy would have impacted, had it been in place at the time. Accordingly, there is no requirement to restate previous financial statements and accompanying notes.

15. Interests in Companies and Other Entities

The Council has interests in companies and other entities. Subject to the level of materiality and exposure to risk, these are consolidated to produce Group Accounts.

16. Inventories

Inventories are measured and held at the lower of cost or net realisable value. When such inventories are sold, exchanged or distributed, the carrying amount is recognised as expenditure.

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

17. 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 2023/24.

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.

18. 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. Where information is unavailable, prior year balances are included.

19. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards, incidental to ownership, of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. 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.

20. 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.

21. 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 accrual's 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, including borrowing costs which are capitalised for qualifying assets. 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*
Assets under Construction	Depreciated Historical Cost	n/a	n/a	n/a	n/a	n/a
Community Assets	Depreciated Historical Cost	n/a	n/a	n/a	n/a	n/a
Council Dwellings	Existing Use Value for Social Housing	Every 2 years	2023/24	Savills	2025/26	Land: n/a Buildings: 50 years
Infrastructure	Depreciated Historical Cost	n/a	n/a	n/a	n/a	10-120 years**
Other Operational Land & Buildings	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: 1-90 years
School Assets	Detailed Depreciated Replacement Cost (Modern Equivalent Asset)	Every 3 years	2021/22	Cooke & Arkwright	2024/25	Land: n/a Buildings: 2-50 years
Surplus Assets	Fair Value	Every year	2023/24	Jones Lang LaSalle	2024/25	n/a
Vehicles, Plant, Furniture & Equipment	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.

In interim years between full valuations of asset classes, the Council may carry out asset valuations on a sample within an asset class. This is to identify if economic/market conditions may have had a material impact on reported asset values. This may be for example during periods of high inflation. However, asset accounting valuations may change as a result of a number of factors not just inflation, such as but not limited to; economic conditions, changes to markets in which the assets operate, changing asset condition, levels of use, valuation methods and asset classifications, legal and regulatory requirements.

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.

22. *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.

23. *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.

24. *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.

25. *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:

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 2024 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	<p>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.</p> <p>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.</p>	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	<p>These are reviewed annually for significant impairment using data such as historic risk of default and other reviews of recoverability.</p> <p>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.</p>	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

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 the reported net cost of services 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

Calls and distributions from private market investments (private equity, private credit and closed-ended infrastructure) are recognised at the date of issue.

Income earned within some of the pooled investments is retained by the fund manager as part of the capital assets of the fund and reflected in the higher unit price. For all other pooled investments, excluding private market investments, the income is reinvested as a purchase of additional units in the fund.

Investment management expenses are recognised in year and are not included in, or netted off from, the reported return on investment.

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 have been accounted for on an accrual's 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. The difference between the original cost and the value as at the reporting date 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 Equivalent

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

Where investment valuations are received from fund managers in foreign currencies, they are converted at the Bank of England closing spot rate at the date of valuation.

Taxation

Taxation	Treatment
UK Income Tax	The fund is an exempt approved fund able to recover UK Income Tax.
UK Capital Gains Tax	No Capital Gains Tax is Chargeable.
Value Added Tax	Accounts are shown exclusive of VAT. As the Council is the administering Authority, VAT is recoverable on all Fund activities.
Overseas Withholding Tax	Foreign investment income usually suffers withholding tax in the country of origin, some of which may be recoverable. Irrecoverable tax is netted off against income.

2. Critical judgements in applying accounting policies**Unquoted private market investments**

These are inherently based on forward looking estimates and judgements valued by the investment managers using the International Private Equity and Venture Capital Valuation Guidelines.

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
Actual present value of promised retirement benefits	Estimations of the liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries increase, changes in mortality rates and expected returns on pension fund assets. The actuary provides the fund with advice regarding the assumptions to be used.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, an increase in the discount rate assumption would result in a decrease in the pension liability. An increase in assumed earnings inflation or assumed life expectancy would increase the value of the liabilities.
Private Market Valuations	Private market investments are valued at fair value in accordance with international accounting standards. These investments are not publicly listed	The total private market investments in the financial statements are £XXX million. There is a risk that this investment may be under or overstated in the accounts.

	and as such there is a degree of estimation involved in the valuation.	Further information is provided on the sensitivity of these assets within the accounts.
Pooled Property Funds & Open-ended Infrastructure	Valuation techniques are used to determine the carrying amount of pooled property funds and open ended-infrastructure funds.	The total pooled property fund and open-ended infrastructure investments in the financial statements are £XXX 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: 26 March 2024

INTERNAL AUDIT & INVESTIGATION TEAM - PROGRESS REPORT

REPORT OF THE AUDIT MANAGER

AGENDA ITEM: 7.1

Reason for this Report

1. The Terms of Reference of the Governance and Audit Committee requires that Members:
 - 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.
 - 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 – 29 February 2024, and follows the updates provided in the Committee meeting held on 23 January 2024.

Background

3. The Governance and Audit Committee approved the Audit Charter and the risk-based Audit Plan for 2023/24 on 21 March 2023 respectively. At this 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.
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. The introductory sections within **Annex 1** refer to the new Global Internal Audit [Standards](#) which have been recently published and will take effect during 2025. The UK Public Sector Internal Audit Standards Advisory Board has begun its review of the new Standards ([IASAB](#)). The IASAB will determine the implications for the PSIAS and will develop proposals for revised material which will be suitable for the UK public sector context. Any subsequent changes to the UK's PSIAS, and their implementation, will be subject to consultation and appropriate transitional arrangements and the Committee will be kept updated on developments.
9. The PSIAS will be aligned to the to apply to internal auditing of public sector bodies. Further updates and briefings will be provided to Committee when updates are made to the PSIAS to define public sector application.
10. Section 2.1 'During 2023/24 to date, 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 deliver a sufficient breadth of assurance engagements from the Audit Plan. Audit work continues to be undertaken predominantly on a desktop basis, although site visits are taking place for establishment audits, to observe the operation of physical controls or operating practices.
11. Section 2.2 'Resources', outlines that appointments made in the year to date, and how priority has been given to the development of new staff for their benefit, and for the longer-term benefit of the audit service overall. This was with the knowledge that providing detailed training and support would impact the capacity of the wider team as audit staff across the team have been involved. Delivery of the Audit Plan has ramped up during quarter four, with posts now appointed to and with new staff having received initial training and development.
12. Section 2.3 'Annual Plan' advises Members that delivery of the Audit Plan 2023/24 is proportionately lower than the pro rata target as at 29 February 2024, for which the reasons primarily relate to vacant posts being held during quarter one, followed by appointments being made during quarter two for which training, and development have been prioritised as outlined in section 2.2. 'Resources'. The Committee was advised in January 2024 that the Audit Plan had been reviewed and prioritised to support a full audit annual audit opinion, through completing sufficient testing of fundamental systems, ensuring sufficient coverage in respect of planned corporate governance audits areas and an appropriate spread of service level audit work. The audits being targeted for completion to draft reporting stage before the end of the financial year, and the current status of these audits, are contained within Annex 1 – figure 4. The level of completion of the Audit Plan by 31 March 2023 will be affected by audit and client staff availability, as well as the complexity of issues that may arise during the audit fieldwork, however,

any of the following audit that are not completed to draft report stage by the financial year end will be prioritised for completion in quarter 1 2024/25.

13. Section 2.4 'Critical Findings or Emerging Trends outlines the findings of the draft report of Fairwater Primary School that has been issued with an audit opinion of 'insufficient with major improvement needed'. Management consideration and discussions will follow before the report is finalised, at which time the assurance rating and recommendations will be confirmed.
14. Section 3 'Performance' provides the client feedback and wider performance against performance indicators which are deigned to be realistic and stretching. The performance position in respect of quarter three was provided to the Governance and Audit Committee in January 2024, 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.
15. The position against the full Audit Plan is contained in agenda item 7.2 (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

16. Annex 2 outlines the activities of the Investigation Team in quarter 4, as at 29 February 2024. For the current financial year, there are four hundred and fifty-two chargeable days available based on current resources, indicatively split between strategic (72 days) and operational activities (380 days).
17. Excluding insurance and blue badge casework, which will be reported following the financial year-end, as at 29 February 2024:
 - 136 cases have been identified for investigation so far this year, compared to 212 for the same period last year.
 - 52 investigations are ongoing, compared to 62 for the same period last year.
 - 141 investigations have concluded, compared to 213 over the same period last year.
 - £593,364 has been attributed to concluded investigations, compared to £156,758 for the same period last year.
18. In addition to identifying and progressing investigation cases, the team has continued to provide counter-fraud advice, guidance, training and support across the Council.
19. The summary report in Annex 2 provides further details in respect of the above, the establishment of a Counter-Fraud Oversight Group, a planned corporate risk assessment exercise and the year end, and the approach to delivering new mandatory fraud awareness training.

Audit Recommendations

20. 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

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

Financial Implications

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

RECOMMENDATIONS

23. 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 29 February 2024

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 29 February 2024)

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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 – 29 February 2024, and follows the updates provided in the last Committee meeting held on 23 January 2024. This report is structured to provide a summary account of the audit activities, resources, outcomes, and progress made against the Audit Plan 2023/24.

The Audit Plan 2023/24 was approved by Committee on 21 March 2023. 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.

1.3 Continuing Professional Development

Auditors have completed their year-end personal reviews and formalised their objectives for 2023/24. 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 Conformance with Audit Standards

On an annual basis the Audit Manager completes an internal review against the CIPFA Local Government Application Note, which breaks down the conformance requirements of the Public Sector Internal Audit Standards (PSIAS). In addition to internal reviews, the PSIAS requires that external assessments are conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.

The latest 5-yearly external assessment was completed and reported to the Governance and Audit Committee in March 2023, led by the Chief Auditor of Monmouthshire / Newport Councils. The assessment 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.

1.3 New Global Internal Audit Standards

The PSIAS are derived from International Standards for the Professional Practice of Internal Auditing (ISPPA), established by the Institute of Internal Auditors (IIA). Committee was provided with details of the draft Standards in November 2023, and the final published [Standards](#) in January 2024.

The UK Public Sector Internal Audit Standards Advisory Board has begun its review of the new Standards ([IASAB](#)). The IASAB will determine the implications for the PSIAS and will develop proposals for revised material which will be suitable for the UK public sector context. Any subsequent changes to the UK's PSIAS, and their implementation, will be subject to consultation and appropriate transitional arrangements and the Committee will be kept updated on developments.

2. SUMMARY OF WORK PERFORMED

2.1 Current Activities

During 2023/24 to date, 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 deliver a sufficient breadth of assurance engagements from the Audit Plan.

The Internal Audit Team has continued to be available to provide advice and guidance on the design and implementation of effective controls, process changes and grant administration, to achieve compliance and control, and arrangements for the effective prevention and detection of fraud.

Following the planned conclusion of the Audit Plan for 2022/23, attention has been focussed on the Audit Plan 2023/24. This work continues to be undertaken predominantly on a desktop basis, although site visits are taking place for establishment audits, 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 29 February 2024, whereby 39 new audit engagements have been completed to at least draft output stage and 29 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 29 February 2024)

Status	Number of completed audits	Opinion				
		Effective	Effective with opportunity for improvement	Insufficient with major improvement needed	Unsatisfactory	No opinion given
Draft	13	3	7	3	0	0
Final	55	15	26	3	1	10
TOTAL	68	18	33	6	1	10
	39	New Audit Engagements completed				
	29	Finalised Audit Engagements from 2022/23				

Figure 2. 2023/24 Audit outputs and opinions (at 29 February 2024)

No.	Assurance Audit Engagement	Audit Opinion
1.	Performance Management – Governance and Legal Services	Effective
2.	Performance Management – Children’s Services	
3.	Performance Management – Adults, Housing and Communities	
4.	Performance Management – People and Communities	
5.	Performance Management – Planning, Transport and Environment	
6.	Taxation	

No.	Assurance Audit Engagement	Audit Opinion	
7.	Performance Management – Resources		
8.	Electoral Services		
9.	Information Governance		
10.	Insurance		
11.	National Non-Domestic Rates		
12.	Youth Offending Service		Effective with Opp' for Improv't
13.	Performance Management – Education and Lifelong Learning		
14.	Commercial (Trade) Waste		
15.	Housing Rents		
16.	Pest Control		
17.	Planning		
18.	Value for money in use of Council Vehicles		
19.	Facilities Management / Building Support		
20.	Backup and Data Recovery		
21.	Bishop of Llandaff		
22.	Thornhill Primary		
23.	Cardiff Capital Region City Deal 2022/23		
24.	Hubs		
25.	Cathays High School		
26.	Cradle to Grave – Contract Audit		
27.	Purchasing Cards	Insufficient, Major	
28.	Cyber Security (Schools) – ICT Managed Technology	Improv't Needed	
29.	Fairwater Primary		
Audit Work with 'No Opinion'			
30.	Joint Committees - Prosiect Gwyrdd	Consultancy, Certification, Advice and Guidance	
31.	Joint Committees - Port Health Authority		
32.	Joint Committees - Glamorgan Archives		
33.	Cardiff Further Education Trust Fund 2021/22		
34.	Education Improvement Grant 2022/23		
35.	Weighbridge software and Associated Controls		
36.	Cardiff Further Education Trust Fund 2022/23		
37.	Purchasing and Payments CRSA	Control-Risk	
38.	Payroll and HR CRSA	Self-Assessment	

No.	Assurance Audit Engagement	Audit Opinion
39.	National Fraud Initiative	Data matching
Concluded Audits from the Prior Year		
40.	School Asset Management - Thematic (Albany)	Effective
41.	Welsh Government Covid Grants – Assurance	
42.	Performance Management – Economic Development	
43.	Ysgol Bro Edern	
44.	Purchasing Payments and Processing - In-year Testing 2022/23	
45.	Resources - Health and Safety (cf. 2022/23)	
46.	Harbour Authority	
47.	Cardiff Dogs Home	
48.	Health and safety - Education	
49.	City Deal 2021/22	
50.	Follow up - Cardiff West Community High School	
51.	Waste Management Enforcement	
52.	Skip Hire	
53.	Eastern High School	
54.	Ethics and Values	
55.	Pensions and Investments	
56.	Asset Management	
57.	Disposal of Land and Buildings	
58.	Complaints and compliments	
59.	Payroll & HR - In-year Testing 2022/23	
60.	Whistleblowing Processes	
61.	Income and Debtors	
62.	Partnership / Arms-length Assurance	
63.	Catering in Opted out schools	
64.	Schools with Surplus Balances	
65.	Contract Variations	Insufficient with Major Improv't Needed
66.	Directorate PCI - DSS Compliance	
67.	School Asset Management - St Patrick's Primary School	
68.	Central Transport Service	Unsatisfactory

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 29 February 2024)

Audit	Comments
Joint Committees - Prosiect Gwyrdd	Work to support completion of Statement of Accounts, 2022/23
Joint Committees - Port Health Authority	
Joint Committees - Glamorgan Archives	
Cardiff Further Education Trust Fund 2021/22	Vouching spend, accounts and applicable grant use
Education Improvement Grant 2022/23	
Cardiff Further Education Trust Fund 2022/23	
Weighbridge software and Associated Controls	Consultancy
Purchasing and Payments CRSA	Control-Risk
Payroll and HR CRSA	Self-Assessment
National Fraud Initiative	Data matching

The report status for the year to date is shown in **Appendix A**.

2.2 Resources

Through previous progress reports, Committee has been advised of vacant posts held earlier in the year, for which two FTE appointments were made at senior auditor level in July, and two FTE auditor posts were appointed to in October. Committee has also been advised that three CIPFA Trainee postholders commenced in July, with one placed within Internal Audit during the current financial year.

Since their appointments, priority has been given to the development of new staff for their benefit, and for the longer-term benefit of the audit service overall. This was with the knowledge that providing detailed training and support would impact the capacity of the wider team as audit staff across the team have been involved.

Delivery of the Audit Plan has ramped up during quarter four, with posts now appointed to and with new staff having received initial training and development. Further details are provided in section 2.3 – Audit Plan.

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 1008 chargeable days in the year to date, against a pro-rata plan of 1,371 days (the pro rata days are calculated as an even quarterly average of available days for the year as a whole and are therefore affected by vacancies held until staff appointments. Staff training and development following appointment is also non-chargeable).

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. To support their development and the delivery of the Audit Plan, it was arranged for them to shadow and deliver the two ICT audits in the plan alongside a specialist auditor, commissioned under contract under the direction of the Audit Manager.

2.3 Annual plan

The Committee approved the Audit Plan 2023/24 in its meeting in March 2023. Whilst set on an annual basis, the Audit Plan 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.

Delivery of the Audit Plan 2023/24 is proportionately lower than the pro rata target as at 29 February 2024, for which the reasons primarily relate to vacant posts being held during quarter one, followed by appointments being made during quarter two for which training, and development have been prioritised as outlined in section 2.2. 'Resources'.

The Committee was advised in January 2024 that the Audit Plan had been reviewed and prioritised to support a full audit annual audit opinion, through completing sufficient testing of fundamental systems, ensuring sufficient coverage in respect of planned corporate governance audits areas and an appropriate spread of service level audit work.

The audits reported as targeted for delivery to draft reporting stage before the financial year end, and the current status of these audits, is contained in Figure 4 below. Completion of these audits would achieve a proportion of the Audit Plan completed at 69% for the year overall (against a target at the start of the year of 70%). The level of completion of the Audit Plan by

31 March 2024 will be affected by audit and client staff availability, as well as the complexity of issues that may arise during the audit fieldwork; however, any of the following audits that are not completed to draft report stage by the financial year end will be prioritised for completion in quarter one 2024/25.

Figure 4. Targeted audits for completion during quarter four.

Assignment	Area of Plan	Status at 29 February 2024
In-year Testing - Purchasing Payments and Processing	Fundamental Systems	Active fieldwork
In-year Testing - Payroll & HR		Active fieldwork
Main Accounting		Active fieldwork
NNDR		Draft issued
Treasury Management		Active fieldwork
Backup and Data Recovery	Corporate Audits	Draft issued
Cradle to Grave Audit		Draft issued
Business Continuity		Active fieldwork
FOLLOW UP - Central Transport Service	Service Specific Audits	Audit Planning
Event Management (Cardiff Castle)		Active fieldwork
Community Safety		Active fieldwork
Emergency Duty Team		Audit Planning
Climate Change Risk Management		Active fieldwork
Building Repairs and Maintenance		Active fieldwork
Falconwood Children's Home		Active fieldwork
Direct Payments - Children's and Adults		Active fieldwork
Hubs		Draft issued
Street Cleansing		Active fieldwork
Waste Management Overtime		Report Drafting
Cathays High school	Schools Audits	Draft issued

Woodlands High school		Active fieldwork
Thornhill Primary		Draft issued
Fairwater Primary		Draft issued
Kitchener Primary		Active fieldwork
Ysgol Gyfun Gymraeg Plasmawr		Audit Planning
Bishop of Llandaff High school		Draft issued
Cardiff Further Education Trust Fund 2022/23	Grant / Certification	Draft issued
City Deal 2022/23	/ External Audits	Draft issued
Schools Education Technology Procurement	Advisory Audits	Active fieldwork
School Catering Controls		Active fieldwork

At all times audits are allocated on the basis that assurance is maximised and that a sufficient spread of coverage will be achieved in order to mitigate any risk to the provision of a full audit opinion on the Council's control environment at the financial year end. Performance measures are shown in section 3.2 'performance'.

In addition to engaging with Directors on the delivery of the Audit Plan for 2023/24, all directors have been engaged with in the development of the draft Audit Plan 2024/25. Further details are contained within the papers for agenda item 7.2.

2.4 Critical Findings or Emerging Trends (Q4 2023/24 – as at 29 February 2024)

During quarter four, as at 29 February 2024, one draft report has been issued with an audit opinion of 'insufficient with major improvement needed'. Management consideration and discussions will follow before the report is finalised, at which time the assurance rating and recommendations will be confirmed. The audit related to Fairwater Primary School in which some gaps in control processes were considered to require particular attention. Namely, the school did not have an up-to-date asset register, a number of school governance policies and procedures were outdated and in need of review, goods and services were not consistently being raised through the official orders and the school private fund was overdue an audit, and its signatories needed to be updated.

2.5 Value for Money findings (Q4 2023/24 – as at 29 February 2024)

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. However, within an audit with a lower assurance opinion, there would be control gaps which need to be addressed to provide assurance that the objectives of these services are being run with proper attention to a combination of economy, efficiency, and effectiveness.

3 AUDIT PERFORMANCE AND ADDED VALUE

3.1 Added Value

Relationship Manager meetings have continued to be held on a quarterly basis with Directors and their representatives during 2023/24. Particular focus has been 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 generally positive with 95% satisfaction and 91% of clients scoring all areas of their audit as good or excellent. Details were provided in the July Committee of the reasons why one audit did not receive satisfactory feedback from the audit client. All other clients reported that their audits added value.

In the audit outputs issued to date (as at 29 February 2024), there have been 160 recommendations made, of which 88 have been agreed through a finalised report. All other recommendations are 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	3	0	3
Red / amber	44	16	28
Amber / green	95	46	49
Green	18	10	8
TOTAL	160	72	88

3.2 Performance

As outlined in section 2.1 ('Current Activities'), the priorities and approach of the audit team in the year to date 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 2024, 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 22 February 2024 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 2023/24 (to date)

Performance Indicator	2022/23 Outcome	2023/24 Target	Q1 Outcome	Q2 Outcome	Q3 Outcome
The percentage of the Audit Plan completed	52%	70%	12%	24%	34%
The average number of audit productive days per FTE	144	150	28.48	54.21	86.99
The average number of finalised audits per FTE	6.64	8	3.07	4.35	5.75
The percentage of draft audit outputs delivered within four weeks	91%	90%	100%	100%	96.55%
The percentage of audit recommendations implemented within the agreed timescale	67%	80%	80%	71%	73%

3.4 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.

As outlined in section 2.1 – Current Activities, thirty-nine new audit engagements had been completed as at 29 February 2024.

3.5 Recommendations

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.

Figure 7. Revised recommendation implementation dates and status

Directorate / Audit Category	Number of recommendations with revised dates	Actions now implemented	Actions still open
Fundamental	11	10	1
Corporate	18	4	14
External and grants	5	5	0
Adult Services, Housing & Communities	11	11	0
Children’s Services	22	15	7
Economic Development	46	41	5
Education and Lifelong Learning	61	32	29
Planning Transport and Environment	43	35	8
People and Communities	1	1	0
Resources	67	38	29
Governance and Legal Services	7	7	0
Waste Management	6	3	3
	298	202	96
Schools	228	185	43
TOTAL	526	387	139

NB - It should be noted that the table above represents the position as at 29 February 2024, 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 2023/24 to date, 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 progress delivery of assurance engagements from the Audit Plan.

Through previous progress reports, Committee has been advised of vacant posts held earlier in the year, for which two FTE appointments were made at senior auditor level in July, and two FTE auditor posts were appointed to in October. CIPFA Trainee postholders also commenced in July, with one placed within Internal Audit during the current financial year.

Since these appointments, priority has been given to the development of new staff for their benefit, and for the longer-term benefit of the audit service overall. Delivery of the Audit Plan has ramped up during quarter four, with posts now appointed to and with new staff having received initial training and development.

The Committee was advised in January 2024 that the Audit Plan had been reviewed and prioritised to support a full audit annual audit opinion, through completing sufficient testing of fundamental systems, ensuring sufficient coverage in respect of planned corporate governance audits areas and an appropriate spread of service level audit work.

The audits reported as targeted for delivery to draft reporting stage before the financial year end, have been set out in this report. The level of completion of the Audit Plan by 31 March 2024 will be affected by audit and client staff availability, as well as the complexity of issues that may arise during the audit fieldwork; however, any of the following audits that are not completed to draft report stage by the financial year end will be prioritised for completion in quarter one 2024/25.

Report Status (as at 29 February 2024)

Audit Opinion	Audit Area	High Risk Recommendations		Status (If not Final)
		Proposed	Agreed	
Fundamental / High				
Effective	Performance Management – People and Communities			Drafts
	Performance Management – Resources			Issued
	School Asset Management - Thematic (Albany) (cf. 2022/23)			
	Welsh Government Covid Grants - Assurance (2021/22) (cf. 2022/23)			
	Performance Management – Economic Development (cf. 2022/23)			
	Performance Management – Adults, Housing & Communities			
	Performance Management – Governance and Legal Services			
	Performance Management – Children’s Services			
	Performance Management – Planning, Transport and Environment			
	Information Governance			
	Taxation			
	Purchasing Payments and Processing - In-year Testing 2022/23 (cf. 2022/23)			
	Insurance			
	National Non-Domestic Rates			
Effective with opportunity for improvement	Resources - Health and Safety (cf. 2022/23)			
	Ethics and Values (cf. 2022/23)			
	Pensions and Investments (cf. 2022/23)			
	Asset Management (cf. 2022/23)			
	Health and safety – Education (cf. 2022/23)			
	Complaints and compliments (cf. 2022/23)			
	Payroll & HR - In-year Testing 2022/23 (c. 2022/23)			
	Performance Management – Education & Lifelong Learning			
	Whistleblowing Processes (cf. 2022/23)			
	Housing Rents			
	Value for money in use of Council Vehicles			
	Partnership / Arms-length Assurance (cf. 2022/23)			
	Income and Debtors (cf. 2022/23)			

Audit Opinion	Audit Area	High Risk Recommendations		Status (If not Final)
		Proposed	Agreed	
Insufficient with major improvement needed	Purchasing Cards	1		Drafts
	Cyber Security (Schools) – ICT Managed Technology	1		Issued
	Contract Variations (cf. 2022/23)	1	1	
	Directorate PCI - DSS Compliance (cf. 2022/23)	1	1	
	School Asset Management - St Patricks Primary School (cf. 2022/23)	1	1	
Medium				
Effective	Ysgol Bro Edern (cf. 2022/23)			
	Electoral Services			
Effective with opportunity for improvement	Alarm Receiving Centre (cf. 2022/23)			Drafts
	Planning			Issued
	Facilities Management / Building Support			
	Backup and Data Recovery			
	Thornhill Primary			
	Hubs			
	Cathays High School			
	Cradle to Grave – Contract Audit			
	Harbour Authority (cf. 2022/23)			
	Cardiff Dogs Home (cf. 2022/23)			
	Follow up - Cardiff West Community High School (cf. 2022/23)			
	Waste Management Enforcement (cf. 2022/23)			
	Skip Hire (cf. 2022/23)			
	Eastern High School (cf. 2022/23)			
	Catering in opted out schools - Mary Immaculate (cf. 2022/23)			
	Catering in opted out schools – Cardiff HS (cf. 2022/23)			
	Catering in opted out schools - Whitchurch HS (cf. 2022/23)			
	Disposal of Land and Buildings (cf. 2022/23)			
	Catering in opted out schools - Greenhill School (cf. 2022/23)			
	Youth Offending Service			
	Pest Control			
	Commercial (Trade) Waste			

Audit Opinion	Audit Area	High Risk Recommendations		Status (If not Final)
		Proposed	Agreed	
	Catering in Opted out schools (cf. 2022/23)			
	Schools with Surplus Balances (cf. 2022/23)			
	Bishop of Llandaff			
Insufficient, major improv't needed	Fairwater Primary	1		Draft
Unsatisfactory	Central Transport Service (cf. 2022/23)	2	2	
Grants / Accounts / External Bodies				
Effective	City Deal 2022/23			Draft
Effective with Opp' for Improvement	City Deal 2021/22 (cf. 2022.23)			
No assurance opinion given	Joint Committees - Prosiect Gwyrdd	Statement of Accounts Reviews / Certification / Support Vouching spend, accounts and applicable grant use		
	Joint Committees - Port Health Authority			
	Joint Committees - Glamorgan Archives			
	Education Improvement Grant 2022/23			
	Cardiff Further Education Trust Fund 2021/22			
	Cardiff Further Education Trust Fund 2022/23			
	Purchasing and Payments CRSA	Control-Risk		
	Payroll and HR CRSA	Self-Assessment		
	National Fraud Initiative	Data matching		
Weighbridge software and Associated Controls	Consultancy			

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Directorate / Area	No. of Audits	No. of Red Recs	No. of Red/ Amber Recs	'open recommendations' - by audit assurance rating					'open recommendation' by status			
				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	
Adults Social Services, Communities & Housing												
Children's Services	4	2	3			4		1	5		5	1 - N/A action related to instance where Directorate was sampled as part of a wider corporate report, and an opinion was not provided at a directorate level
Corporate Governance	9	2	16		10	8			13	5	13	5 - overdue actions where an update has been requested
Economic Development	4	2	5		4	3			6	1	6	1 - overdue action where evidence has been requested in order to close action
Education & Lifelong Learning	7	2	10		7	5			12		12	
Education & Lifelong Learning - Schools	16		28		27	1			24	22	6	7 - overdue actions, where Audit is liaising with the school 8 - overdue actions, where an update has been requested 3 - overdue actions, where evidence has been requested 4 - overdue actions, where action will be carried forward to follow-up audit
External and Grants												
Fundamental												
People and Communities												
Planning, Transport & Environment	6		8		5	2		1	8	1	7	1 - overdue action where an update has been requested 1 - N/A action related to instance where Directorate was sampled as part of a wider corporate report, and an opinion was not provided at a directorate level
Resources	2	1	11		3		9		8	5	7	4 - overdue actions where an update has been requested 1 - overdue action where evidence has been requested in order to close action
TOTALS	48	9	81	0	56	23	9	2	76	34	56	

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Resources Directorate Internal Audit Section

Investigation Team Progress Report

(as at 29 February 2024)



2023/24

Planning & Resources

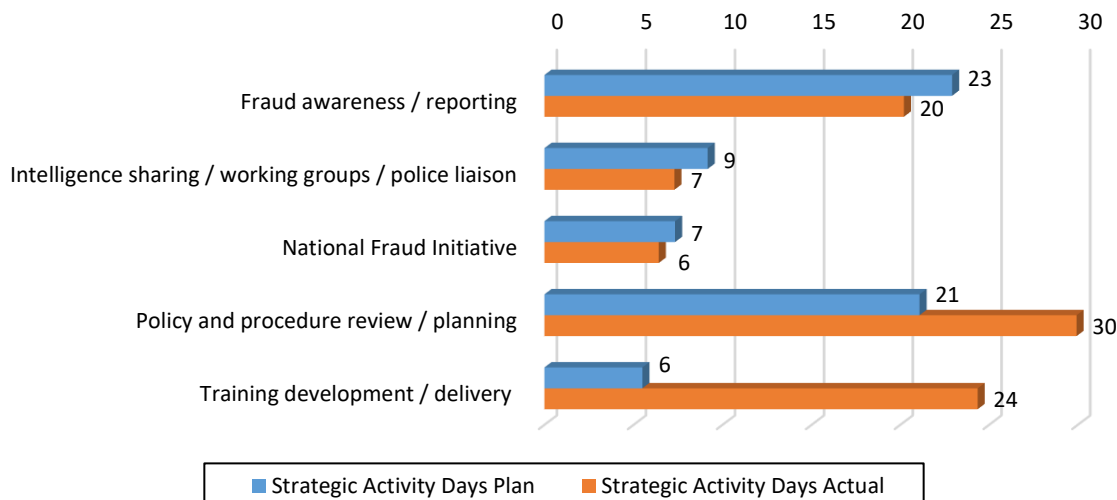
There are four hundred and fifty-two planned chargeable days available for the year based on current resources, indicatively split between strategic (72 days) and operational activities (380 days), as summarised below:

Strategic	Fraud awareness / reporting	25	Days
	Policy and procedure review / planning	23	
	Intelligence sharing / working groups / police liaison	10	
	National Fraud Initiative	8	
	Training development / delivery	6	
Operational	Council Tax Liability (CTL)	130	Days
	Council Tax Reduction (CTR)	80	
	Employee misconduct (disciplinary investigations)	60	
	Other fraud (Ad hoc and contingency)	55	
	Tenancy fraud	45	
	Grants	5	
	Advice and guidance	5	

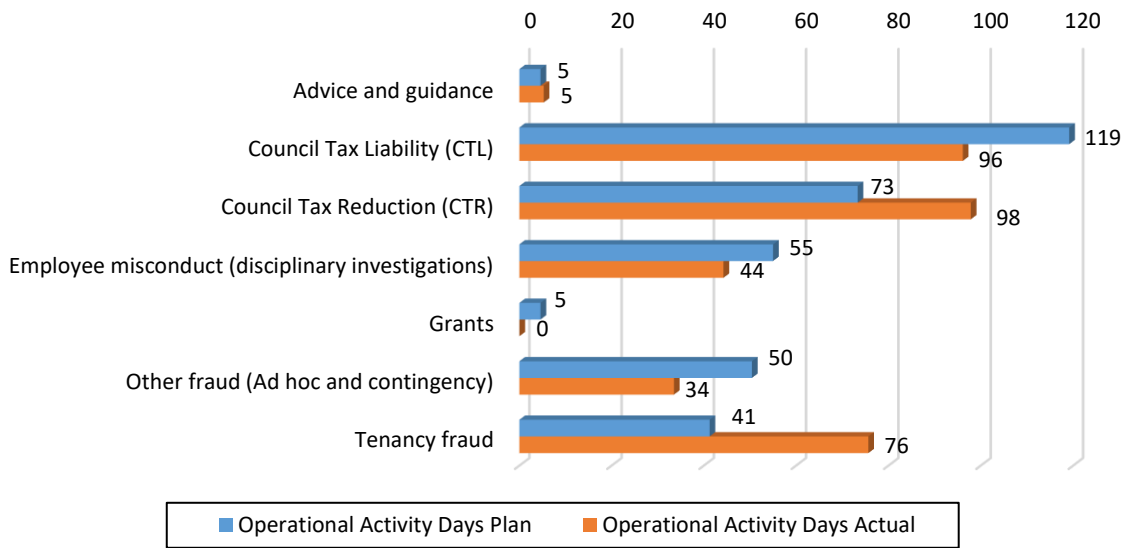
NB – Audit Manager time is not included within the above apportionment.

Activities

Strategic Activity Days



Operational Activity Days



Strategy, Policies, Training and Awareness

Following the approval of the Counter-Fraud, Bribery and Corruption Strategy and counter-fraud operational document updates by Cabinet in [December](#), which followed consideration by the Governance and Audit Committee in November, all school Headteachers and their Chairs of Governors have been contacted with it commended that they adopt a school version of the Strategy that has been prepared.

In accordance with the new Strategy a Counter-Fraud Oversight Group of Senior Management Team members has been established, a terms of reference has been agreed and a first meeting will take place during quarter one, with meetings thereafter to be held at least twice a year. The purpose of the group is to provide strategic management direction, oversight and review of the Council's counter-fraud arrangements, approach, and governance. Relevant updates will be provided to the Governance and Audit Committee via the Corporate Director Resources (Section 151 Officer) / Audit Manager as part of corporate assurance updates.

Senior Management Team has previously participated in an annual CIPFA Counter-Fraud and Corruption Tracker exercise, with the involvement of each Directorate. CIPFA have not run this exercise in recent years, and with no commitment to it recommencing, an annual in-house corporate counter-fraud risk assessment exercise is being introduced. The exercise, based on the CIPFA template previously completed, will consider the value and volumes of fraud investigations in different areas of the Council, risks, areas for further attention and resilience, following the financial year end:

- The Corporate Investigation Team will collate and provide fraud volumes and values for 2023/24 to Directorates.
- A template will be provided to each directorate with counter-fraud questions for Directorates to consider and complete.

- Responses will be collated and presented to SMT for collective consideration, at which time risk registers and actions should be reviewed and updated.

Further to the existing mandatory Fraud Awareness training, that more than 6,700 staff and school governors have completed (via eLearning or a face-to-face session), a refreshed mandatory fraud awareness training module has been produced.

The eLearning module will be released in two parts:

Part 1 – developed for release in April 2024

Principles and Values

Fraud (definitions and red flags)

Bribery and Corruption

Traditional and Modern Fraud

Summary

Part 2 – in development, for release during Q3 2024/25

Fraud Prevention

Responsibilities

Summary

For non-PC Users: A training pack and support will be provided to Directorate nominated officers to cascade Fraud Awareness training within their Directorate. Sessions will be made available for training nominated officers within Directorates from April 2024 onwards.

Schools are being engaged with separately. They are being encouraged to adopt a Counter-Fraud, Bribery and Corruption Template Strategy, and they will be encouraged to undertake the eLearning. Further training will be available where required.

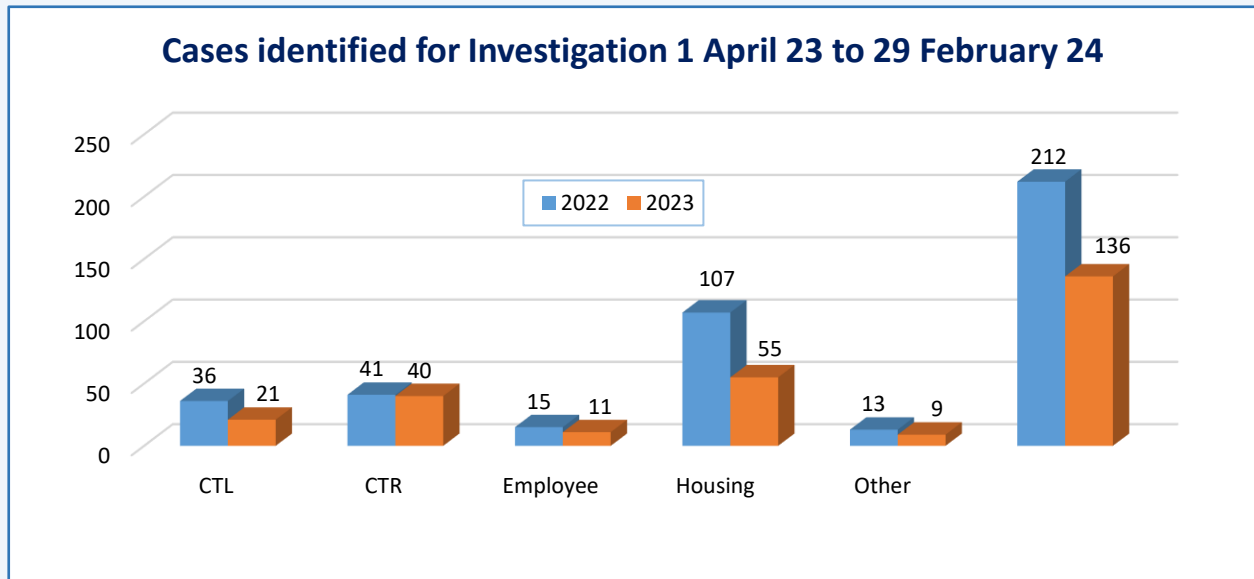
In February, Audit Wales published a report '[From Firefighting to Future-proofing - The Challenge of Welsh Public Services](#)' which expressed some important views on tackling fraud and error. Reference is made to the importance of investing in counter-fraud work and participating in data-matching exercises. The recently updated Counter-Fraud, Bribery and Corruption Strategy represents the Council's commitment to counter-fraud and attention is given to both strategic activities, such as the risk assessments and training referred to above, and proactive reviews, such as progressing National Fraud Initiative (NFI) data matches.

Casework

At the time of reporting, insurance data for the reporting period is not available from the Council's claims handler and is not included in the following analysis. The position against the Council's blue badge scheme is reported periodically but is also not included within this report. The position in respect of all investigation activities will be presented in the year-end position to be reported to Committee in July.

Cases Identified for Investigation

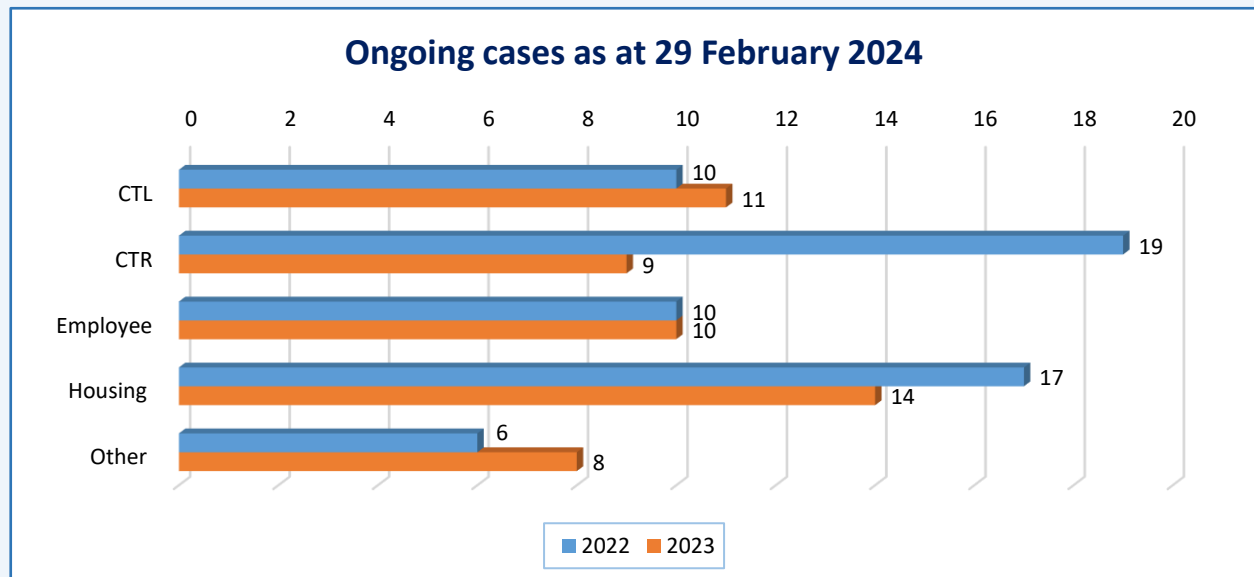
Excluding blue badge pilot work and insurance outcomes, 136 cases have been identified for investigation so far this year, compared to 212 for the same period last year:



The 9 cases designated as other this year relate to subletting, counterfeit pay and display tickets, false representation, falsification of records, Business Grants and Planning, Cheque fraud, Mandate fraud, Procurement card fraud and money laundering.

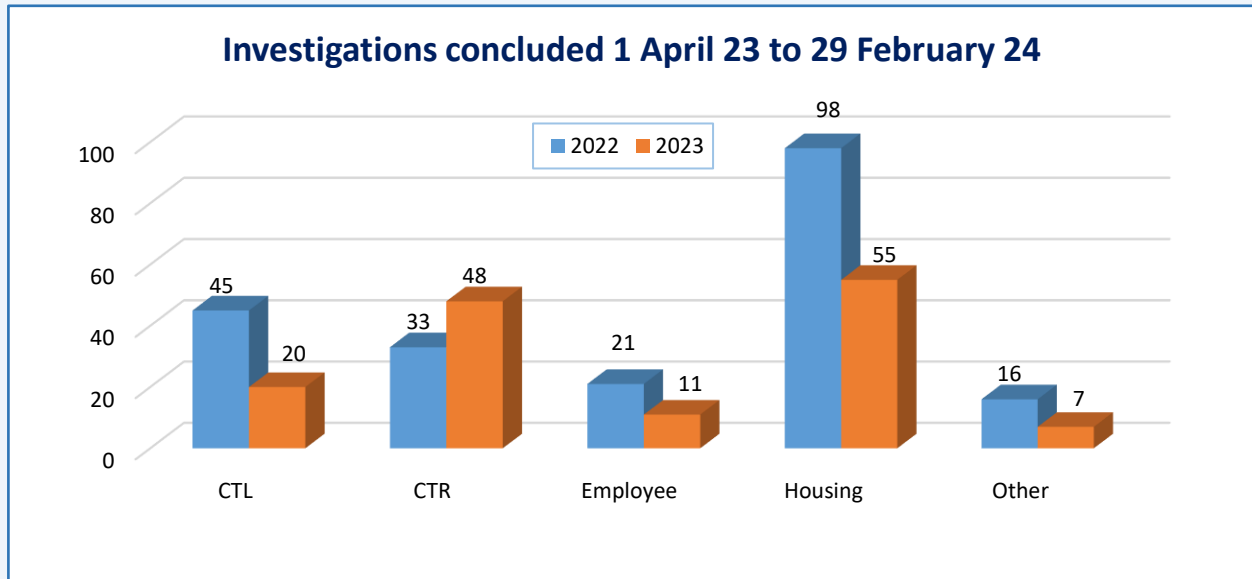
Ongoing Cases

Excluding blue badge pilot work and insurance outcomes, there are 52 investigations ongoing, compared to 62 for the same period last year:



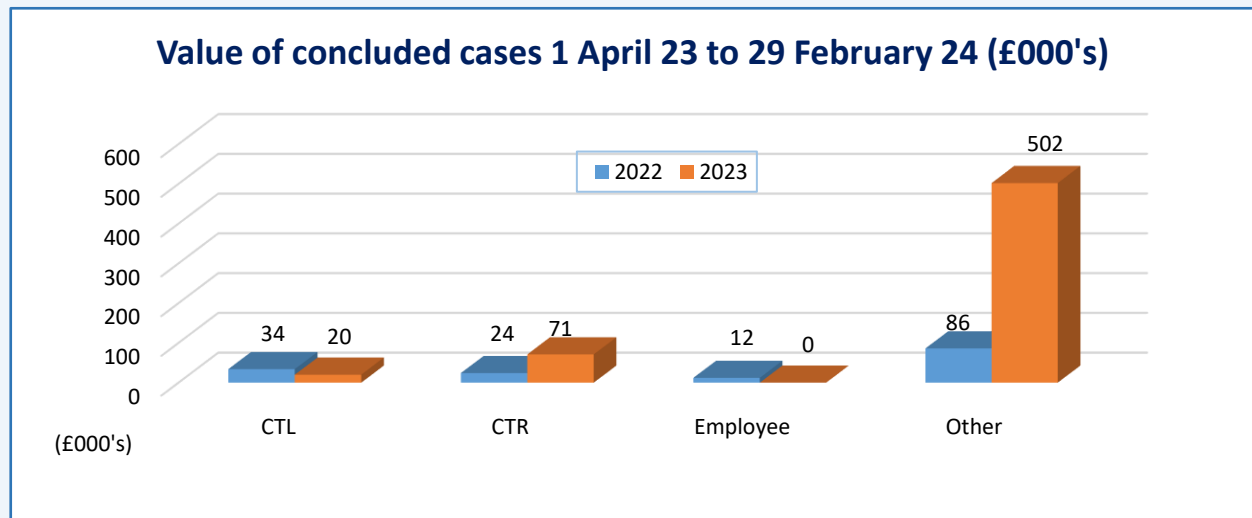
Concluded Cases

Excluding blue badge pilot work and insurance outcomes, 141 investigations have concluded so far this year, compared to 213 over the same period last year:



Financial Value

Excluding blue badge pilot work and insurance outcomes, £593,364 has been attributed to concluded cases in the 2023/24 year to date, compared to £156,758 for the same period last year:



- 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' relate to Bribery, Care Costs and Cheque fraud. The primary case designated as 'other' relates to the waste criminal case concluded at Swansea Crown Court in November 2023, with fraud of £417,000 attributed. Details reported by the CPS are contained [here](#).

National Fraud Initiative (NFI) – Overview

The **National Fraud Initiative** is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. The Auditor General for Wales requires Council Tax and Electoral Register data annually for single person Council Tax discount matching.

The latest output was published 23 January 2024 generating 4,658 matches, the matches are grouped and identify 2,552 cases suitable for review.

The Audit Manager and Operational Manager Revenue Services meet regularly to review the initiative and the Operational Manager Revenue Services allocates resources accordingly to prioritise and review matches considered to be high risk. Arrangements are being developed for a targeted review of Housing matches.

As part of the Public Sector Fraud Authority, the NFI team has received additional funding enabling them to create a specific team to deliver projects outside of the NFI mandated exercise, with a focus on innovation. During 2022/23 and 2023/24 Cardiff Council agreed to participate in two pilot exercises:

Dataset	Description	Matches
Housing	To identify possible cases of tenancy fraud, including abandonment	1,462
Council Tax	To assist in the identification of council tax payers that can be removed as a bill payer as they are deceased and the council has not been notified by the relatives/next of kin/executors	1,245

GOVERNANCE & AUDIT COMMITTEE: 26 MARCH 2024

INTERNAL AUDIT CHARTER AND AUDIT PLAN 2024/25**REPORT OF THE AUDIT MANAGER****AGENDA ITEM: 7.2**

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 2024/25 and appendices, including a draft Governance and Audit Committee Terms of Reference 2024/25.
4. The report also provides the Draft Audit Plan for 2024/25, 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 23 January 2024, the Draft Internal Audit Charter and Summary Audit Plan 2024/25 were presented for Governance and Audit Committee to consider and provide comments. Accompanying the Charter is the Governance and Audit Committee's draft Terms of Reference 2024/25 (subject to approval by Council).
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 2024/25.
7. On 22 February 2024, the Senior Management considered and were in agreement with the content of the draft Audit Charter and the draft Audit Plan 2024/25.

Issues

Audit Strategy

8. 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 21 March 2023.
9. 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

10. 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.
 11. The Governance and Audit Committee considered the Draft Audit Charter 2024/25 in its meeting on 23 January 2024, which is unchanged and appended to this report.
 12. Committee is advised that substantive updates will be required the Audit Charter to account for the new Global Internal Audit Standards ([GIAS](#)) which will take effect during 2025, as published by the Institute of Internal Auditors (IIA).
 13. The UK Public Sector Internal Audit Standards Advisory Board ([IASAB](#)) has begun its review of the new Standards. The IASAB will determine the implications for the PSIAS and will develop proposals for revised material which will be suitable for the UK public sector context. Any subsequent changes to the UK's PSIAS, and their implementation, will be subject to consultation and appropriate transitional arrangements. On this basis, the Charter will be reviewed in light of further advice and any publications on public sector application towards the end of 2024, and the Committee will be kept updated on developments.
- 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 2024/25, which will be recommended to Annual Council in May 2024 for approval.
- 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 2024/25

14. The approach to developing the Audit Plan was outlined to the Governance and Audit Committee in its report of 23 January 2024, at which time a summary plan and indicative allocation of audit time was provided.
15. The Draft 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 2024/25.
16. Since the Governance and Audit Committee Meeting on 23 January 2024, 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**.
17. 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 100 days are available for other work, to conclude carry forward audits and to track and report on the delivery of recommendations. The time allocation enables Internal Audit to provide active advice, guidance and assurance work across the Council, as and when required.

18. 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.

19. 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

20. 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 in 2024/25 in relation to purchasing payments and processing, payroll and HR, council tax, housing benefits / local housing allowance / council tax reduction scheme, income and debtors and asset management. It is also intended to undertake a control risk self-assessment process with all schools, and to complete targeted audits based on the returns with 20 schools.

21. The section of the Plan related to Corporate Audit includes a range of audit engagements covering areas of governance, risk management and control.

22. A large proportion of days has, as in previous years, been allocated to Service Specific audits. Thematic audits have been undertaken across all directorates in recent years. No thematic audits are proposed for 2024/25, with the proposed time allocated to service specific audits preserved for individual directorate systems and establishments. Separate

audit themes have been developed for Schools, and details are contained within the Audit Plan in Annex 3.

23. 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 2023/24

24. To further inform the Governance and Audit Committee in considering the Audit Plan 2024/25, **Annex 6** contains the current position in delivering the Audit Plan 2023/24. Against each audit, the position as at 29 February 2024 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 2024/25. A comment is also included, to outline how any audits not delivered in 2023/24 will be treated after the year-end.

Legal Implications

25. 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. However, the approval of the Committee's terms of reference (Appendix D to the draft Audit Charter) is a matter for full Council, which is reported to the Annual Council meeting in May each year.

Financial Implications

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

Recommendations

27. Governance and Audit Committee to:

1. Note the Audit Strategy
2. Approve the Internal Audit Charter 2024/25 (including the Governance and Audit Committee Terms of Reference 2024/25, ahead of a request for approval by Council)
3. Approve the Internal Audit Plan, 2024/25

CHRIS PYKE
AUDIT MANAGER

Annex 1: Internal Audit Strategy
Annex 2: Internal Audit Charter 2024/25
Annex 3: Internal Audit Plan 2024/25
Annex 4: Summary Assurance Map
Annex 5: Cyclical Audit Planning
Annex 6: Conclusion of Audit Plan 2023/24

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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 2024/25

Mission Statement

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



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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 and are subject to approval by full Council.

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

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** – 8.96 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 three qualified Accounting Technicians. A further member is studying for a Certified Information Systems Auditor (CISA) qualification, and in addition to the substantive resource the team benefits from a CIPFA Trainee placement.
 - 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

Appendix E

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.

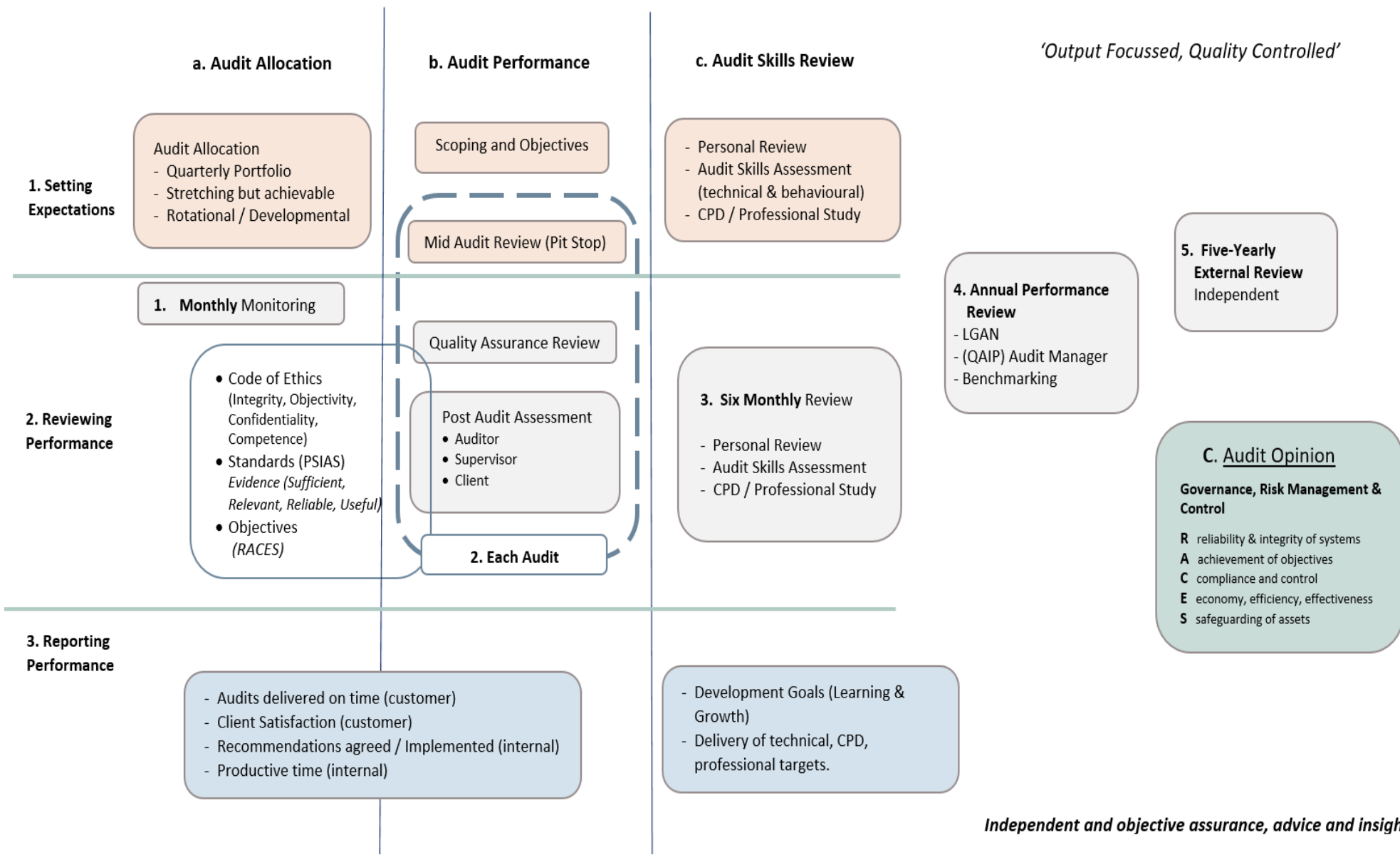
QAIP - OPERATIONAL APPROACH

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.

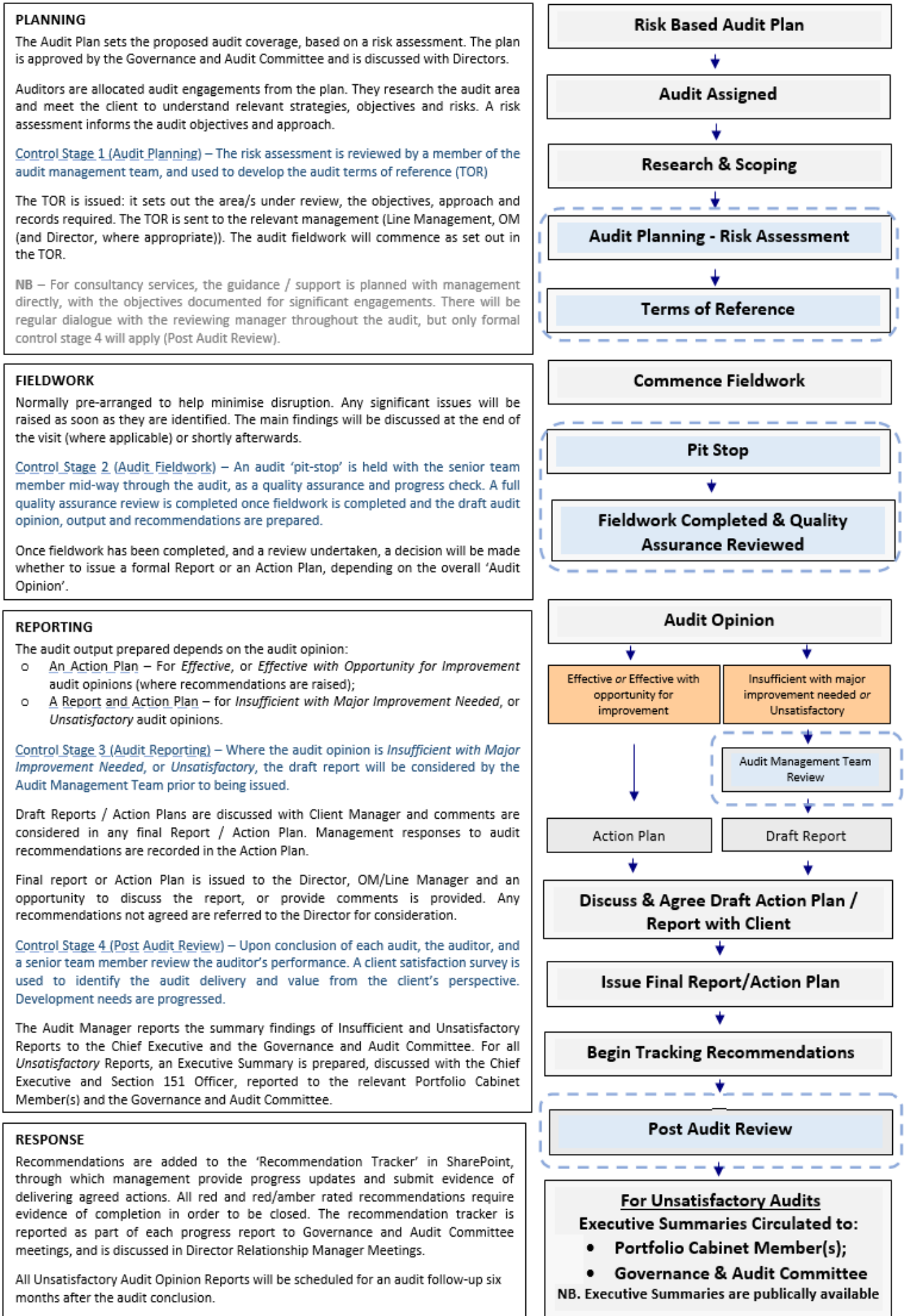
1. Setting expectations - With clear expectations in place, auditors can focus on delivery.
<ul style="list-style-type: none">✓ Audit Allocation - Each auditor has a quarterly allocation of work, which is stretching but achievable. Auditors are responsible for delivering their allocation effectively 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.
<ul style="list-style-type: none">✓ 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.
<ul style="list-style-type: none">○ 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.



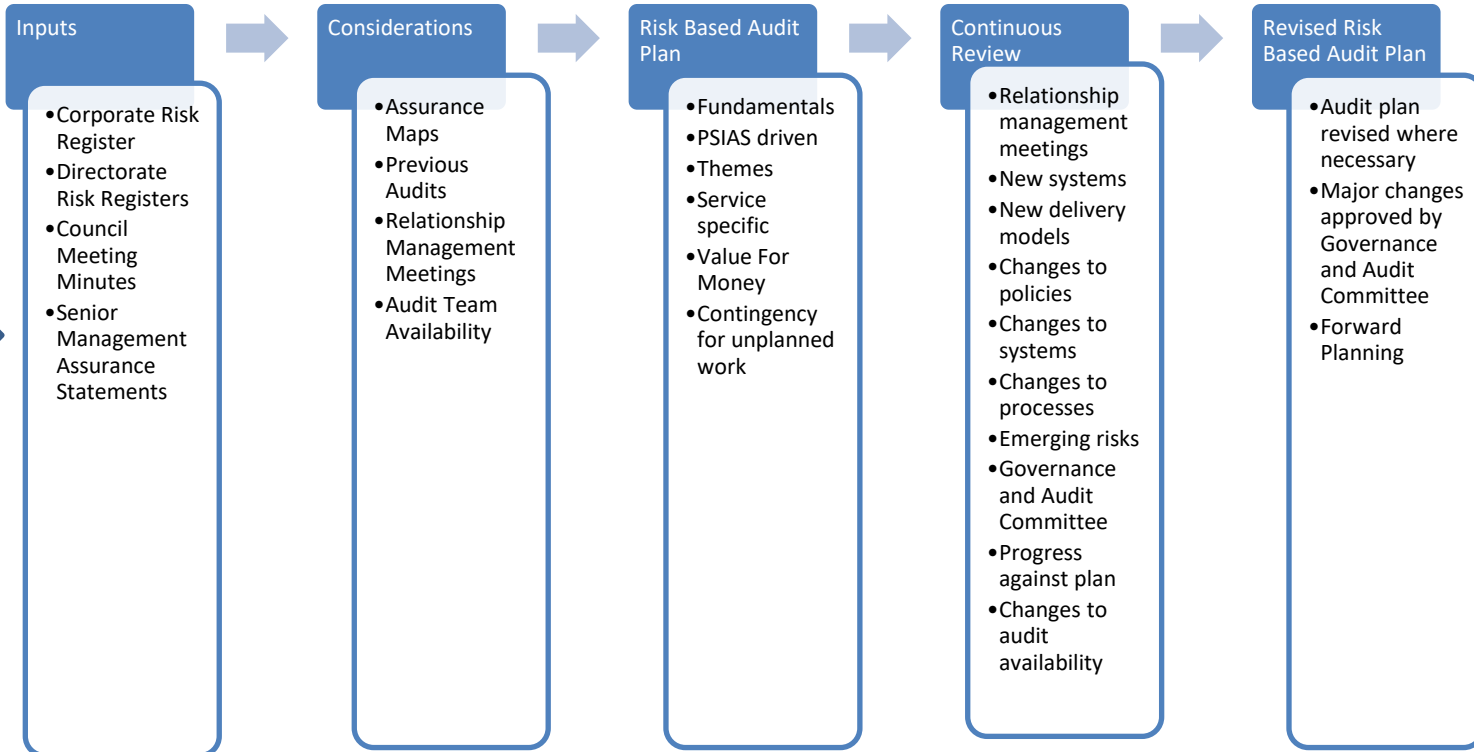
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Audit Category	Risk	Engagement Type	CIPFA Classification	Audit Plan 2023/24	Draft Audit Plan 2024/25	Assignment	Days	Audit Scope	National Issue	
Fundamental Audits - S151 Assurance										
Purchasing Payments and Processing	High	Assurance	Chargeable	50	50	CRSA	5	Purchases and Payments are compliant, authorised, accurate and timely		
						In-year Testing	30			
						Below Tender Threshold Procurement Controls	15			
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				20	20	Income and Debtors	20	Operation of appropriate arrangements to record, monitor and recover sundry debts.		
Asset Management				20	20	Asset Management	20	Effective recording, monitoring, management and control of physical assets		
Council Tax				0	20	Council Tax	20	Compliance and control, with effective and efficient processes		
HB / LHA/ CTRS				0	20	HB / LHA/ CTRS	20	Effective controls to ensure accurate processing of bona fide claims		
Housing Rents				10	0					
NNDR				20	0					
Treasury Management				20	0					
Main Accounting				20	0					
Total				210	180		180			
Corporate Audit										
				Audit Plan 2023/24	Draft Audit Plan 2024/25	Assignment	Days			
Risk Management	High	Assurance	Chargeable	15	15	IT Risk Management	15	Risk management arrangements are effective and operated consistently		
Contract Audit				40	40	Framework Agreements	20	Effective contract compliance, control and delivery of objectives		
						Direct Award Contracts	20			
Procurement				20	20	Procurement	20	Effective and compliance commissioning and procurement compliance and control arrangements		
ICT Audit				30	30	IT Business Continuity	15	Effective governance, risk management and control		
						Network and Communications Management	15			
National Fraud Initiative				10	10	National Fraud Initiative	10	Data matching counter-fraud exercise		
Value for Money studies				30	30	Value for money in use of Overtime	15	Assurance on value for money in use of overtime		
						Invest to Save	15	Assurance on value for money in invest to save schemes		
Stores				10	20	Lamby Way Stores	10	Effective and efficient stores management, and stock / equipment control		
	Tagomago Warehouse	10								
Education - SOP	20	20	Education - SOP	20	Delivery of objectives, with effective compliance and control					
Governance Arrangements	20	20	Governance Arrangements	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	TBC	30	30	Provision for System Development	30	Consultation or assurance services, as relevant.				
Delegation and decision making	Assurance	20	20	Delegation and Decision Making	20	Effective application of delegated authority and decision making				
Ethics and values		0	20	Gifts and Hospitality	10	Effective governance and procedures, consistently applied				
	Declarations of Interest			10						
Health and safety	0	20	Health and Safety	20	Effective and compliant application of the Council's health and safety framework					
Safeguarding	0	20	Safeguarding	20	Effective safeguarding governance and control processes					
Pensions and Investments	0	20	Pensions and Investments	20	Effective compliance and control					
Taxation				20	0					
Mileage & subsistence				15	0					
Fleet Management				20	0					
Wellbeing of Future Generations				20	0					
Business Continuity				20	0					
Information governance				20	0					
Total				380	355		355			
Service Specific Audit										
				Audit Plan 2023/24	Draft Audit Plan 2024/25	Assignment	Days			
Service / Process Consultancy	Medium	Consultancy	Chargeable	30	30	Provision for Service / Process Consultancy	30	Consultancy support across the Council, as appropriate		
Resources	Medium	Assurance		40	40	Budgeting and Forecasting	15	Assurance on budgeting and forecasting arrangements, supported by Accountancy		
						Income Recovery (inc. Bailiffs)	15			Delivery of service objectives with effective compliance and control
						Ardal Procurement Partnership	10			
Governance and Legal Services	Medium	Assurance		40	30	Land Charges cf	10	Delivery of service objectives with effective compliance and control		
						Members' Remuneration and Allowances	10			
						TBC	10			
People and Communities	Medium	Assurance		30	30	Bilingual Cardiff	15	Compliance with Welsh Language Standards and service objectives		
						Housing Development & Regeneration - Major Project Governance	15	Delivery of service objectives with effective compliance and control		
Adults, Housing & Communities	Medium	Assurance		125	150	Mental Health Day Services cf	15	Delivery of service objectives with effective compliance and control		

						Residential Care cf	15		
						Allocations, lettings and voids cf	15		
						Home Care cf	15		
						Homelessness - Temporary Accommodation	15		
						Disabled Grants	15		
						Joint Equipment Store	15		
						Learning Disabilities Day Services	15		
						Supported Living	15		
						Childcare Placements	15		
Childrens' Services	Medium	Assurance		40	60	Special Guardianship	15	Delivery of service objectives with effective compliance and control	
						Children's Savings (Pocket Money)	15		
						Unregistered Placements	15		
						TBC	15		
Economic Development	Medium	Assurance		80	120	Statutory Compliance cf	15	Assurance on statutory compliance systems and controls	
						Materials Recycling Facility	15	Delivery of service objectives with effective compliance and control	
						Weighbridges	15		
						Cabin Refuse Shop - Contract Management	5		
						Parks	15		
						Cleaning Services	15		
						Cardiff International White Water	10		
						Cardiff Motocross	10		
						Allotment Management	10		
		Consultancy				St David's Hall Post Closure Review	10	Review of financial control processes and lessons learned	
Education and Lifelong Learning	Medium	Assurance		150	190	School Admissions cf	15	Effective and well governed arrangements for school admissions	
						Schools VAT Assurance cf	15	Effective compliance and control	
						Governor Services cf	15		
						Schools Information Management cf	15		
						ALN Specialist Teaching	20		
						Music Service	15		
						School Deficit Budgets / Financial Management	20		
						CRSA (and sample of 20 schools)	70		
						Pentrebane Primary	5		
Planning, Transport and Environment	Medium	Assurance		45	60	Highways Maintenance cf	15	Delivery of service objectives with effective compliance and control	
						Bereavement Services	15		
						Civil Parking Enforcement	15		
						School Transport	15		
Total				580	710		710		
External				Audit Plan 2023/24	Draft Audit Plan 2024/25	Assignment	Days		
External clients	High	Assurance	Chargeable	35	35	City Deal 2023/24	10	Scope as per rolling SLA	Y
	Low	Certification				Cardiff Further Education Trust Fund 2023/24 - tbc	4	Grant certification / statement of accounts work	
						Joint Committees	6		
						Education Improvement Grant 2023/24 - tbc	15		
Total				35	35		35		
Contingencies				Audit Plan 2023/24	Draft Audit Plan 2024/25	Assignment	Days		
General Audit	TBC	TBC	Chargeable	55	100	General Audit (provision for carried forward audits / other work / recommendation tracking)	100	General Audit (provision for carried forward audits / other work / recommendation tracking)	
Total				55	100		100		
Management				Audit Plan 2023/24	Draft Audit Plan 2024/25	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	20	20	Assurance mapping	20		
CRSA development		Management	Chargeable	10	20	CRSA development	20		
Process development		Management	Chargeable	15	15	Process development	15		
Work for Audit Manager		Management	Chargeable	30	50	Work for Audit Manager	50		
Planning, monitoring & reporting		Management	Chargeable	30	53	Planning, monitoring & reporting	53		
Review of financial rules etc.		Management	Chargeable	60	40	Review of financial rules etc.	40		
General advice and guidance		Management	Chargeable	20	20	General advice and guidance	20		
Total				235	268		268		

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Cyclical Audit Planning



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Audit Category	Risk	Engagement Type	CIPFA Classification	Original audit plan 2022/23	Original Audit Plan 2023/24	Assignment	Days	Audit Scope	National Issue	Audit Output Status 29.02.2024	Audit Opinion	
Fundamental Audits - S151 Assurance												
Purchasing Payments and Processing	High	Assurance	Chargeable	50	50	In-year Testing 2022/23 (c. 2022/23)	0	Purchases and Payments are compliant, authorised, accurate and timely		Final Issued	Effective	
						CRSA	5	Purchases and Payments are compliant, authorised, accurate and timely		Final Issued	No opinion	
						In-year Testing	25					
				Purchasing Cards	20							
Payroll & HR				50	50	In-year Testing 2022/23 (c. 2022/23)	0	As below			Draft Issued	Insufficient with Major Improvement Needed
						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		Final Issued	Effective with Opportunity for Improvement	
						In-year Testing	25			Final Issued	No opinion	
						Time Recording	20					
Income and Debtors				0	0	Income and Debtors (cf. 2022/23)	0	Operation of appropriate arrangements to record, monitor and recover sundry debts.			Final Issued	Effective with Opportunity for Improvement
						3	20	Income and Debtors		20	Operation of appropriate arrangements to record, monitor and recover sundry debts.	
NNDR				0	20	NNDR	20	Business rate collection and control is working effectively and efficiently			Final Issued	Effective
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		Final Issued	Effective with Opportunity for Improvement				
Pensions and Investments	0	0	Pensions and Investments (cf. 2022/23)	0	Effective compliance and control		Final Issued	Effective with Opportunity for Improvement				
Asset Management	0	0	Asset Management (cf. 2022/23)	0	Effective recording, monitoring, management and control of physical assets		Final Issued	Effective with Opportunity for Improvement				
Council Tax				20	0							
HB / LHA/ CTRS				20	0							
Total				143	210		210					
Corporate Audit												
Risk Management	High	Assurance	Chargeable	15	15	Climate Change Risk Management	15	Risk management arrangements are effective and operated consistently				
Contract Audit				40	40	Contract Variations (cf. 2022/23)	0	Effective contract compliance, control and delivery of objectives			Final Issued	Insufficient with Major Improvement Needed
						Cradle to Grave Audit	20	Effective contract compliance, control and delivery of objectives			Draft Issued	Effective with Opportunity for Improvement
						Framework Agreements	20					
Taxation				20	20	Taxation	20	Effective compliance and control.			Final Issued	Effective
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	Directorate PCI - DSS Compliance (cf. 2022/23)	0	Effective co-ordination, risk management and control			Final Issued	Insufficient with Major Improvement Needed
						Backup and Data Recovery	15	Effective governance, risk management and control			Draft Issued	Effective with Opportunity for Improvement
						Cyber Security (Schools) – ICT Managed Technology	15	Effective governance, risk management and control			Draft Issued	Insufficient with Major Improvement Needed
National Fraud Initiative				10	10	National Fraud Initiative	10	Data matching counter-fraud exercise			Final Issued	No opinion
Value for Money studies				30	30	Value for money in use of Council Vehicles	15	Assurance on value for money in use of Council vehicles			Final Issued	Effective with Opportunity for Improvement
	Value for money in use of Overtime	15	Value for money in use of overtime									
Stores	10	10	Lamby Way Stores	10	Effective and efficient stores management, and stock / equipment control							
Education - SOP	20	20	Education - SOP	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		Final Issued	Effective				
Delegation and decision making	20	20	Delegation and decision making	20	Effective application of delegated authority and decision making							
Ethics and values	20	0	Ethics and Values (cf. 2022/23)	0	Policy and process alignment to principles of best practice ethics and values		Final Issued	Effective with Opportunity for Improvement				
Ethics and values - Whistleblowing Processes	0	0	Whistleblowing Processes (cf. 2022/23)	0	Whistleblowing processes are compliant and effective		Final Issued	Effective with Opportunity for Improvement				
Welsh Government Covid Grants	20	0	Welsh Government Covid Grants - Assurance (cf. 2022/23)	0	Sample check of effective compliance and control in administering WG Grants		Final Issued	Effective				
Complaints and Compliments	20	0	Complaints and Compliments (cf. 2022/23)	0	Effective arrangements and systems in place for handling complaints & compliments		Final Issued	Effective with Opportunity for Improvement				
Partnership / Arms-length Assurance	20	0	Partnership / Arms-length Assurance (cf. 2022/23)	0	Effective governance, risk management and control arrangements		Final Issued	Effective with Opportunity for Improvement				
Health and safety				5	0							
Safeguarding				4	0							
Welsh Government Covid Grants - Assurance				20	0							
Total				409	380		380					
Service Specific Audit												
Service / Process Consultancy	High	Consultancy	Chargeable	40	30	Provision for Service / Process Consultancy	30	Consultancy support across the Council, as appropriate		Work Completed	No opinion	
Resources	High	Assurance	Chargeable	60	40	Resources - Health and Safety (cf. 2021/22)	0	Directorate health and safety compliance and risk management.		Final Issued	Effective with Opportunity for Improvement	
						Performance Management	15	Performance management arrangements are effective, and operated consistently.		Draft Issued	Effective	
	Central Transport Service (cf. 2022/23)	0				Delivery of service objectives with effective compliance and control		Final Issued	Unsatisfactory			
	Alarm Receiving Centre (cf. 2022/23)	0						Draft Issued	Effective with Opportunity for Improvement			
	FOLLOW UP - Central Transport Service	10				Delivery of service objectives with effective compliance and control						
	Insurance	15			Final Issued	Effective						
Governance and Legal Services	High	Assurance	Chargeable	45	40	Performance Management	10	Performance management arrangements are effective, and operated consistently.		Final Issued	Effective	
	Medium					Electoral Services	20	Delivery of service objectives with effective compliance and control		Final Issued	Effective	
						Land Charges	10					
People and Communities	High	Assurance	Chargeable	40	30	Performance Management	15	Performance management arrangements are effective, and operated consistently.		Draft Issued	Effective	
	Medium					Community Safety	15	Assurance on compliance with statutory requirements				

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Adults, Housing & Communities	High	Assurance		154	125	Performance Management	15	Performance management arrangements are effective, and operated consistently.		Final Issued	Effective	
	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					
Childrens' Services	High	Assurance		40	40	Performance Management	15	Performance management arrangements are effective, and operated consistently.		Final Issued	Effective	
	Medium					Youth Offending Service	15	Delivery of service objectives with effective compliance and control				
						Falconwood Children's Home	10					
Economic Development	High	Assurance		100	35	Statutory Compliance	8	Assurance on statutory compliance systems and controls		Final Issued	Effective	
	Medium					Building Repairs and Maintenance	15	Assurance on asset and financial management in the council and school non-domestic estate				
						Performance Management (cf. 2022/23)	0	Delivery of service objectives with effective compliance and control				
						Harbour Authority (cf. 2022/23)	0					
						Disposal of Land and Buildings (cf. 2022/23)	0					
						Cardiff Dogs Home (cf. 2022/23)	0					
						Event Management (Cardiff Castle)	7	Delivery of service objectives with effective compliance and control				
						Pest Control	5					
						Commercial Waste	5					
						Facilities Management (Building Support)	10					
Economic Development (Waste Management)				67	30	Waste Management Enforcement (cf. 2022/23)	0			Final Issued	Effective with Opportunity for Improvement	
						Skip Hire (cf. 2022/23)	0					
						Waste Management Overtime	15					
						Street Cleansing	15					
Education and Lifelong Learning	High	Assurance		182	150	School Asset Management - Albany Primary School (cf. 2022/23)	0	Schools asset management compliance and control.		Final Issued	Effective	
	Medium					School Asset Management - St Patricks Primary School (cf. 2022/23)	0	Schools asset management compliance and control.				
						Health and Safety (cf. 2022/23)	0	Directorate health and safety compliance and risk management.				
						Performance Management	15	Performance management arrangements are effective, and operated consistently.				
						Ysgol Bro Edern (cf. 2022/23)	0	Audit of systems of governance and internal control within individual school				
						Eastern High School (cf. 2022/23)	0	Audit of systems of governance and internal control within individual school				
						Schools with Surplus Balances - Thematic (cf. 2022/23)	0	Effective compliance and control				
						Catering in Opted out schools (cf. 2022/23) - Corporate Report	0					
						Catering in opted out schools - Mary Immaculate (cf. 2022/23)	0					
						Catering in opted out schools - Cardiff HS (cf. 2022/23)	0					
						Catering in opted out schools - Whitchurch HS (cf. 2022/23)	0					
						Catering in opted out schools - Greenhill School (cf. 2022/23)	0					
						FOLLOW UP - Cardiff West Community High School (cf. 2022/23)	0					
						School Admissions	15	Effective and well governed arrangements for school admissions				
						Bishop of Llandaff CIW High School	7.5	Audits of systems of governance and internal control within individual schools				
						Cathays High School	7.5					
						Woodlands High	7.5					
						Ysgol Gyfun Gymraeg Plasmawr	7.5					
						Thornhill Primary	5					
						Fairwater Primary	5					
						Schools Education Technology Procurement - (advisory review)	10					
						School Catering Controls - (advisory review)	10					
						Kitchener Primary	5					
						Schools VAT Assurance	15	Effective compliance and control				
						Cashless catering in secondary schools	15					
						Governor 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.		Final Issued	Effective	
	Medium					Highways Maintenance	15					
						Planning	15					
Total				783	565		600					
External				Original audit plan 2022/23	Original audit plan 2023/24	Assignment	Days					
External clients	High	Assurance	Chargeable	25	35	City Deal 2021/22 (cf. 2022/23)	0	Scope as per rolling SLA		Final Issued	Effective with Opportunity for Improvement	
	Low					Certification	City Deal 2022/23	10				Scope as per rolling SLA
		Cardiff Further Education Trust Fund 2021/22					0					
		Cardiff Further Education Trust Fund 2022/23 - tbc					2					
		Norwegian Church Preservation Trust 2022/23 - tbc					2					
		Joint Committees				6						
	Education Improvement Grant 2022/23 - tbc	15										
Total				25	35		35					
Contingencies				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)	35	General Audit (provision for carried forward audits / other work)				
Total				10	70		35					
Management				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			
Total			185	235		235			
Total chargeable days			1,555	1,495		1,495			

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**GOVERNANCE & AUDIT COMMITTEE:
26 March 2024**

CORPORATE RISK MANAGEMENT - QUARTER THREE 2023/24**REPORT OF CORPORATE DIRECTOR RESOURCES AGENDA ITEM: 8.1**

Reason for this Report

1. To update Governance & Audit Committee on the risk management position at quarter three 2023/24 and to highlight any changes from the quarter two 2023/24 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 28th of November 2023, at which time the risk management position at quarter two 2023/24 was presented.
4. Each Directorate holds a Directorate Risk Register (DRR) and the Senior Management Team (SMT) collectively own a Corporate Risk Register (CRR). The CRR records the main risks to the delivery of corporate objectives and priorities, whilst the DRRs record the key risks to the delivery of Directorate functions and priorities.
5. A risk escalation process is in place, whereby each Director is required to take ownership of all residual (current) risks rated as 'red/amber' and above on their DRR and, at a minimum, to escalate all 'red' residual risks to SMT for collective ownership and review.
6. 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. All escalated DRRs are reviewed by the Corporate Risk Team, to ensure they are relevant for discussion at SMT.

Issues

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

Directorate Risks

- At the quarter three position, 269 risks were reported from Directorate Risk Registers. All escalated risks were considered against their current and target risk positions and requests for de-escalation were discussed and approved in SMT on the 22nd of February, 2024.
- It was agreed that fifteen Directorate risks would be carried forward as SMT escalated risks at quarter three. Eleven of the fifteen escalated risks have a target risk to be achieved by Q4 2023/24 and this will be reported at the end of year report having considered the latest risk data available for each identified escalated risk.
-

Directorate	Directorate Risks	Risks at SMT Escalation Point
Economic Development (inc Waste)	28	3
Education	15	0
Housing & Communities	29	3
Performance & Partnerships	14	1
Social Services	15	7
Planning, Transport & Environment	18	0
Resources (inc ICT)	131	1
Governance & Legal Services	19	0
Total	269	15

Corporate Risks

- SMT collectively reviewed the escalated directorate risks and corporate risk updates at the end of quarter three.
- In November's Governance & Audit Committee an update was provided on the position of the Homelessness Crisis and that as of quarter three this risk would be added to the Corporate Risk Register. Appendix B, Detailed Corporate Risk Register includes 'Housing Emergency' for corporate oversight of the risk which details both the current and future actions designed to manage the risk but there is an expectation that this risk will remain Red for the forthcoming two years as investment is made in solutions to significantly impact on the risk of shortage of housing supply.

14. Looking forward to quarter four, work will be undertaken on reviewing the target risk progress on each escalated and corporate risk to ensure that they remain relevant and reflective of the environment within which each risk operates. The Quarter 4 report will also provide a level of assurance of the extent to which the Council is scanning the horizon for risks across the medium and long term. This review will include the outputs from the Core Cities risk management group.

Reason for Recommendation

15. To enable the Governance & Audit Committee to monitor risk management activity and consider the Risk Management Review – quarter three 2023/24.

Legal Implications

16. 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

17. 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

18. 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 - Corporate Risk Register Summary Snapshot – Q3 2023/24

Appendix B - Detailed Corporate Risk Register – Q3 2023/24

The following background papers have been considered:

- *Directorate Risk Registers Q3 2023/24*

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Corporate Risk Register Summary Snapshot Quarter 3 2023/24

Appendix A

Number of Risks by Inherent Risk Rating

Likelihood	A	A1 12	A2 0	A3	A4
	B	B1 6	B2 4	B3	B4
	C	C1	C2	C3	C4
	D	D1	D2	D3	D4
	E	E1	E2	E3	E4
		1	2	3	4
		Impact			

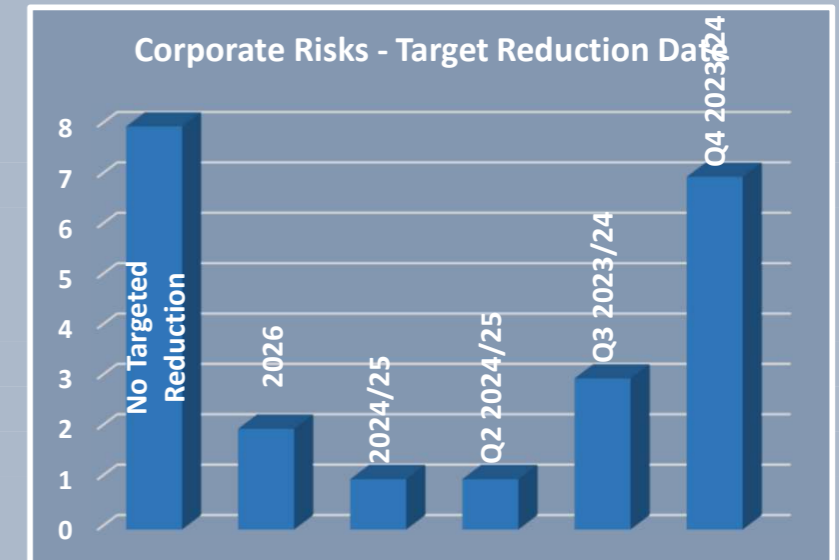
Number of Risks by Residual Risk Rating

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

Number of Risks by Target Risk Rating

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

Inherent Risk Rating	Corporate Risk Title	Residual Risk		Target Risk	
		Rating	Movement from Q2	Rating	Movement from Q2
A1	Climate Change (Aggregate)	B2	↔	C2	↔
	City Security	B1	↔	B1	↔
	Air Quality & Clean Air Strategy	B2	↔	C3	↔
	Cyber Security	C1	↔	D1	↔
	Budget Monitoring (Control)	C2	↔	D2	↔
	Financial Resilience	C1	↑	C2	↔
	Schools Organisation Programme (Band B)	B2	↔	E3	↔
	Health and Safety	D3	↔	D3	↔
	Statutory Compliance Management in Council Buildings	C2	↔	D3	↔
	Information Governance	D1	↔	D2	↔
	Ensuring Access	A3	↓	B3	↔
B1	Housing Emergency	B1	↔	B2	↔
	Recycling Performance	C2	↔	D3	↔
	Increase in Demand (Children's Services)	C1	↔	D1	↔
	Education – Schools Delegated Budgets	A2	↔	B2	↔
	Business Continuity	D1	↔	D1	↔
B2	Safeguarding Children & Adults at Risk	D1	↔	D1	↔
	Coastal Erosion	B2	↔	C2	↔
	Legal Compliance	C2	↔	C2	↔
	Performance Management	D2	↔	D2	↔
	Fraud, Bribery and Corruption	D2	↔	D2	↔
	Education Improvement & Attainment	B3	↔	C3	↔



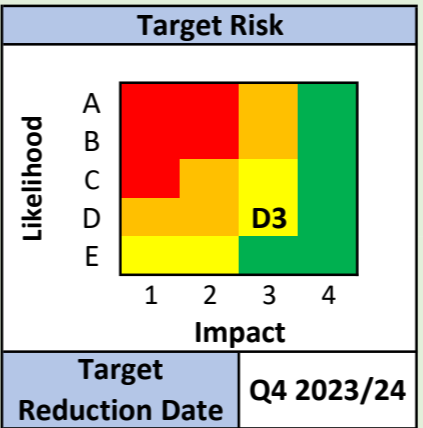
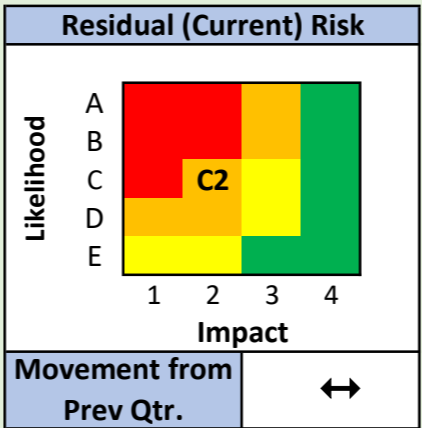
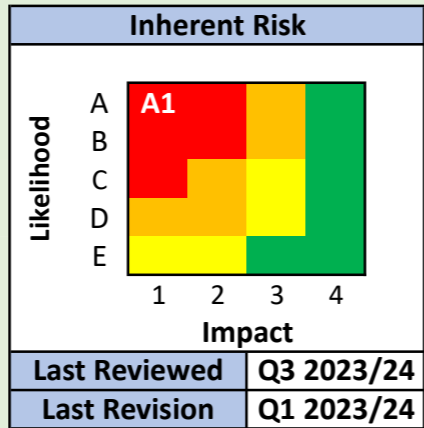
Key	
High (Red)	Medium (Red-Amber)
Medium (Amber-Green)	Low (Green)
↓	Decrease from previous quarter
↔	No change from previous quarter
↑	Increase from previous quarter

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Statutory Compliance Management in Council Buildings

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

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

Contractor

- Consequential remedial work identified on test certificates.
- Statutory maintenance contracting arrangements in place as specification for statutory obligations testing and new risk based specification for legionella management supported by RAMIS.
- Internal resource reviews review all test certificates, remedial work captured and communicated to client as necessary/applicable
- Statutory Obligations Team continues to provide monitoring and supervision of statutory obligations contractor including contractor training arrangements on Council system. Incorporating latest advice from bodies such as HSE.

RAMIS IT Software

- Bi-monthly reporting on statistics to SMT for all to consider any issues / mitigations.
- Continue to ensure the number of Building Managers with training remains appropriate in terms of number and coverage.
- Compliance ratings target set at 80% minimum
- Condition surveys have been completed to maintain our understanding /knowledge of all the Council's land and property holdings.

What we plan to do to meet target

Statutory 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. Q2, 2023/24 update - Gaps in compliance identified and in process of being actioned. **ONGOING**
- Completed a review of arrangements and appointed new Framework contractor for statutory inspections/maintenance for non-domestic Council premises. Under new Framework, tighter controls established within the new contract to ensure good performance. Enhanced governance with Building Managers to ensure essential works are progressed to ensure compliance. Stat Maintenance Team have now moved to SED - moved to SED restructure complete. (now moved to Q4, 2023/24 to align with restructuring critical teams). **Q4 23/24**
- Risk reduction is on target to be reduced as planned for Q4, 2023/24. Work is currently focussed on resolving residual tasks from previous contractor, and delivering on the planned inspection and works programme for 2023/24 which is on target. **Q4 23/24**

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

Type(s) of Impact

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

Linked Risks

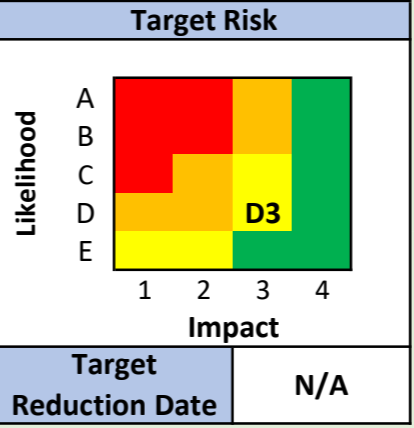
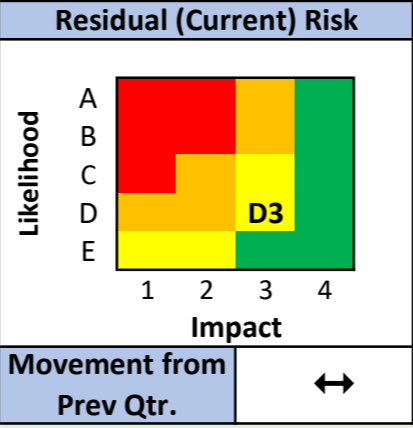
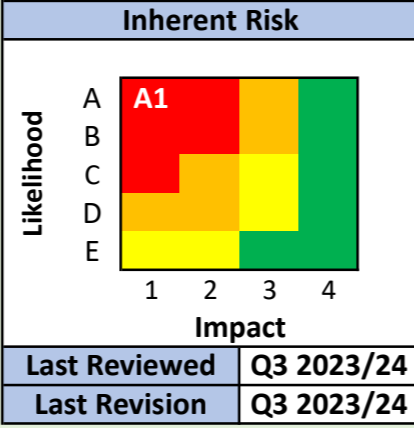
Health & Safety

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 -Reports submitted to Corporate Health & Safety Forum and Senior Management Team. Based on Current HSE National Advice
- Condition Surveys School Buildings - Shared with Schools .
- Insurance fire safety improvements actioned. Including safe operation of the fire suppression system in Lamby Way MRF and Fire Risk Assessment updated.
- Continue Asbestos Training - Online and face to face taking place. Briefing sessions for technical departments and Building Managers to ensure they understand their responsibilities under the Corporate Asbestos Management (CAM) Plan.
- RAAC Inspections - Schools inspections are complete, with no RAAC identified in the schools. RAAC inspections are now being progressed for the remaining Council premise portfolio.
- Due to the cumulative effect of both the current financial situation and anticipated adverse weather conditions experienced over the Autumn/Winter months the Schools' Health and Safety SLA Service will adopt a reactive model focusing on premises and building safety to ensure the highest risk is being prioritised across all schools.
- It is also anticipated the budget pressure on schools may have an impact on schools' statutory maintenance compliance.

What we plan to do to meet target

- Continue to monitor embedding of current controls to reduce the overall risk ONGOING
- RAAC Inspection - Work continues to inspect the Council premise portfolio, (non schools), it is anticipated this will be completed by the end of October - ONGOING
- A schools' risk register has been created and will be continually updated. Officers will monitor on a monthly basis - ONGOING
- Statutory compliance will be closely monitored and reported on a quarterly basis.

Potential Impact(s)

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

Type(s) of Impact

- Service Delivery
- Reputational
- Legal
- Financial

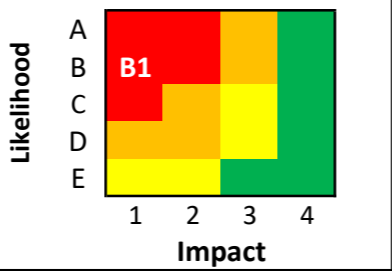
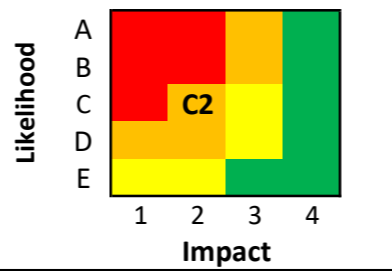
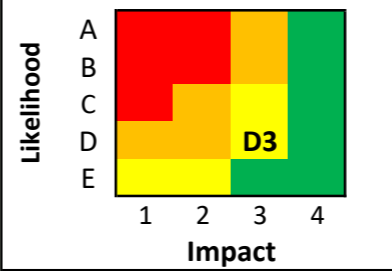
Linked Risks

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.

Recycling Performance

Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)								
<p>Failure to meet statutory recycling performance targets within the Waste (Wales) Measure 2010</p> <p>Failure to meet target may lead to Welsh Government imposing fiscal penalty</p>				<p style="text-align: center;">Neil Hanratty (Matt Wakelam)</p> <p style="text-align: center;">Councillor Caro Wild Climate Change</p>								
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Last Reviewed</td> <td>Q2 2023/24</td> </tr> <tr> <td>Last Revision</td> <td>Q2 2023/24</td> </tr> </table>	Last Reviewed	Q2 2023/24	Last Revision	Q2 2023/24	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">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="width: 50%;">Target Reduction Date</td> <td>2024/25</td> </tr> </table>	Target Reduction Date	2024/25	
Last Reviewed	Q2 2023/24											
Last Revision	Q2 2023/24											
Movement from Prev Qtr.	↔											
Target Reduction Date	2024/25											

Potential Impact(s)
<p>Financial</p> <ul style="list-style-type: none"> Penalties Financial costs to improve recycling performance <p>Strategic/ Reputational</p> <ul style="list-style-type: none"> Reputational consequence with citizens and key stakeholders

What we've done/are currently doing to achieve the Residual Risk Rating
<p>Cardiff's Recycling Strategy 2022-2025 Cleaner and Greener</p> <ul style="list-style-type: none"> Recycling Strategy for Cardiff sets out the Council's long-term objectives over the next 3 years and considers economic, social and environmental aspirations, to ensure Cardiff is one of the leading cities in the world for recycling. Strategy was approved at September 22nd 2022 Cabinet meeting; Agreement in principle be given to the programme of change set out in the Recycling Strategy 2022-25: 'Greener and Cleaner' and this report and delegate authority to the Director of Economic Development in consultation with the Cabinet Member for Climate Change to roll-out the phased implementation of the programme including: Agreement in principle be given to the programme of change set out in the Recycling Strategy 2022-25: 'Greener and Cleaner' and this report and delegate authority to the Director of Economic Development in consultation with the Cabinet Member for Climate Change to roll-out the phased implementation of the programme including: <ul style="list-style-type: none"> The phased roll-out of segregated recycling as set out in this report across household properties in Cardiff. The review of residual waste provision to support introduction of measures to increase participation in food waste recycling Undertake further pilot work in relation to Houses of Multiple Occupancy and Flats to improve recycling performance including the testing of communal segregated recycling bins. Review the expansion of kerbside collection services to cover items currently not collected at the kerbside. Enhance and strengthen education and enforcement to deliver improved recycling compliance across household properties in Cardiff. Develop the business case to move from a Material Recovery Facility to a Material Handling Facility required to manage segregated recycling Improvements to the trade / business waste model to improve recycling and meet new legislative requirements. Identification of wider Council / service area change to value resources and minimise the Council's impact on climate change. <ul style="list-style-type: none"> the plans to enhance the cleansing service, including the move balanced resourcing and 'same day cleanse' following collections for inner wards be noted. the development of a business case for a future repair and re-use 'superstore' be noted. A further report will be brought regarding the business case. Pilot for segregated recycling commenced 24th Jan 2022 - participation 10,000 properties and is now complete. <p>Wider Governance & Compliance</p> <ul style="list-style-type: none"> Working in partnership with WG, WRAP & WLGA to deliver the actions within the new Recycling Strategy, Implementation Plan & individual business cases segregated recycling modelling and business case - Draft Initial Strategic Project Assessment (ISPA) was submitted to WG in Q3 material recovery facility to material handling facility, outline design and business case - delivery of outline design Q4 2023/24 development of blueprint model for flats, working in partnership with Swansea council trade business waste recycling review in preparation of new legislation <ul style="list-style-type: none"> A project team of Cardiff Council, WRAP and Welsh Government meet monthly to discuss business cases and implementation programme <ul style="list-style-type: none"> Update provided to Welsh Government Officers on current position in terms of recycling performance and programme for improvements as part of the delivery of the Recycling Strategy 2022-25 - complete Response to Minister re 2020/21 recycling performance - Meeting took place with Minister on February 27th 2023 to discuss below target recycling performance (58.19% against target 64%) - Minister has responded to state no fiscal penalty will be issued for 2020/21. However, Minister recognises underachievement of target and therefore wants to see evidenced improvement going forward.

What we plan to do to meet target
<p>Cardiff's Recycling Strategy 2022-2025 Cleaner and Greener</p> <ul style="list-style-type: none"> Phase 1 segregated recycling rolled out to 36,000 properties on 20th February 2024 - resident communications and bags/ caddies being delivered in Jan/ Feb 2024 along with outreach / engagement events in Hubs and other settings Phase 2 segregated recycling rolled put to further 80,000 properties in Jun-Aug 2024 Outline business case to be developed for a future repair and re-use 'superstore' - working with Cardiff Met on a cleaner growth relating to circular economy - Q2 2024/25 <p>Until this work is completed future repair/ reuse superstore is on hold to ensure a sustainable approach which is not detrimental to charities and grass root businesses.</p> <ul style="list-style-type: none"> Recycling Performance Targets set within the Strategy are: <ul style="list-style-type: none"> 2021/22 = 64% - final validated performance for year is 58.19% 2022/23 = 64% - final validated performance for year is 61.57% 2023/24 = 64% - current performance at Q2 is 62.42% 2024/25 = 70% <p>Wider Governance & Compliance</p> <ul style="list-style-type: none"> Quarterly meetings with Julie James MS, Minister for Climate Change, and WG to monitor actions to improve recycling performance ONGOING The April 2024 target will not be achieved for implementation and therefore further correspondence will be required with Welsh Government officers following decision by Cabinet supporting the extension of frequency to residual collections - letter from Cabinet Member to be drafted to minister explaining council position in Q4 2023/24 Material recovery facility to material handling facility - delivery of outline design Q4 2023/24

Type(s) of Impact
<ul style="list-style-type: none"> Reputational Legal & Regulatory Financial

Linked Risks
<p>Directorate Risk Register risks:</p> <p>RNS 11 - Financial Pressures</p>

Key Indicators / Measures used to monitor the risk
<ul style="list-style-type: none"> Quarterly monitoring recycling % from waste data flow - 23/24: <ul style="list-style-type: none"> Q1= 63.80% Total final validated 22/23= 61.57% Total final validated 21/22= 58.19% Monthly tonnage monitoring Monthly financial monitoring in each area of waste

Schools Organisation Programme (Band B)

Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)									
<p>Failure to deliver on aspects of the School Organisation Programme, which is significant in value and complex. The programme consists of Band B (£284m) 21st Century Schools, asset management improvement work, ICT and sufficiency projects. The programme of work spans across a number of directorates, requires significant capacity and has significant capital spend.</p>				<p>Mel Godfrey (Richard Portas)</p>	<p>Councillor Sarah Merry Deputy Leader & Education, Employment & Skills</p>								
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="background-color: #d9e1f2;">Last Reviewed</td> <td>Q3 2023/24</td> </tr> <tr> <td style="background-color: #d9e1f2;">Last Revision</td> <td>Q3 2023/24</td> </tr> </table>	Last Reviewed	Q3 2023/24	Last Revision	Q3 2023/24	<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 2023/24</td> </tr> </table>	Target Reduction Date	Q4 2023/24		
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	<p style="text-align: center;">What we've done/are currently doing to achieve the Residual Risk Rating</p>			<p style="text-align: center;">What we plan to do to meet target</p>									
<p style="text-align: center;">Potential Impact(s)</p>	<ul style="list-style-type: none"> A Cabinet paper has been approved for the temporary and permanent accommodation plans for Emotional Health and Wellbeing Specialist Resource Bases (SRB), the extended Pupil Referral Unit (PRU) and to consult on the Greenhill Secondary Special School expansion. 131 additional ALN places have been implemented for September 2023, 20 further places are planned for 2023/24 following completion of adaptation works. The ICT School Investment Programme is currently under review. Work is underway to determine new processes and procedures to ensure value for money for schools and to support delivery of the new curriculum. The resource for the asset renewal programme is not sufficient to fund the needs of the estate to meet the short term sufficiency need, LDP capital requirements, condition and suitability requirements. Data available through the OFD has allowed the asset commissioning group to be more structured to understand resource shortfalls at points in the project lifecycle and across the longer term asset programme generally. Delivering committed projects only and applying for in years WG grants. Cost control has improved through the introduction of strong multi-disciplinary teams, MACE cost consultancy and improved commercial decision making through the Programme Director and Board governance. Also, appointment of Commercial Manager to assess the commercial viability of cost plans and tenders. 			<ul style="list-style-type: none"> SOP Strategy is due to be presented to Cabinet in Q4 2023/24 including delivery of additional 132 places for September 2024. A review of internal resource is underway to address when additional resource is required and restructure is underway Q4 2023/24 Develop a workforce plan to ensure that programme resource is up to date and capable of delivering asset programme of this scale. Q4 2023/24 									
<p style="text-align: center;">Type(s) of Impact</p>	<p style="text-align: center;">Linked Risks</p>			<p style="text-align: center;">Key Indicators / Measures used to monitor the risk</p>									
<ul style="list-style-type: none"> Reputational Legal Financial Social 	<ul style="list-style-type: none"> Health & Safety Stakeholder Health and Wellbeing Sustainability 			<ul style="list-style-type: none"> Spend against the asset programme in financial year, in accordance with the responsibilities of schools and corporate landlord (Corporate Plan).. Timelines to deliver projects within the SOP programme. New key performance measures which are being developed as part of the overarching SOP Strategy. 									

Education - Schools' Delegated Budgets

Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)									
<p>The number of schools with deficit budgets and/or the overall value of deficit budgets increases, or that those schools (particularly in the Secondary sector) with existing deficit budgets do not deliver agreed deficit recovery plans.</p>				<p>Mel Godfrey</p>	<p>Councillor Sarah Merry Deputy Leader & Education, Employment & Skills</p>								
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	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"> For the 2023/24 financial year, 42 schools applied to set deficit budgets. 15 have been agreed and a number require more work with the LA. Aggregate deficit applications - £4.8m. Good progress in year 1 – greater challenge year 2 onwards. 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. 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. 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. Officers continue to monitor and challenge those schools in deficit before allowing any additional financial commitments, both staffing and other expenditure. 			<ul style="list-style-type: none"> Continue to work with schools in deficit Ongoing Collate individual school budget impact assessments Ongoing Conduct a review of current school spending plans to identify Schools facing financial pressures for 2024/25, with a view of identifying mitigating actions in partnership with Schools. Q4 2023/24 Continue to develop Efficiency Board arrangements to have oversight of efficiency gains to school system Ongoing SOP Strategy - methodology worked to provide range of options Ongoing 									
<p>Potential Impact(s)</p> <ul style="list-style-type: none"> An overall deficit arising from schools budgets would count against the funding available for the Council Schools with deficit budgets may struggle to adequately fund the resources required to achieve the desired levels of educational attainment Schools with deficit budgets may struggle to adequately fund maintenance of school buildings creating an issue for other budgets, e.g. Capital/SOP Band B Schools that continually fail to address deficit budgets may ultimately require LA intervention, with a corresponding increase required in centralised resources 	<p>Type(s) of Impact</p> <ul style="list-style-type: none"> Reputational Legal Financial 			<p>Linked Risks</p>									
	<p>Key Indicators / Measures used to monitor the risk</p> <ul style="list-style-type: none"> School budget monitoring position Number of schools setting deficit budgets Final budget balances 												

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>				<p>Mel Godfrey</p>	<p>Councillor Sarah Merry Deputy Leader & Education, Employment & Skills</p>								
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	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"> There are currently 6 schools in an Estyn follow up category. The LA and CSC are continuing to support schools in the roll out Curriculum for Wales 2022. Close working with schools to deliver ALN Reform and to support ALN in schools. There is strong quality assurance of EOTAS Education settings. Professional Learning Offer is in place in partnership with CSC. 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. 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. Appointment has been made for key post Assistant Director 			<ul style="list-style-type: none"> Respond to the outcome of the Ministerial Middle Tier Review of roles and responsibilities of Local Authorities and School Improvement Services. Q4 2023/24 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 2023/24 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. <p>ONGOING</p> <ul style="list-style-type: none"> 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 Effective systems for quality assuring IDPs and IDP reviews in place and continuing to support schools with ALN Reform. Q4 2023/24 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 2023/24 									
Potential Impact(s)	<ul style="list-style-type: none"> Schools are not supported to improve School budgets impact negatively on pupils learning Children and young people do not reach their full potential Attendance in schools is poor and exclusions are high Schools are not able to deliver the new curriculum Impact on Estyn judgements – schools in follow up The local authority's work with the regional consortium does not deliver effective support arrangements for schools 												
Type(s) of Impact	<ul style="list-style-type: none"> Reputational Legal Financial 												
	Linked Risks			Key Indicators / Measures used to monitor the risk									
				KS4 2018/19 School Performance, Outcomes from Estyn Inspections up to 2020.									

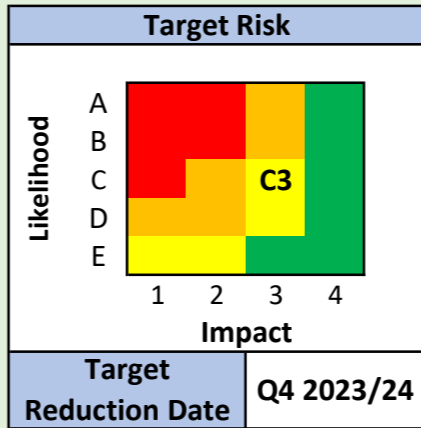
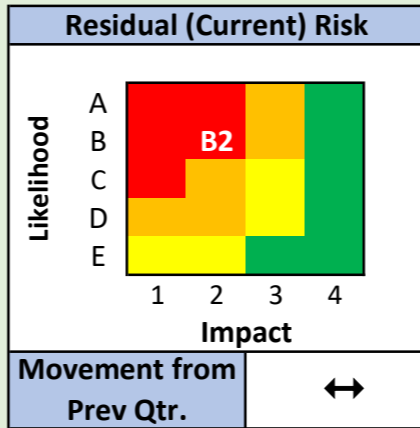
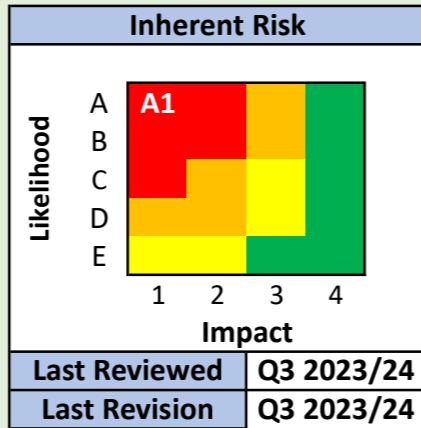
Ensuring Access

Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner									
<p>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.</p>				Mel Godfrey	Councillor Sarah Merry Deputy Leader & Education, Employment & Skills								
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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"> •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. 		<p>•The LA initially began with the spot purchasing of places through Horizon to provide enhanced tuition, the model was acceptable however officers found that the quality of provision provided by Horizon was not sufficient. In response to this Education used the Horizon Model as a foundation to create and further develop our own in-house approach with the newly developed Team@Severn. This change lead to Significant savings compared to the cost of Horizon places with added flexibility. The further review of our in-house tuition offer has ensured a stronger programme for children not in placement providing further value for money. The Team@severn have increased engagement and support hours offered to learners with emotional health and wellbeing needs, physical needs and those awaiting placement.</p> <p>•Extended Pupil Referral Provision (PRU) has been developed, with further staff appointed, building works progressing well with a phased opening from January 2024. Gradual intake of pupils has begun at Nyth y Deryn, with the aim to gradually increase cohort size throughtout Summer 2024. Refurbishment works remain underway for Phase 2 with a target be completed in Spring 2024. A permanent location is still under review due to the Oakhouse, St Mellons not being a suitable site, to be further considered as part of the rolling programme. Secured additional classes at ACT provision. Progress and impact against short to long term solutions continue to be monitored monthly by the senior education team. Permanent site no longer planning to bring forward through lease accomadation, wider position being considered as part of the Rolling Programme.</p> <p>•Proposal to develop additional ALN across the city to increase places has been approved by Cabinet. Consulting on 141 additional formal ALN places that will be approved and in place by September 2024. The wider strategic position around Ensuring Access is being considered as part of the School Organisation and Planning Strategy Rolling Programme that will be considered by Cabinet in March 2024.</p> <p>•Education to continues to hold fortnightly cross-directorate meeting to carry out review of pupils who are not in provision to identify specialist provision to accommodate their needs.</p> <p>In addition to the rolling programme Band B is expanding the total number of ALN places in the city to circa 190 places, to the meet increased complexity of places across the city for young people.</p>		<ul style="list-style-type: none"> •Continue to develop the bespoke model of support now on offer to Young People through the Team@Severn. •Increase the capacity and scope of Community Teaching and the Community Teaching Model with the Community Teaching Team. Continue to progress with Family Engagement elements now overseen by Skills & Support Workers. Education has found that this approach has been more efficient and better caters to the needs of Young People. •Building our own capacity - Prioritisation of ALN provision and places This is complete due increased in the Band B and SRB. Open a new purpose-built Pupil Referral Unit and Carnegie Centre. (These plans are still in place, awaiting appropriate site for PRU) 									
Type(s) of Impact		Linked Risks		Key Indicators / Measures used to monitor the risk									
Safeguarding Legal Financial Social Reputational		Risk to relocation of vulnerable children to Cardiff as part of Children's Services		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 (NO₂) monitoring sites at 135 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 NO₂, PM₁₀ & PM_{2.5}, SO₂, CO and O₃
 - Richard's Terrace, Newport Road: measuring levels of NO₂ & PM₁₀
 - Castle Street measuring levels of NO₂ PM₁₀ and PM_{2.5}
- 4 near real time indicative automatic analysers located predominantly in Cardiff's City Centre, one in Llandaff within the established AQMA and one in Canton on Lansdowne Road. These sites measure on a 24/7 basis, continuously monitoring for Nitric Oxide, Nitrogen Dioxide, Ozone, PM₁₀ & PM_{2.5}, and does so every 15 minutes
- Additional 47 real time monitors installed across Cardiff, with support of One Planet Funding. Initial collated data from May-October indicates that concentrations at all locations comply with existing Air Quality Standards for NO₂ and PM₁₀ – comply with EU Limit Value for PM_{2.5}.

Air Quality Management Areas (AQMA's)

- Cardiff has 4 existing declared Air Quality Management Areas (AQMA's) all as a result of elevated NO₂ concentrations from road traffic emissions.

Clean Air Plan

- Annual average for Castle Street = 33.8 µg/m³ for NO₂ for 2023.
- 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/m³ and 38 µg/m³.
- Construction of Ph1 City Centre West scheme (Wood St & Central Square) – substantially completed with snagging been undertaken. .
- Completion of Bus Retrofitting Programme of 49 buses – buses have been fitted with exhaust technology which reduces NO_x emissions from the buses by 90%
- WG have approved updated Initial Plan and supported implementation of Option 1. Update Final Plan has been submitted to WG and Expert panel meeting took place on 18th Dec, Anticipated final decision from the Minister will be provided end of Feb 24.

Taxi Scheme:

It is has been requested with WG as to whether the Council can repurpose to use the 5 EV Taxis as vehicles within the community transport services and council operations to support public services and remain operating in the city.

- 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 incl AQMAs

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 completed in February/ March and report was presented to Cabinet in April. Results show that Option 1 for all traffic still achieved compliance and owing to wider network impacts will be recommended as preferred option for Cabinet to approve. In Q2 WG provided approval of the updated Initial Plan and in a letter from the Minister, she detailed that funding for the scheme is agreed in principle.
- Subject to final decision being made on funding (End Feb 2024) and approval of final plan the revised programme is anticipated;
 - Q4 2023/24 Commence tender process
 - Q1/ Q2 2024/25 Complete tender process an New Cabinet Paper to award tender
 - Q3/4 2024/25 On site (with the road closed - this will be achieving compliance)
 - Q2 2025/26 Completion

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 - Due to resource issues this project has not been fulfilled and will be potentially picked up in 23/24 subject to resources Q4 2023/24
 - Living Walls and other Green Infrastructure – this project has been completed and will be reported in the 2023 APR
 - Progression of EV Infrastructure - the completed road map is expected in Q4 2023/24
 - Review and where necessary update Air Quality Planning Guidance
 - Schools Active Travel - Continued support on TRO projects and expansion of monitoring associated with the project will be further supported as an when more schools come one line. Projects worked on to date in 22/23, will be reported in the 2023 APR
 - 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 **Q4 2023/24**

Owing to persistently elevated NO₂ concentrations at one monitoring location in the Llandaff AQMA, it is hoped a targeted assessment of additional options for this AQMA will be the next priority. It is proposed that a grant bid will be made to the WG LAQM Support fund for 24/25 to undertake further detailed assessment of options for Llandaff as part of an updated CASAP. **Q4 2023/24**

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

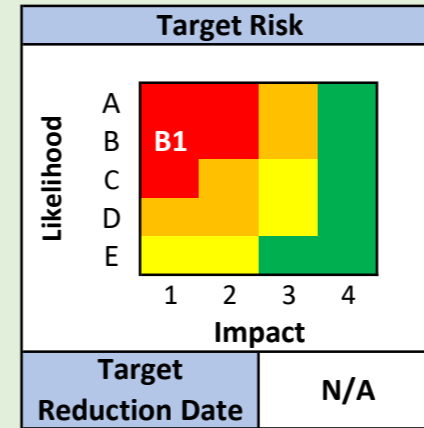
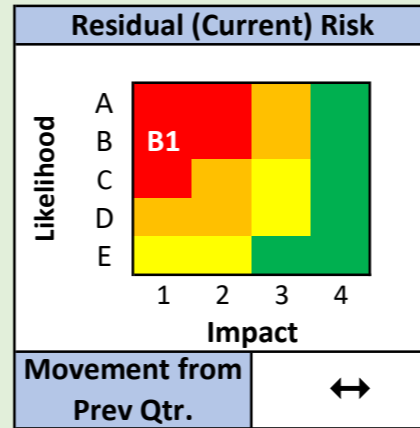
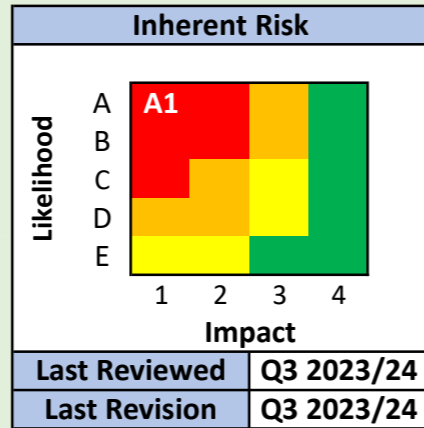
Key Indicators / Measures used to monitor the risk

- 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 Government National Terror Risk Rating set by the National Counter Terrorism Office remains at Substantial or an attack is likely.
- Following on from the scrutiny of the Home Affairs Select Committee and Stakeholders the Government has decided to go through a further eight week public consultation on Martyn's Law. The main concern relates to ensuring that the Law is proportionate. The Standard Tier of venues (799 and below) is felt to be over burdened. The consultation closes on the 18th March. The PSPG is actively supporting the consultation and looks forward to seeing the outcomes.
- Cardiff Council Counter Terror Policing Wales and Partners are moving the agenda forward since it is unthinkable, we wait for the legislative process to catch up.
- The first part of the City Centre Consultation has been concluded. Following a briefing and wide ranging discussions with representatives from the Hotel, Entertainment, Finance and Retail sectors. Feedback centred on sharing information before events and understanding how we can communicate during events when things go wrong. We are now considering how best to satisfy these requests.
- The PSPG agreed the concept of the City Centre Strategy being developed with Sectors (specific identified generic business types) and no longer based on geographical areas.
- The continuing weekly/daily liaison between us and our Event Organisers Sporting venues, City Centre etc through City Centre Management, ELP, SAG, licencing etc keep all the issues in play.

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 be 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 arrangements. Shovel ready projects ready to go. **ONGOING**
- The PSPG accepted the work plan that went into a broader view of Protective Security to include Cyber Security, Insider Threat, Designing in Security as well as Hostile Vehicle Mitigation and general preparedness **ONGOING**

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	• Health & Safety
• Reputational	• Partnership
• Legal	• Community & Environment
• Financial	• 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

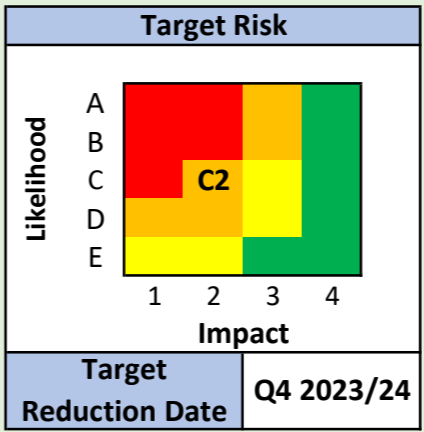
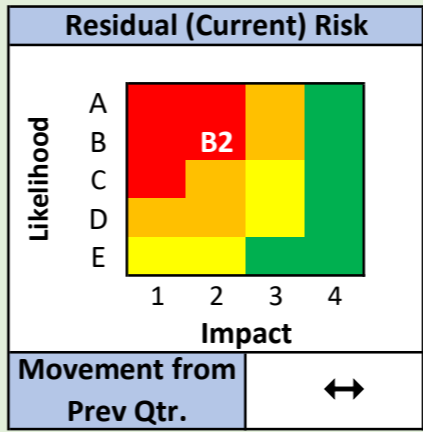
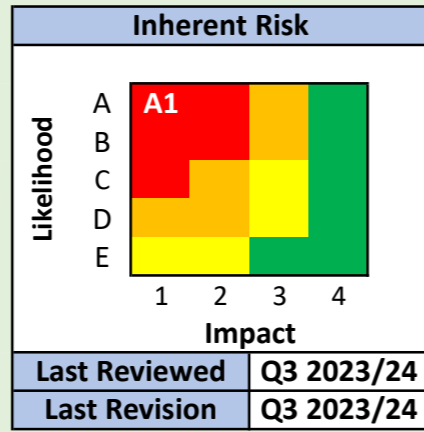
Climate Change - Biodiversity

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 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.
- Ecosystem services include climate change mitigation and adaptation.
- 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).
- Climate change adaptation services include storm water attenuation by vegetation and reduction of surface water volume through evapotranspiration
- 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.
- 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.
- 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.

Type(s) of Impact	
<ul style="list-style-type: none"> Service Delivery Reputational Legal Financial 	<ul style="list-style-type: none"> Health & Safety Partnership Community & Environment Stakeholder



Risk Owner(s)

Andrew Gregory (Simon Gilbert/ Jon Maidment)	Councillor Caro Wild Climate Change
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What we've done/are currently doing to achieve the Residual Risk Rating

- Cabinet Report of 14/10/21 Recommended the Council sign the Edinburgh Declaration.
- 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.
- Undertaken an 'iTree-Eco' study to look at the value of trees in terms of the ecosystem services that they provide.
- 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.
- Contributed to the Central South Wales Area Statement recently published by Natural Resources Wales.
- In June 2023 the Council agreed the Replacement LDP Preferred Strategy for consultation. This Strategy includes Strategic Policy SP19 which aims to ensure the Cardiff's green infrastructure assets are strategically planned and delivered through a green infrastructure network - A Habitat Regulations Screening Assessment has been completed on the Replacement LDP Preferred Strategy which was approved by Council in June 2023. Consultation on the Preferred Strategy for LDP concluded in October. Extensive consultation on Local Biodiversity Action Plan (LBAP) undertaken in Q3.
- 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.
- Successful appointment of Principal Planner (Ecology) in Q4 2022/23
- Regular meetings of Council "Green Infrastructure Officer Group" including colleagues from Planning, Parks, Drainage, and Public Rights of Way - re-commenced in Q4 2022/23 following appointment of Principal Ecologist post and ongoing
- The LNP has been awarded WG funding for Local Places for Nature to support the work of the LNP in the city. Funding is in place until March 2025:
 - This funding is supporting the Local Nature Partnership Co-ordinator and a temporary Community Ranger Post to assist with LNP and Local Places for Nature delivery.
 - The LNP has been coordinating a public consultation running a series of workshops and online including a schools workshop to seek peoples views on nature in Cardiff to feed into the Nature Recovery Action Plan for Cardiff (NRAP). Consultation completed end of January 2024
- Deliver an enhanced tree planting programme - 2022/23 = 30,264 achieved (target 25,000)
 - 2023/24 - commenced the scoping exercise to inform the 23/24 planting programme and developing an action plan aimed at maximising opportunities for increase tree canopy within the highway / street scene. Investigations are underway to determine street tree planting locations in existing grass verges and retrofit planting locations within hard landscaped street scene.
 - Finalisation of Scoping Exercise / determine Planting Programme for 23/24 completed Q2 2023/24
 - The planting programme for 23/24 commenced in Q3 and at the end of the period over 11,000 specimens were planted.

What we plan to do to meet target

- Work is progressing on the Evidence Base and detailed policy areas for the "Deposit" LDP which will be submitted to Cabinet and Council in Q2 2024/25 in accordance with the approved Delivery Agreement.
- Update the Cardiff Biodiversity and Resilience of Ecosystems Duty Forward Plan, including the Action Plan, in line with legislative requirements - now pushed back to Q1 2024/25 due to resources and competing priorities, including preparation of the Nature Recovery Action Plan (NRAP) and LDP. Q1 2024/25
- The appointment of a replacement Planner (Ecologist) has been further delayed due to financial pressures and inability to secure suitable applicants to the advertised vacant post. It is anticipated that the post will be re-advertised in Q4 for appointment by end Q1 2024/25
- Officer attendance at all Wales Planning and Diversity Forum - Q1, Q2, Q3, Q4 2023/24
- 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). - ONGOING
- Develop the local Nature Recovery Action Plan through the Local Nature Partnership (LNP) - work is progressing well in partnership with the LNP steering group partners e.g. NRW, RSPB, WTSWW. Consultation workshops with the public and interest groups are planned for this summer to feed into the NRAP. ONGOING
- Discussions between the Council, Welsh Government and the Wales Council for Voluntary Action concerning LNP grant funding for a further 2 years is ongoing. - Formal confirmation has been received which will see the extension of LNP funding up until 31/3/25.
- Implement Planting Programme and action plan for maximising opportunities for increasing canopy within the highway / street scene - Q3/Q4 2023/24.
- Nature Recovery Action Plan for Cardiff (NRAP):
 - Consultation results to be collated by March 2024. Q4 2023/24
 - NRAP to be completed by March 2025. Q4 2024/25

Linked Risks

- Coastal Erosion
- Air Quality
- Business Continuity
- Energy decarbonisation

Linked Documents

- <https://www.evaccardiff.co.uk/>
- <https://www.cdp.net/en>

Key Indicators / Measures used to monitor the risk

Extent of Green Infrastructure in the City.

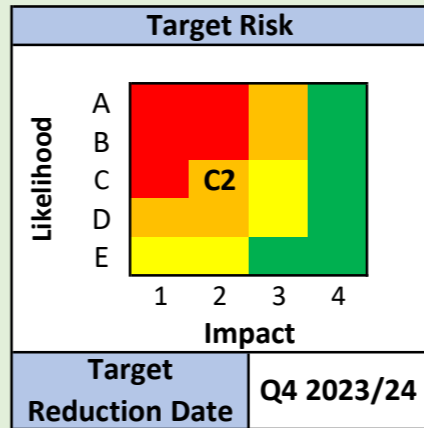
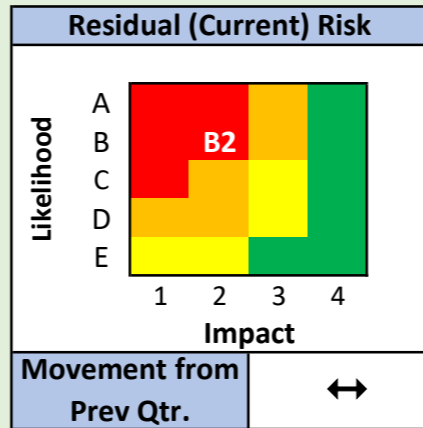
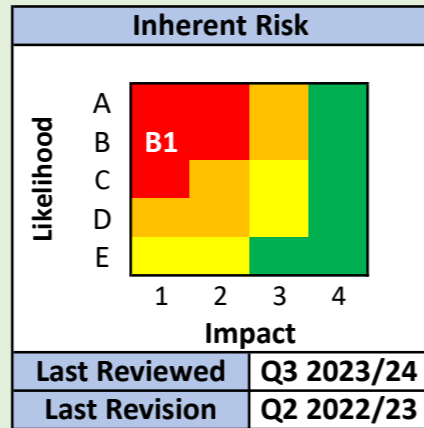
Climate Change - Energy Security & Decarbonisation

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)

Andrew Gregory (Gareth Harcombe/ Liz Lambert)	Councillor Caro Wild 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 currently out to tender- 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 annually and included in One Planet Cardiff Annual Review. This has been used to inform the priorities in the action plan and progress will be monitored and reported annually. Since the 2019 baseline year, the Council's operational emissions have reduced by 11.7%
 - Developing a Local Area Energy Plan (LAEP) for the City to provide more robust estimates of the levels of energy demand reduction, and clean energy generation required to meet decarbonisation scenarios
 - New "Green Paper" review proposed to refresh and refocus Carbon Reduction plans, with this work benefitting from data generated and studies complete during the first years of the One Planet programme
 - Delivering Low Emission Transport Strategy - approved April 2018 and implementation of action plan underway:
 - over 70 publicly available EV chargers installed
 - 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,
 - Additional grant funding secured to support the purchase/leasing of more EV fleet vehicles
 - New Domestic Retrofit grant scheme launched - (LA Flex). Plans for a major energy retrofit of council owned low-rise domestic blocks also in preparation and Welsh Government ARBED grant funding being targeted 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 schemes to secure low/zero carbon development and retrofit in the Council's Estate - (Strategic Estates/ Schools/ Housing) by 2030
 - 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 Summer 24
 - Develop a "Green Paper review of One One Planet Cardiff, benefitting from data collected and the LEAP study, and outlining funding requirements, partnership delivery options and investment opportunities for the delivery of our decarbonisation goals
 - Deliver Steel Frame Retrofit scheme by Q4 24/25 and work with CCR to maximise the uptake of "LA Flex" Energy Company Obligation funded works and small measures domestic retrofit initiatives during Q4 23/24
 - 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
 - Funding secured from Innovate UK to recruit a new post focussed on integrating Climate Change and Carbon reduction into Council's decision making and budget processes. Recruitment undertaken in Q2 2023/24, with programme of action developed by end Q4 23/24

Type(s) of Impact

- | | |
|--|--|
| <ul style="list-style-type: none"> • Service Delivery • Reputational • Legal • Financial | <ul style="list-style-type: none"> • Health & Safety • Partnership • Community & Environment • Stakeholder |
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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

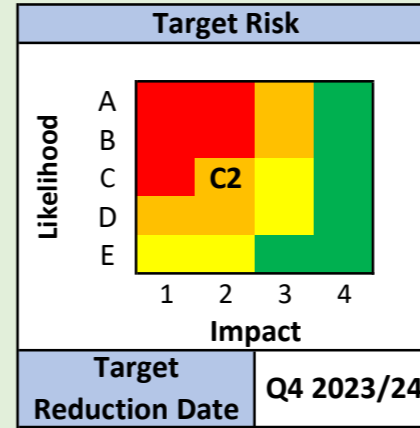
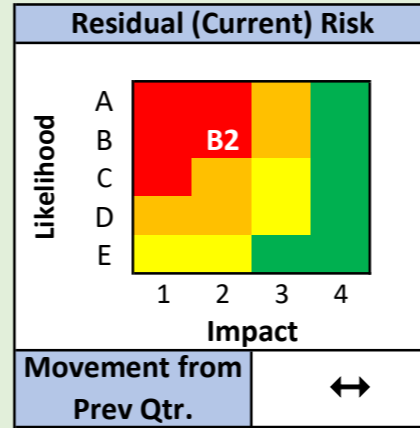
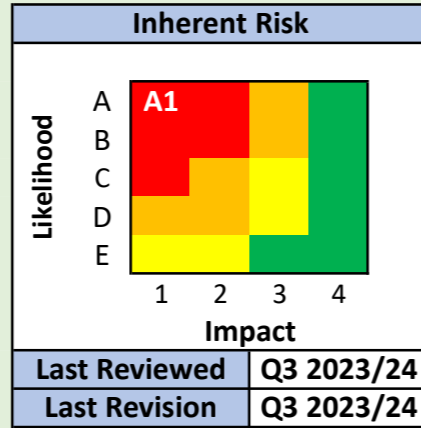
Climate Change - Extreme Weather

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)

Andrew Gregory (EMU/Gary Brown)	Councillor Caro Wild 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 22/23 delivered in line with statutory requirements
 - Winter service 23/24 commenced in Q3 with two additional routes added to the rota. The additional routes were introduced to allow for the wholesale introduction of the 20mph speed limit to ensure that the treated network, that has remained unchanged, is covered within appropriate timescales. The additional routes have required more trained officers to be employed into the service, thus putting additional strain on the 'day jobs', and have increased staff related costs - overtime, standby and also vehicles costs - hire, fuel etc.

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 - postponed due to re-consultation and analysis, unlikely to come into force before end of this year - **Q4 2023/24**

Extreme Cold/ Snow

- Investigate further whether external assistance can be utilised/is available to build future resilience
- Review impact of 20mph in terms of financial/ service pressures - risk remains for disruption to the service next winter if the current pandemic continues/ other new external factors emerge - **Q1 2024/25**

Type(s) of Impact

<ul style="list-style-type: none"> • Service Delivery • Reputational • Legal • Financial 	<ul style="list-style-type: none"> • Health & Safety • Partnership • Community & Environment • Stakeholder
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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.

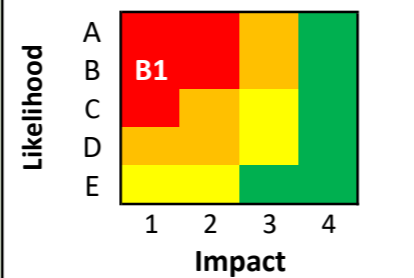
Potential Impact(s)

- 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

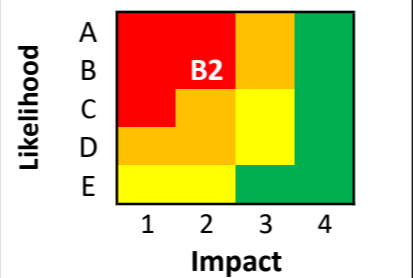
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Inherent Risk



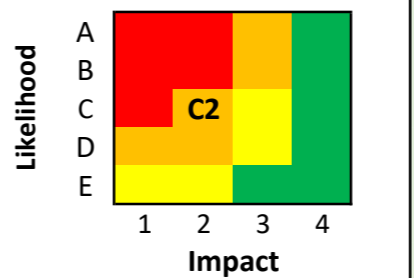
Last Reviewed	Q3 2023/24
Last Revision	Q2 2023/24

Residual (Current) Risk



Movement from Prev Qtr.	↔
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Target Risk



Target Reduction Date	Q4 2023/24
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Risk Owner(s)

<p>Andrew Gregory (Gary Brown/ Simon Dooley Simon Gilbert/ Stuart Williams)</p>	<p>Councillor Caro Wild Climate Change</p>
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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.
 - Highway Asset Management Plan approved by Cabinet in Q4 2022/23 - This captures the asset types, responsibilities and financial challenges.

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 - The flood risk strategy will be delayed past Q3 2023/24 due to resource issues within this specialist area. Recruitment continues with reviews of post grades. Welsh Government have been made aware of the delays being experienced.
 - 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 **Q4 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) through additional resource - Recruitment remains unsuccessful, a grade review process is ongoing - **Q4 2023/24**
 - Deliver guidance to increase standards and ease of development - in development **Q3 2023/24**
- Flood Risk Management Programme:**
- Phase 2 of new gully maintenance schedule delivered by Q3 2023/24
 - The Flood Risk Management Team have been successful in achieving Welsh Government funding to undertake full business case development to identified flood risk areas in the City in **2023/24**.
 - Funding has been achieved to deliver property level flood protection at a number of locations. Some works have been delivered and others are ongoing during **Q4 2023/24**.
 - Detailed design has commenced on the Whitchurch flood alleviation scheme (Greener Whitchurch). Consultation with Key Stakeholders and Local Members has commenced and is ongoing.
 - Further FBC's are being developed for identified flood risk area in the city

Linked Risks

- Coastal Erosion
- Air Quality
- Business Continuity

Linked Documents

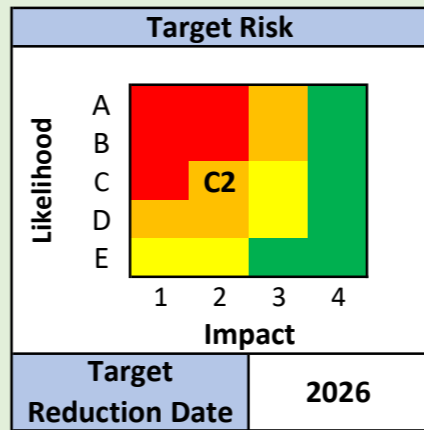
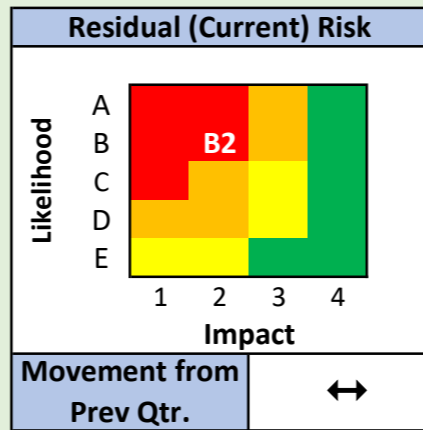
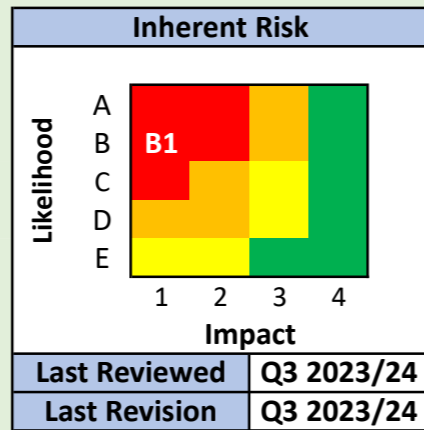
- <https://www.evaccardiff.co.uk/>
- <https://www.cdp.net/en>

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.
- Due to the costs of funding the East side (Lamby Way), that WG will not fund, it has been removed from the scheme. 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 is being dealt with as a directorate based risk.

Scheme Delivery Progress update:
At the request of WG, approval of the full business case and therefore financial confirmation was not provided until 2023/24:

Key steps:

- Approval by Welsh Government of the FBC and funding allocation received Q1 2023/24
- Internal legal and procurement processes completed
- Contract awarded to Knights Brown
- Client (CC)/Contractor pre-contract meetings commenced

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.

Key steps:

- Commence construction - Anticipated on-site commencement date Q3 2023/24 following WG extension of funding programme due to various challenges. **Q4 23/24**
- Various planning and environmental conditions have been and continue to be addressed.

Sampling and testing, to fulfil the aforementioned conditions, are ongoing at specific dates/times to align to ecological requirements.
Due to the sale of the land directly adjacent to the foreshore, which was the intended location for the site compound and rock armour material storage, investigations into a new location are ongoing.
Although site investigation works and some preparation works can commence, there is a risk of delay of on-site major construction works due to the land sale issue. Fortnightly meetings with the contractor are ongoing and positive to date.

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"> Health & Safety Health Reputational Financial 	<ul style="list-style-type: none"> Strategic Service Delivery
--	---

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

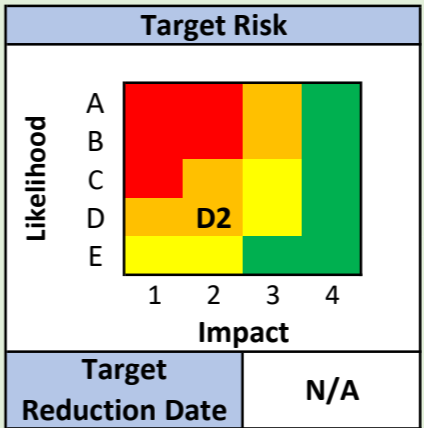
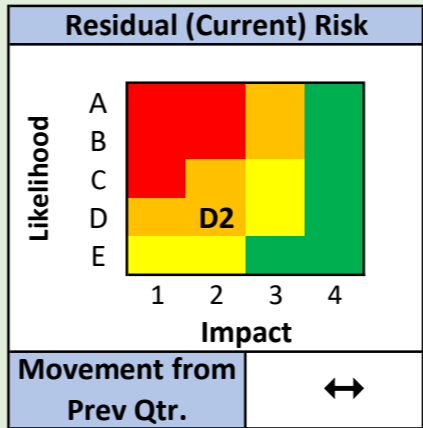
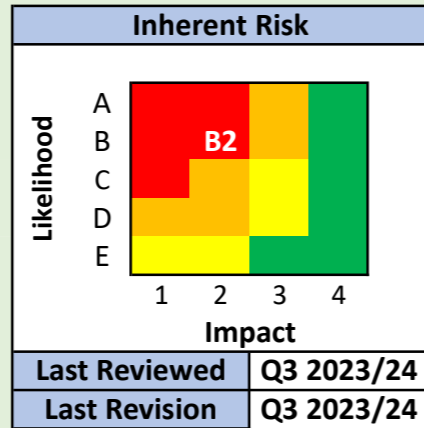
The risk that the Council's Performance Management arrangements do not provide timely performance information to allow the Council's political and managerial leadership to effectively deliver corporate priorities, statutory services or performance improvement

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.

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.

Changes to the Statutory Performance Requirements have been set out in Local Government & Elections Act, and new processes have been put in place within the Council to embed these requirements in the performance management framework.

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Risk Owner(s)

Sarah McGill
(Gareth Newell)

Councillor Chris Weaver
Finance, Modernisation and Performance

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

Audit Wales have undertaken an assessment of the Council's process for setting of well-being objectives while developing the Corporate Plan, and the links to the partnership Well-Being Plan (<https://www.audit.wales/publication/cardiff-council-well-being-objective-setting-examination>). The Audit Wales report was received in June 2023 and contained no recommendations. Audit Wales found that "The Council has used the sustainable development principle to drive the setting of its well-being objectives including good use of data and a strong collaborative approach." The report also concluded that 'the Council has robust arrangements for monitoring its Corporate Plan and wellbeing objectives throughout the year.'

As part of the Council's Internal Audit Programme, an audit of performance management was undertaken in Quarter 1 2023/24 across all Directorates. The purpose of the audit was to provide assurances that there is a sound system of internal control within the area under review. The audit found overall assurance ratings to be effective across the board, with a small number of recommendations provided for improvement, all of which have been accepted with management responses provided.

The Council's Mid-Year Self-Assessment of Performance for 2023-24 was formally considered by Performance Panel (which brings together all Scrutiny Chairs) on November 28th, the Policy Review and Performance (PRAP) Scrutiny Committee on December 13th and Cabinet on December 14th. The report was also considered by the Governance & Audit Scrutiny Committee on January 23rd. Performance at the mid-year point is presented via the Corporate Performance Dashboard, which is available to all Members, as well as the public, as an interactive appendix to the Cabinet Report.

In November, Audit Wales completed a review of the use of performance information. Only one recommendation was given, in relation to strengthening information on service user perspectives, which the Council has been accepted. The Governance and Audit Committee received an update on this report and the Council has a programme of work which it is already taking forward in response to the recommendation. From 24-25 onwards, all Directorate Delivery Plans (DDPs) will include measures on service user perspectives and citizen insights.

What we plan to do to meet target

To improve the presentation of performance management information, the Corporate Performance Dashboard will be updated over Q4 to reflect the updated steps and KPIs due to feature in the Corporate Plan 2024-27. Corporate Plan Challenge Sessions have been scheduled for January and February 2024 to agree these new priorities.

The Corporate Performance Dashboard presents the latest updates against every step and KPI from the Council's Corporate Plan in an interactive format that can be filtered by directorate, wellbeing objective, and by scrutiny committee. User feedback will continue to be collected to inform improvements.

Potential Impact(s)

- Council unable to effectively deliver corporate priorities, statutory services or performance improvement
- Failure to comply with performance duties set out in the Wellbeing of Future Generations Act and Local Government and Elections Act.
- Compliance failure leading to external sanctions and reputational damage.

Type(s) of Impact

- Service Delivery
- Reputational
- Stakeholder

Linked Risks

Key Indicators / Measures used to monitor the risk

Quarterly monitoring of corporate plan indicators (159) provide a pointer to organisational health and corporate performance. Corporate Plan indicators are also risk assessed as part of the performance monitoring process.

Budget Monitoring (Control)

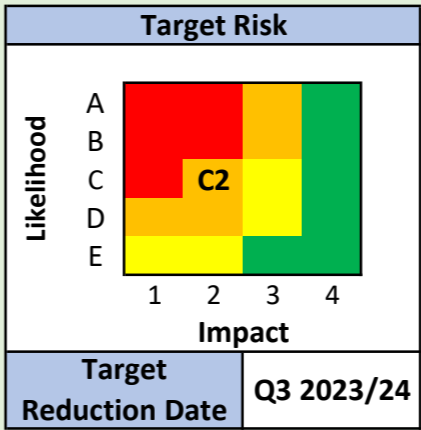
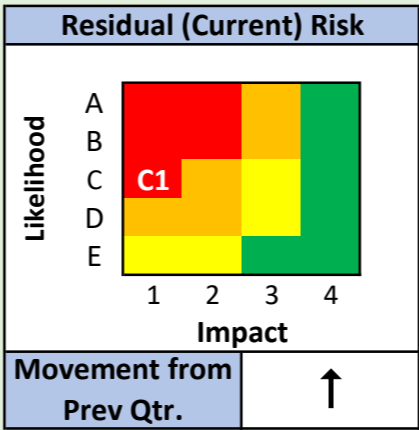
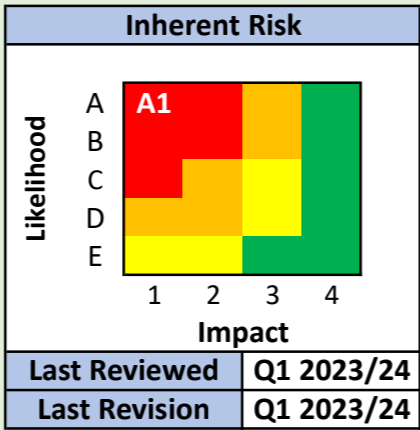
Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)									
<p>Failure to achieve the budget set, inclusive of budgeted spend and savings across Directorates, with increased use of emergency finance measures and the unplanned drawdown of reserves.</p>				<p>Chris Lee (Ian Allwood)</p>	<p>Councillor Chris Weaver 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 2023/24</td></tr> <tr><td style="background-color: #d9e1f2;">Last Revision</td><td>Q3 2023/24</td></tr> </table>	Last Reviewed	Q3 2023/24	Last Revision	Q3 2023/24	<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 2023/24</td></tr> </table>	Target Reduction Date	Q4 2023/24		
Last Reviewed	Q3 2023/24												
Last Revision	Q3 2023/24												
Movement from Prev Qtr.	↔												
Target Reduction Date	Q4 2023/24												
	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"> 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. Month 4 Monitoring report indicated an Directorate overspend but with further work required until the end of the year to achieve a balanced position. Management controls have been put in place which include reviews on all vacant posts as well as controls on spend. The Corporate Directors of Resources and People collectively 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. Regular meetings continue to be held in respect to key overspend areas in Children's Services, Education (Home to School Transport and Economic Development. These meetings are used to identify keep reassures and deliver effective mitigations which at least stems the overspend. Continual regular oversight on short and medium term impacts of price inflation in order to react to changes quickly. There is an increased reliance on Directorate Delivery areas to flag up inflation issues as they arise as they are best placed to see them first. 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. 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 			<ul style="list-style-type: none"> 2023/24 Month 6 monitoring report scheduled for November 2023 2023/24 Month 9 monitoring report scheduled for February 2024 - Underpinning the above reports will be a continued review which will identify any need of mitigations due to overspend pressures, reduction in income or saving proposals not being delivered as anticipated. 									
Potential Impact(s)	Type(s) of Impact		Linked Risks		Key Indicators / Measures used to monitor the risk								
<ul style="list-style-type: none"> Inability to balance spend against budget, for the financial year Requirement to implement emergency measures to reduce spending during the financial year thus adversely impacting on ability to meet Corporate Plan objectives Requirement to draw down from General Reserves at the year end 	<ul style="list-style-type: none"> Stakeholder 	<p>Financial Resilience</p>		<ul style="list-style-type: none"> Monthly Directorate Monitoring reports detailing likely outturn position and performance against savings accepted Review of use of earmarked reserves and balances - Half Yearly Amount of Hardship Support claimed successfully 									

Financial Resilience

Description

Within the context of there being a Budget Gap of £142 million for the period 2025/26 to 2028/29. There is a risk of:

- Failure to deliver a balanced annual budget.
- Failure to provide a fully informed Medium Term Financial Plan along with a timely strategy to address resultant gap.
- Lack of appropriate mechanisms to identify and manage unexpected financial liabilities.



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

2023/24 and Medium Term

- Regular monitoring to understand the in-year position and gain early insight into emerging risks which includes earmarked reserves review 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 Treasury Management Strategy that identifies borrowing interest cost and refinancing as a significant risk to be managed. Security, Liquidity and Yield in that order to preserve investments.
- A Major Projects accountancy function supporting the identification of key risks / financial issues in relation to large schemes. Targeted accountancy support to areas of financial challenge and ensuring the appropriateness of internal charges.
- Maintaining approach to robust financial control mechanisms and strengthening complex / areas of risk through training e.g. VAT.
- Undertaken initial assessment against CIPFA FM code with high level findings.
- Established a corporate approach to business case development, viability assessment, 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.
- Development of 2024/25 Fees & Charges using Income Generation Framework- has assisted income planning and visibility of income streams relative to costs etc.

What we plan to do to meet target

2024/25 and the Medium Term

- Further strengthening links between financial planning and asset management strategies, which consider the current condition of assets and future requirement or activity. **Q3 2024/25**
- Direct Property Service to ensure clear, detailed plans and timescale for delivery of capital receipts targets. **Q2 2024/25**
- Maintain the enhanced focus on a multi-year position (recognising limitations where settlement information is for one year only) outlining key risks in MTFP where quantification is not possible / problematic. **Q3 2024/25**
- The level of the gap over the Medium Term is likely to require a review of budget-setting timelines and decision-making points with likely need for earlier decision-making. **Q1 2024/25**
- 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. **Q1 2024/25**
- Working with Directorates to identify cost and all available funding streams for decarbonisation. **Q3 2024/25**
- Implement financial resilience actions identified in the HRA MTFP. **Q2 2024/25**
- Ensure a finance structure with skills and adequate capacity to meet regulatory, interest rate, treasury and budgetary risk in the face of ongoing budget reduction requirements. **Q4 2024/25**

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 inadequate Business Cases and no forthcoming external funding to bridge any affordability gap.
- Inability to manage adverse external factors - e.g. adverse funding 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

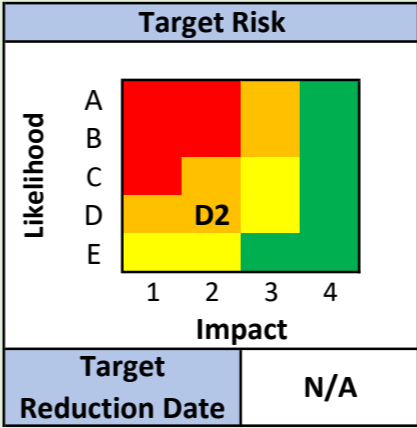
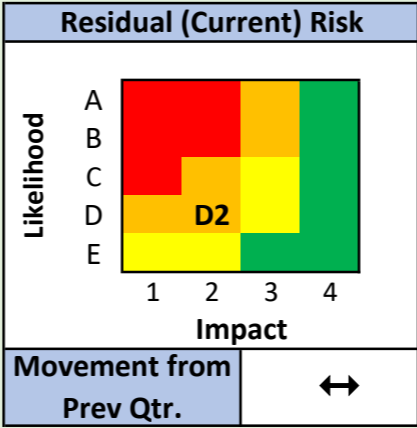
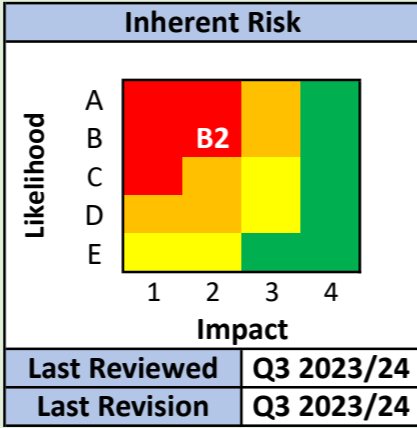
- Financial Snapshot which highlights historical & current performance with regards budget monitoring, achievability of savings, levels of borrowing, and financial ratios.
- Outturn vs Budget: Main budget lines under or overspend as a % of budgeted expenditure.
- Delivery of planned savings: Total (£) 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 with borrowing outstanding, 3) Capital Financing Requirement related to commercial investments as proportion of overall Capital Financing Requirement, 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.
- Benchmarking data re: financial resilience produced by External Audit Bodies

Type(s) of Impact

- Service Delivery
- Reputational
- Legal
- Financial
- Stakeholder

Fraud, Bribery & Corruption

Description
 Fraud, financial impropriety or improper business practices increase as internal controls are weakened as resources become severely stretched.



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**
- The Council communicates a zero-tolerance approach to fraud, bribery and corruption.
 - Regular review and communication of the Counter-Fraud, Bribery and Corruption Strategy and suite of associated operational policies and procedures.
 - Financial Procedure Rules and Contract Standing Orders and Procurement Rules and training.
 - National Fraud Initiative data matching exercises in collaboration with the Cabinet Office and Audit Wales.
 - Receipt and dissemination of fraud intelligence alerts from law enforcement agencies.
 - Regular counter-fraud updates to the Section 151 Officer, Governance and Audit Committee, Portfolio Cabinet Member and the Chief Executive.
 - Governance and Audit Committee review of the risk management, internal control and corporate governance arrangements of the authority.
 - Independent assurance from Internal and External Audit on the effectiveness of governance, risk and control.
 - 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.
 - Fraud Publicity Strategy, to publicise the Council's approach to counter fraud work / sanction activity and explain the roles and responsibilities of key parties.
 - Mandatory Fraud Awareness training in place and Anti-Money Laundering training for officers with key roles and those working in high-risk areas.
 - Annual participation in International Fraud Awareness week.
 - Investigation Team provision of investigation and counter-fraud advice, guidance and support.
 - SMT annual participation in CIPFA fraud tracker assessment and response.

- What we plan to do to meet target**
- During Q1 2024/25, reinforce the Counter-Fraud, Bribery and Corruption Strategy through:
- Introducing a Counter-Fraud Risk Assessment with SMT
 - Introducing a Counter-Fraud Oversight Group
 - Introducing and rolling out new Fraud Awareness Training

- Potential Impact(s)**
- Increase in frauds and losses to the Council
 - Reputational risk as more frauds are reported
 - Increased time investigating suspected fraud cases impacting on capacity

- Key Indicators / Measures used to monitor the risk**
- Mandatory Fraud Awareness eLearning completion and face-to-face attendance rates
 - Anti-Money Laundering eLearning completion rates
 - Delivery of Fraud Awareness week campaign annually
 - Delivery of Policy updates in accordance with associated targets
 - Delivery of mandatory investigating officer training and the note taker training
 - Timely completion of casework and investigations
 - Provision of timely investigation and counter-fraud advice, guidance and support to Directorates
 - Adherence to the NFI Security Policy and annual completion of compliance forms

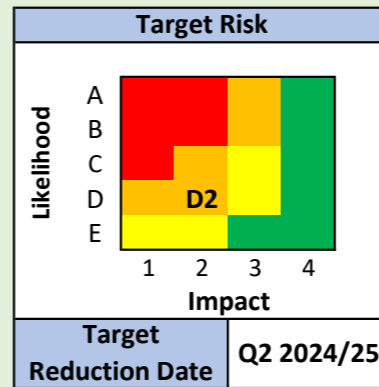
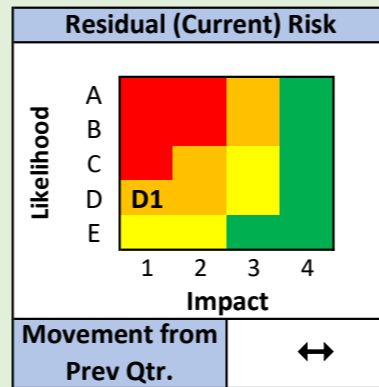
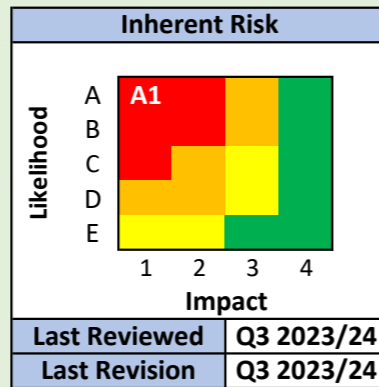
- Type(s) of Impact**
- Service Delivery
 - Reputational
 - Legal
 - Financial
 - Stakeholder

Linked Risks

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.



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 has been maintained for 23/24
- A corporate Information Asset Register /ROPA is held which details personal data assets held by each Council directorate and has been reviewed 2023.
- Service Level Agreements in place for all contracted services including Schools
- A new Corporate Retention schedule has been launched via SharePoint
- The Digitisation of Paper Records Strategy and associated business process changes are in place
- Mandatory Data Protection training is available for all Council staff to complete including non PC Users
- IG Awareness week is embedded and now in it's 3rd year. Communications will be released during Q3.
- Deputy DPO receives Pre Tender Reports and cross checks with DPIA'S . Updates are then provided to ISB to enable Information Governance & Security Board to have oversight of DPIA's
- An IG officer maintains a list of CCTV devices to allow the Council to respond to Surveillance Camera Code of Practice Annual survey and monitor compliance with the Code requirements
- New training modules on FOI and Data Protection launched to school staff during Q2 2023/24
- Emails and teams retention to be reintroduced Q3 2023/24 - 1 year retention to be achieved by end of Q4 2023/24

What we plan to do to meet target

- Publish an online Publication Scheme taking onward recommendations from the Information Governance & Security Board. **Q4 2023/24**
- An Information Governance Framework will be developed to help provide assurance of IG processes within Directorates. Implement during **Q2 2024/25**
- A new FOI e-learning module is being designed and will be made available via Cardiff Academy. Further training options will be presented to IGSB to decide who the training will be available to Q4 2023/24 Launch Members Information Governance SharePoint pages to ensure they have resources available to facilitate their role **Q4 2023/24**

Potential Impact(s)

Leads to the Information Commissioner issuing notices of non-compliance

These could consist of:

- A "Stop Now" Order which would mean that no personal data could be processed by the Council in its entirety
- An Information Notice which would mean that a service would have to provide information in a very limited period thereby impacting on service delivery
- A Decision Notice could be issued as a result of non compliance with an FOI/EIR request which would require information disclosure
- Undertaking which requires an Action Plan of Remedial Measures which would be subject to ICO Audit
- Enforcement Notice requires immediate improvement action to be put in place
- Financial Penalty up to £17.5 million for Higher Level Tier and £8 million for Lower Level Tier breaches of the Data Protection Act.
- Compensation unlimited liability claims for damages as a result of a data breach from individuals.
- ICO Public Reprimands - resulting in reputational damage

Type(s) of Impact

- Service Delivery
- Reputational
- Legal
- Financial
- Stakeholder

Linked Risks

Cyber Security

Key Indicators / Measures used to monitor the risk

- Suite of IG Indicators/Service Metrics
- No. of ICO complaints
- No. of FOI /EIR SAR Requests
- No. of individuals trained on Data Protection
- No of Data Protection Impact Assessments being undertaken
- No of data protection breach complaints/claims

Cyber Security

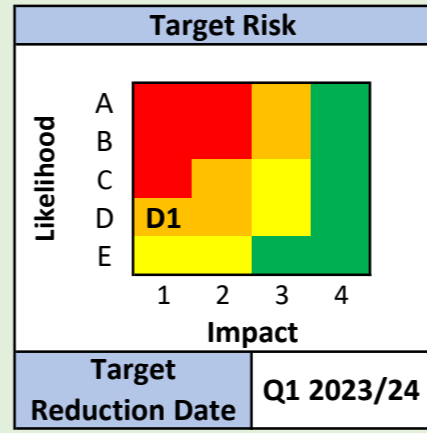
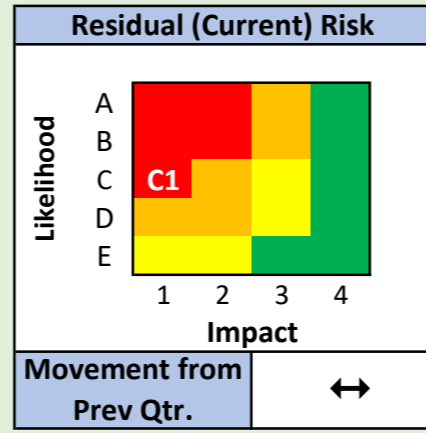
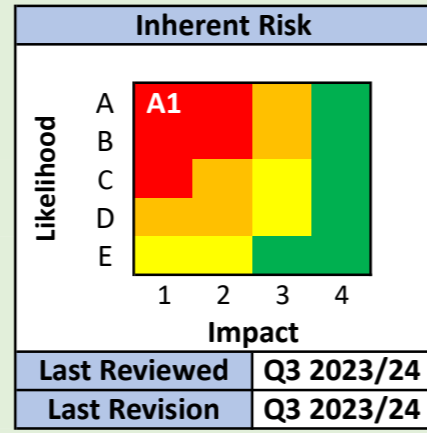
Description

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

Q3 2023/24

- Launched new Cyber Security Training across the authority (not including schools) – rolling 12 month mandatory training, compliance monitored and taken to Information Security Board Bi-monthly
- Circulate Cyber Breach “lessons learned” papers to SMT from Gloucester
- Evaluate Cyber Security Insurance for the Authority
- Include Cyber Security Core data in monthly reports circulated outside of ICT management (raising awareness and understanding)
- Education Cyber Security Audit Complete – supporting Education to assess and turned into action plan for reporting.

Ongoing

- Continue controls around high risk areas 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

Q4 2023/24

- Run Cyber Breach Workshop for senior management
- Select Senior Management to attend “Cyber Breach Workshop” funded by WLGA
- Supporting Education on the Cyber Security Audit, to assess and turned into action plan.
- 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

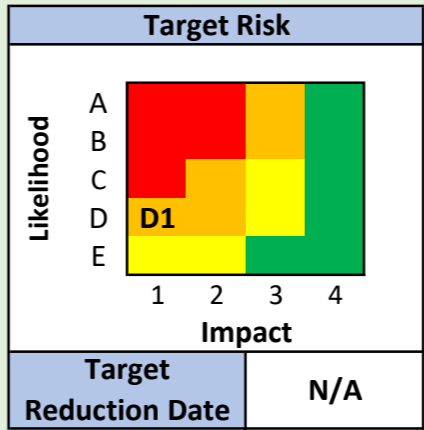
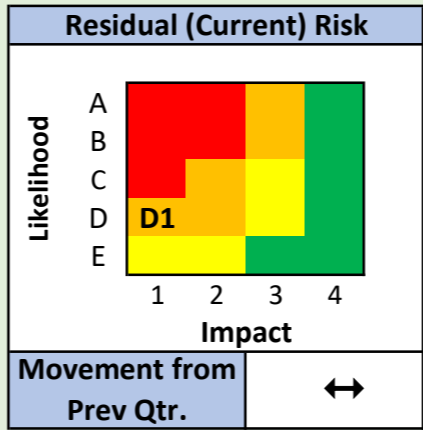
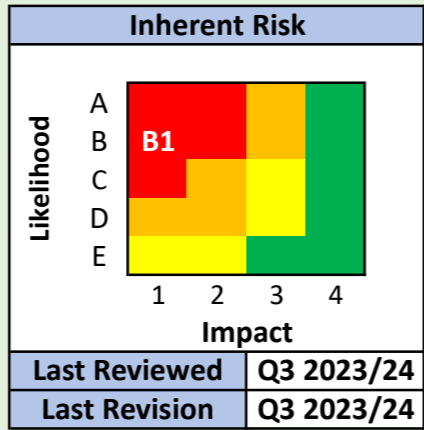
<ul style="list-style-type: none"> Service Delivery Reputational Legal Financial 	<ul style="list-style-type: none"> Health & Safety Stakeholder
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Business Continuity

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 / Deborah Marles

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 ISO22301:2012
- BCM toolkit is available by contacting the Resilience Unit.
- The Council employs a Business Continuity Officer who is a qualified ISO22301:2012 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.
- 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.
- Th 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. This work continued through 2023 for the winter of 2023-2024 this will remain monitored as a key element of our Horizon scanning.
- 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 continued into Q3 to support the resilient deliver of key services should the UK experience risks to energy supply.
- In Q4 2022/23 the Resilience Unit engaged with ICT around future enhancements to delivery of key ICT services this engagement will be ongoing.
- In Q1 of 2023/24 the Resilience Unit reviewed and updated the Councils Emergency Management Plan with the minimal changes necessary to keep the plan current to support our response to an incident that could impact on the Council.
- The Resilience Unit revised 4x4 resources across the council to support our response capability to deal with the potential of winter storms in Q3 2023/2024.

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 work is ongoing. This work is on going and cyclical and will be reviewed again in Q4 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 work remains on going and under review as the UK risk around energy resilience remains for 2024/2025, targeted work with key service areas remains ongoing with target of Q4 2024/2025.
- 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. Ongoing.
- 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. Ongoing.
- The Resilience Unit is working with ICT around the cyber risk and ensuring we continue to manage this risk effectively. We will review work around this risk in Q4 2023/2024.

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

<ul style="list-style-type: none"> • Service Delivery • Reputational • Legal • Financial 	<ul style="list-style-type: none"> • Health & Safety • Stakeholder
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Linked Risks

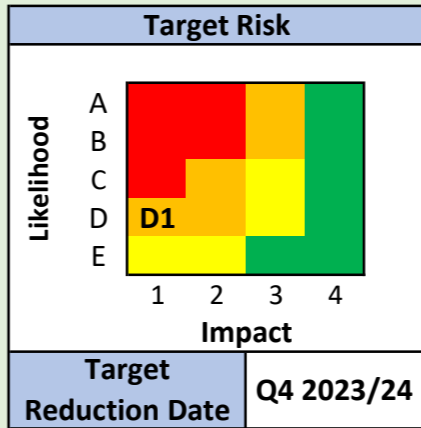
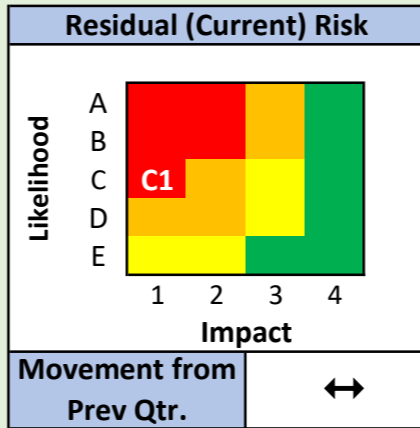
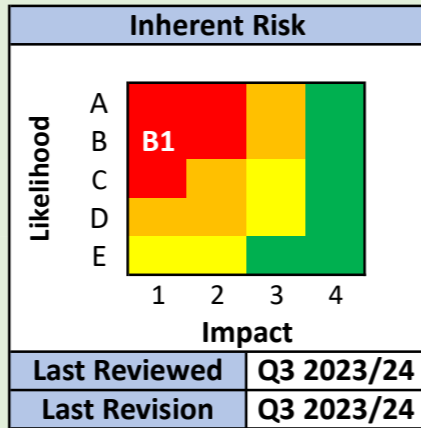
Key Indicators / Measures used to monitor the risk

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.

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 - additional resource agreed to manage waiting list and to extend Family Support Service to include out of hours family support.
- Referrals to services such as Safe Families made as required to provide support to families.
- Dedicated worker to focus on young carers in post.
- Increasing in house residential provision.
- Option for families to use Direct Payments available (policy reviewed). Potential use for children other than children with disabilities to be considered.
- Shifting the balance of care and associated workstreams progressing - new operating model (prudent social work) and new practice model (trauma informed and strength based) under development.
- Children's Services Strategy in place and supported by Workforce Strategy, Accommodation Strategy and Commissioning Strategy to address recruitment and accommodation sufficiency issues and manage the market.
- 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 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 - long term arrangements being considered via review of business support.
- Vulnerability Change Project is reviewing the police mechanism for referrals to Children's Services - with the aim of reducing PPNs on low level cases.
- Review of panels undertaken to streamline arrangements - outcome to be implemented in Quarter 4.
- Work to address demand and accommodation sufficiency issues ongoing - with a focus on services for children with disabilities and placement provision for children looked after.
- 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 **2024 - Spring**.
- Work with judiciary re: planned changes to private and public law **Q4 2023/24**.
- Review the Early Help offer and consider how this dovetails with the Interventions Hub to ensure that interventions are not being duplicated **Q4 2023/24**.
- Implementation of Accommodation Strategy **2023-26**.
- Implementation of Workforce Action Plan **Q4 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 deal with 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

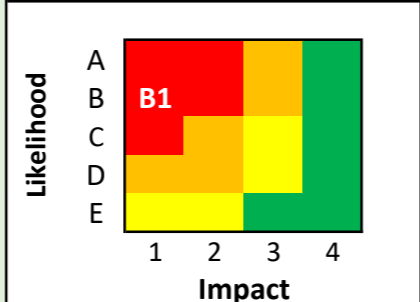
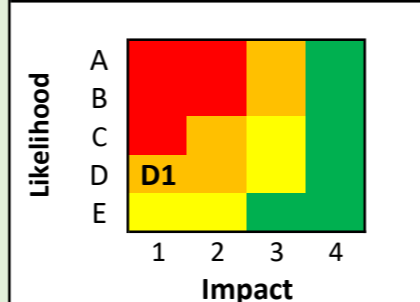
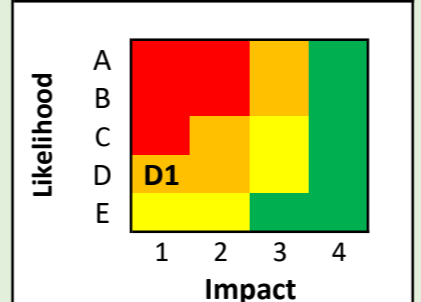
Children's Services:

- Number of Contacts / Referrals Received
- Number of children looked after
- Number of children on the Child Protection Register
- CH/012 - Percentage of assessments completed for children within statutory timescales

Type(s) of Impact

<ul style="list-style-type: none"> • Service Delivery • Reputational • Legal • Financial 	<ul style="list-style-type: none"> • Community & Environment • Stakeholder
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Safeguarding Children & Adults at Risk

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" data-bbox="872 493 1264 569"> <tr> <td>Last Reviewed</td> <td>Q3 2023/24</td> </tr> <tr> <td>Last Revision</td> <td>Q3 2023/24</td> </tr> </table>	Last Reviewed	Q3 2023/24	Last Revision	Q3 2023/24	 <table border="1" data-bbox="1282 493 1673 569"> <tr> <td>Movement from Prev Qtr.</td> <td>↔</td> </tr> </table>	Movement from Prev Qtr.	↔	 <table border="1" data-bbox="1691 493 2083 569"> <tr> <td>Target Reduction Date</td> <td>N/A</td> </tr> </table>	Target Reduction Date	N/A	<table border="1" data-bbox="2101 212 2902 569"> <tr> <td data-bbox="2101 212 2463 569">Sarah McGill (Deborah Driffield)</td> <td data-bbox="2463 212 2902 569"> Councillor Huw Thomas Leader Councillor Norma Mackie Social Services (Adults) Councillor Ashley Lister Social Services (Children) Councillor Chris Weaver Finance, Modernisation and Performance </td> </tr> </table>		Sarah McGill (Deborah Driffield)	Councillor Huw Thomas Leader Councillor Norma Mackie Social Services (Adults) Councillor Ashley Lister Social Services (Children) Councillor Chris Weaver Finance, Modernisation and Performance
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Potential Impact(s)
<ul style="list-style-type: none"> • A child(ren) or adult(s) suffer(s) preventable abuse or neglect which may result in harm or death • Reputation of Council and partners • Severe adverse publicity • Potential regulator intervention • Loss of confidence by community in safety of children and adults • Loss of confidence of staff in the overall "safety" of the service, impacting on morale, recruitment and retention • Potential litigation with associated financial penalties • Significant financial implications of formal intervention

What we've done/are currently doing to achieve the Residual Risk Rating
<p>Regional</p> <ul style="list-style-type: none"> • Annual RSB plan published outlining key priorities for this year accompanied by strengthening / streamlining governance . • Board data dashboard developed to provide live analysis against practice review progress and review recommendation implementation • Board safeguarding performance framework in development in line with NISB recommendations • RSB risk register in place and regularly reviewed by delivery group / board • Board self assessment and training self assessment undertaken and analysed by board partners, improvement actions being progressed. <p>Corporate</p> <ul style="list-style-type: none"> • Corporate Safeguarding Board strengthened with development of Steering Group and appointment of Directorate Lead Officers • Improved data capture and reporting on training compliance allowing targeted action by managers. • Initial Analysis of referral data completed, with further work underway to enable a more granular breakdown. • Recruitment and Selection Policy updated, including additional information on safeguarding • Recommendations of Audit Wales review actioned. • Output of self-assessments have been quality assured and is included and tracked through Directorate Delivery Plans. • Work commenced with Procurement team to strengthen safeguarding arrangements in contract award and management. • Non desk based training options successfully piloted and bring rolled out • Training compliance at 90% and members training compliance 100% <p>Contextual Safeguarding</p> <ul style="list-style-type: none"> • Safeguarding Adolescents From Exploitation (SAFE) partnership in place and working effectively. <p>Children's Services (Summary Position)</p> <ul style="list-style-type: none"> • Child protection procedures continue to take precedence and children at the highest risk will be prioritised. Operating model is review regularly. • Systems in place to learn lessons from Child Practice Reviews, Adult Practice Reviews and multi agency practitioner forums. • Quality Assurance Framework in place; learning workshops introduced to complete feedback loop. Action plan in placed. • High Risk Panel facilitates robust and timely multi-agency decision making at senior management level for our highest risk young people reviewed - Terms of Reference reviewed and updated. • Children's Services and Education working closely, including in the development of locality working and response to the recent issues in Ely / Caerau. • Close partnership working in relation to serious youth violence, including with Violence Prevention Unit and Community Safety is ongoing. • Successful bid for Youth Endowment Funding - for two Preventative & Engagement Service multi-agency teams to tackle criminal exploitation and risks posed to young people and their families. • Child Sexual Abuse practice leads training programme with Centre of Excellence in place. • Escalating concerns process reviewed and arrangements strengthened. • MISPER co-ordinator in post and working with the Police to ensure a consistent approach to missing young people. • Joint inspection of child protection arrangements undertaken - formal report expected in March / April. Informal feedback identified areas of good practice alongside areas for further development. Noted that there were robust leadership and governance arrangements within Children's Services and the wider corporate body with no further areas for development identified. <p>Adult Safeguarding</p> <ul style="list-style-type: none"> • Updated Regional Escalated Concerns procedures now operational. • Improved quality assurance process for care homes has been completed. • Quality Assurance Frameworks included within the DAPL and DPS Framework. Adult Safeguarding contributed by reviewing all policies. • The review into MARAC has been completed – and recommendations received. These will be delivered through the MARAC strategic and operational groups. Meetings are continuing with the police and new terms of reference have been agreed for a SWOT (Sex Workers Operational Team) panel and this is operating well, with a reduction seen in the number of sex workers on the streets in Cardiff. We are continuing to share intelligence with both South Wales Police and Gwent Police with a harm reduction approach being taken. Adult Safeguarding continue to attend strategic and operations meetings regarding Human Trafficking. • Developing sustainable and holistic approaches to achieving outcomes for those who hoard has now been completed • Young person's MDT in partnership with Children's services and Housing has now been launched and is fully operational and beneficial outcomes are emerging. YPG MDT Officer looking into the pathways into exploitation with a view to addressing this. • Targeted training work with low take up is ongoing and has been further developed, with gaps in training being identified and monitoring of non-compliance to be addressed through management teams. • The ongoing development and implementation of the Corporate Safeguarding Policy is being monitored in line with best practice guidance from Welsh Government. • Consistency in external and internal reporting of Safeguarding referrals has been embedded. • Developed more robust performance indicators and continuing the use of the self-assessment Quality Assurance document. • Completed a cleanse of open Adult Safeguarding cases. There are 199 cases open – a reduction of nearly a thousand. All cases are now allocated to a caseworker.

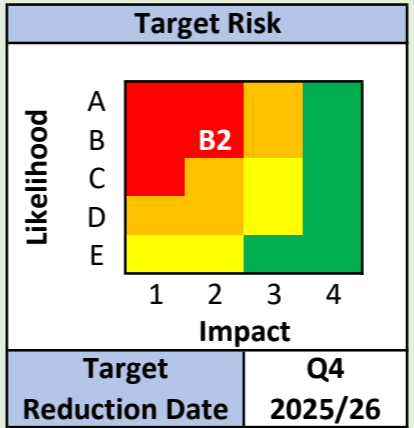
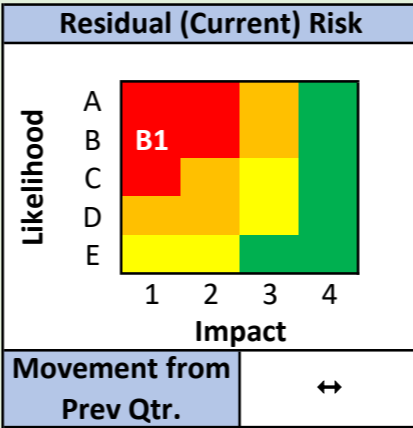
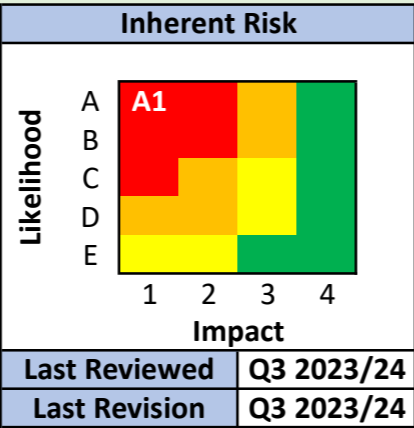
What we plan to do to meet target
<p>Regional Safeguarding Board</p> <ul style="list-style-type: none"> • Deliver development day and agree new board priorities, review progress against current objectives • Produce CRG improvement plan <p>Corporate Safeguarding Board</p> <ul style="list-style-type: none"> • Review 3 year refresh training stats with directorates • Produce and progress the refreshed development plan based on new annual priorities. • Ensure relevant key themes. Risks and issues generated from Regional Safeguarding Board are sighted in corporate safeguarding board. <p>Contextual Safeguarding</p> <ul style="list-style-type: none"> • Develop multi agency response to 'cuckooing' • Strengthen links with licencing teams to support contextual safeguarding approach • Work with partners to develop safe spaces for women and girls <p>Children's Services</p> <ul style="list-style-type: none"> • Strengthen contractual arrangements in relation to safeguarding (Q4 23/24). <p>Corporate</p> <ul style="list-style-type: none"> • Data development work on cross council referrals • Output of self-assessments to be quality assured, included and tracked through Directorate Delivery Plans. <p>Adult Services</p> <ul style="list-style-type: none"> • Develop whole home large scale enquiry process - to be completed Q4 23/24 • 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 - target removed as project on hold due to current work pressures. Q4 23/24 • 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 - Q2 2023/24

Type(s) of Impact	Linked Risks	Key Indicators / Measures used to monitor the risk
<ul style="list-style-type: none"> • Service Delivery • Reputational • Legal • Financial 	<ul style="list-style-type: none"> • Partnership • Community & Environment • Stakeholder 	<ul style="list-style-type: none"> • SCC.014 Percentage of initial child protection conferences carried out within statutory timescales during the year • SCC.034 Percentage of child protection reviews carried out within statutory timescales during the year • SSWB 27 Percentage of re-registrations of children on local authority Child Protection Registers • SSWB 28 Average length of time for all children who were on the CPR during the year • Res 15 - Percentage of Council staff completing Safeguarding Awareness Training

Housing Emergency

Description

In December 2023, Cabinet declared a housing emergency in the city. There is currently unprecedented demand for homelessness services and Temporary Accommodation. There is a lack of certainty regarding capital and revenue funding from the Welsh Government to address these issues. The cost-of-living crisis continues which is forcing more people into poverty, impacting on their ability to pay their housing costs. Private landlords may continue to leave the rental market. The Home Office Streamlined Asylum Processing (SAP) positive decisions continue to be made, current estimate is that this process will be completed by the end of March 2024. The number of individuals with No Recourse to Public Funds (NRPF) is also increasing as negative decisions are determined. Once given a positive decision, some individuals will apply for a Family Reunion visa. Waiting lists for social housing remains high and the number of social lets remains low. New build programmes being delayed. Increased staff fatigue within homelessness services as they deal with complex cases on a daily basis



Risk Owner(s)

Jane Thomas
Cllr Linda Thorne

Potential Impact(s)

Demand for those in priority need exceeds current TA provision, which may result in an increase in rough sleeping for single people and Emergency Accommodation (EA) for families. This use of EA (hotels) for families is not appropriate for long stays and is expensive for the Local Authority.

Funding - Without certainty and clarity on existing and future funding from the WG, difficult to put adequate resources in place to help reduce some of the negative impacts. Eg no clarity on the Homeless Prevention Fund, no increase in the Housing Support Grant and no confirmation of capital funding for modular build program. As the relief of homelessness is a statutory duty, this will lead to negative impact on the Councils finances especially when the only solution, without significant capital investment, is to house people in expensive hotel accommodation.

PRRS - Even though LHA rates will increase significantly from April 2024, landlords may increase their rents further or sell up to cover their rising mortgage repayments. Evictions will increase as households are not able to pay their rents / mortgages, creating more demand.

SAP - Positive SAP decisions result in an increased demand on homelessness services and TA. Negative decisions result in NRPF status, which will further increase the number of individuals that will be rough sleeping in the city. For those individuals that are given refugee status, if granted a Family Reunion visa, will create additional pressures on family TA initially and additional strain on move in accommodation.

Reduced Move on - With a high % of available social lets being allocated to homeless households, others with a significant housing need on the waiting list are not being considered for allocation. As the number of social lets remains low, this further negatively impacts on the move out of Emergency and Temporary Accommodation. This results in longer stays in Emergency / Temporary Accommodation. Unavoidable delays to the new build program will result in longer stays in Temporary / Emergency Accommodation.

Staff - Staff feeling stressed, increase in sickness levels. Negative impact on officers mental health. This in turn can lead to empathy fatigue, resulting in negative experiences for our clients.

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

Reducing Incoming Demand
Prevention advice is now available in Hubs.
Floating support is offered.
All prevention cases now have a dedicated officer.
Full utilisation of grants to support tenants in arrears & dedicated Mortgage Advice officers.
A firmer approach, within current legislation guidelines has now been rolled out.
Homeless on The Day Assessments are now carried out at a variety of venues.
Full utilisation of the Reconnect service.

Funding
Officers in regular contact with WG officials to access all funding opportunities. However, the risk around funding uncertainty remains high. (TACP, SHG, HPG)
Where able, grants are used to offset drawdowns from Reserves. However, as grants are squeezed too, this is becoming more difficult, therefore reducing reserve balances.
Regular Capital Board meetings and close working with service area and finance on accommodation costs.

Increasing Use of the PRS
Utilising more PRS properties at the Prevention stage to improve success.
Improved our dedicated offer to Private Landlords

Meeting Demand Emergency & Temporary Accommodation (TA)
Use of 5 hotels across the city to provide emergency accommodation for families and singles.
TA Taskforce meetings held twice a week with attendees from across H&C to escalate and address issues quickly.
Regular data analysis is carried so anticipated demand on TA can be forecasted.
Expanding the modular builds on the Gasworks site to be completed by Spring 2024.

SAP cases
A Waiver for individuals with No Local Connection or NRPF has been developed.

Move on from TA
Increasing the number of settled accommodation units by:

- Buying property from the open market
- Keeping the level of social, general lets of 80% to homeless clients.
- Building new affordable homes

Staff
Provide regular support for staff.. Space always available in Hubs / so feel less isolated working from home. Reduction in reliance on agency staff and increase in Council contracts for staff in supported accommodation.

What we plan to do to meet target

- Consultation will be carried out in the Spring to make changes to existing policies around making intentionally decisions, placement out of county where appropriate & allocating from TA into settled accommodation anywhere in the city. Target Date **Q3 2024/25** Owner: OM Advice / Accommodation and Support Manager
- Representation will continue to be made to the WG to provide clarity and certainty on funding, Target Date **Q4 2023/24** Owner: OM Advice
- Finalising the proposal to increase the maximum number of private properties on the Welsh Government Leasing Scheme (WGLS) Authorisation to be agreed and scheme expanded by March 2024. Target Date: **Q2 2024/25** - Owner: OM Advice
- The LETS team will carry out events to encourage more private landlords to work with the Council, by August 2024. Target Date: **Q2 2024/25** - Owner OM Advice
- A housing related benefit take up campaign will be rolled out across the city. Target Date **Q2 2024/25** Owner OM Advice
- Continuation of delivery of modular homes through the Cardiff Living Programme. Target Date **Q4 2025/26**. Owner: AD Development & Regeneration
- Procurement of specialist legal immigration advice to support those who have received a negative asylum decision. Target Date: **Q1 2024/25** Owner: OM Advice / Head of Community Safety & Cohesion.
- Rapid investigation into NRPF accommodation options with third sector organisations. Target Date **Q4 2023/24** Owner: Head of Community Safety & Cohesion/ OM Specialist Accommodation
- Entering into a package deal arrangement for delivery of new council homes by a developer. Owner: AD Development & Regeneration
- Increasing the use of managed blocks for single people. **September 2024**. Owner: AD Development & Regeneration / AD Housing & Communities

Type(s) of Impact

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

Linked Risks

Key Indicators / Measures used to monitor the risk

- Number of households presenting to prevention team/ homeless on the day
- Number of households in the prevention caseload
- % of cases that are prevented from homelessness
- Spend on TA units, including support
- Number of properties on the WGLS
- Number of households supported to claim a housing related benefit.
- Number of additional TA units RSL's are the owners
- Number of additional modular homes
- Number of rough sleepers
- Number of people in TA / Emergency Accommodation
- Number of SAP cases who have moved in to the PRS
- Number of households receiving specialist immigration advice.
- Number of NRPF rough sleeping
- Average length of time that households are staying in TA / Emergency Accommodation
- Number of new build properties delivered
- Number of new units in new managed blocks
- Staff in homelessness services off sick with work related stress being the main factor

Legal Compliance

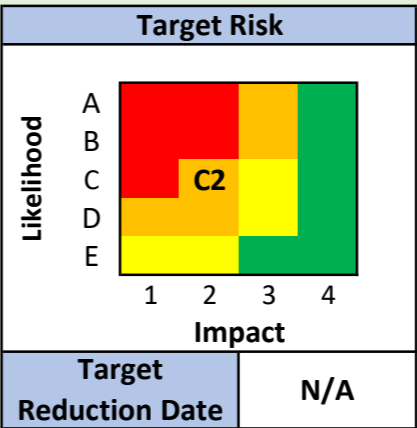
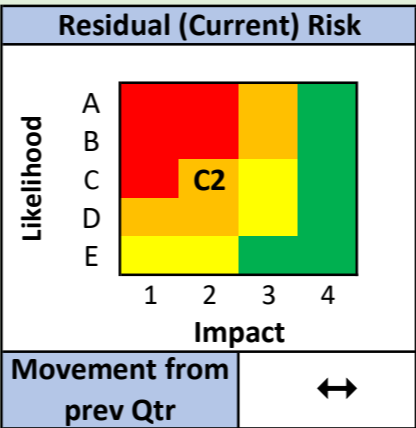
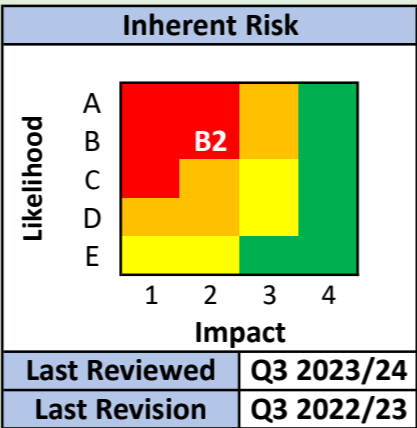
Description

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)

Chris Lee

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
- Use of appropriate Legal Services 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

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CARDIFF COUNCIL CYNGOR CAERDYDD

GOVERNANCE AND AUDIT COMMITTEE: 26 March 2024

TREASURY MANAGEMENT STRATEGY 2024/25

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 9.1

Reason for this Report

1. The Governance and Audit Committee Terms of Reference sets out their responsibility for undertaking scrutiny of the accounting, audit and commercial issues in relation to the Council's Treasury Management Strategy and practices.
2. A Treasury Management Strategy for 2024/25 was approved as part of the Budget Report to Council in March 2024. This report has been prepared to provide Governance and Audit Committee Members with the Treasury Management Strategy for 2024/25.

The Draft Treasury Management Strategy

1. The strategy is included at Appendix 1 and covers the following areas: -
 - Introduction to the Capital Strategy, Capital Financing Requirement and Treasury Strategy
 - The current treasury position
 - Economic background and prospects for interest rates
 - Borrowing, including: -
 - Policy
 - Annual Minimum Revenue Provision (MRP) Policy Statement
 - Council borrowing requirement
 - Borrowing Strategy and choice between internal and external borrowing
 - Treasury management indicators and limits for 2024/25 to 2028/29
 - Treasury investment policy and strategy, including security and investments approved for use
 - Non-Treasury investments – Service investment and investment primarily for yield
 - The Treasury Function
 - A glossary of terms.

2. The main points to note in the Treasury Management Strategy are:
- It is currently a single integrated strategy for the Council as a whole rather than separate strategies for the Housing Revenue Account and the Council's General Fund.
 - The strategy is required to be drafted in accordance with Welsh Government guidance on investments and the requirements of the CIPFA Treasury Management Code..
 - The current level of the Capital Financing Requirement is based on previous budgets and expenditure, whilst future forecasts are determined in the Capital Strategy approved as part of the budget in March 2024.
 - Maintaining the previously agreed approach to making prudent provision for debt repayment of debt.
 - The timing of borrowing decisions, associated risks and financial implications will be important in order to achieve a balance between using temporary cash balances held (internal borrowing) and shorter dated borrowing in the short term and securing parts of the Council's long term borrowing requirement.
 - There is little change to the Investment Section with the priority for Treasury investments being security, liquidity then yield, with the Strategy retaining the potential use of a range of investment options to increase diversification and increase individual limits to support the management of cash in a low interest environment. Joint Ccommittee temporary cash will be managed within criteria and parameters set out in the strategy.
 - Strong credit critetria are set for investments undertaken by the Council based on Fitch Credit Criteria.
 - The Treasury Management Strategy is intended to apply from the date of approval by Council in March 2024.
 - Assessment of the skills, capacity and resilience of the Treasury function to implement the strategy adopted.

Reason for Report

3. To note the Treasury Management Strategy for 2024/25 and provide any comments as necessary to be considered as part of the mid year report or for the corporate director to consider as part of their delegation to implement the Treasury Management Activities.

Legal Implications

4. No direct legal implications arise from this report.

Financial Implications

5. The Treasury Management Strategy is the outcome of decisions taken as part of Council's budget proposals and its financial position. It does have financial implications which are consistent with and form part of the budget proposals for 2024/25, Medium Term Financial Plan and Capital Strategy considered by Council in March 2024.
6. In approving the Capital Strategy and Treasury Management Strategy, Council Members will need to consider the affordability, prudence and sustainability of an increasing borrowing requirement in line with the Prudential Code. This includes a range of financial and procedural mitigations to support an expanding investment programme and mitigate against risks to affordability.

RECOMMENDATION

7. That Governance and Audit Committee note the Treasury Management Strategy for 2024/25. and provide any comments as necessary to be considered as part of the Mid-year update report or for the corporate director to consider as part of their delegation to implement the Treasury Management Activities.

CHRISTOPHER LEE
CORPORATE DIRECTOR RESOURCES
26 March 2024

The following appendix is attached
Appendix 1 – Treasury Management Strategy 2024/25

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Treasury Management Strategy 2024/25

Cardiff Council



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Treasury Management

1. The Council carries out its treasury management activities in accordance with a Treasury Management Code of Practice for public services, which was last updated by CIPFA in December 2021. The Code requires the Council to set out the policies and objectives of its treasury management activities and adopt four Clauses of Treasury Management. These were formally adopted by the Council in February 2010. The last section of this strategy includes a glossary of terms used in this document.
2. CIPFA has adopted the following as its definition of treasury management activities:

The management of the organisation's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

3. The definition of 'Investments' above includes:
 - treasury management investments (held for the prudent management of financial affairs), as well as
 - non-treasury Investments, undertaken as part of a Capital Strategy either in the course of provision of services; or made for commercial reasons purely to make a financial gain. These are managed outside of normal treasury management activity.

Treasury management investments represent the placement of cash in relation to section 12 of the Local Government Act 2003 Act investment powers, i.e., they are the residual cash left in the authority's bank account resulting from the authority's day to day activities. Non-treasury investments tend to relate to section 1 expenditure powers under the Act.

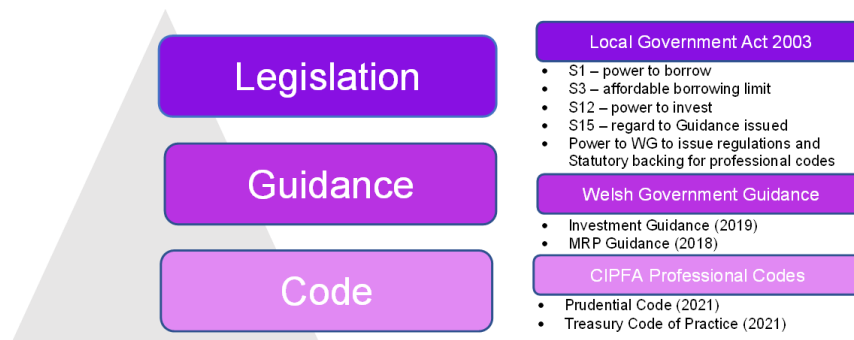
This Treasury Management Strategy covers treasury management investments only.

Governance and Reporting

4. In compliance with Codes and Council policy, full Council receives a report on:
 - the Treasury Management Strategy at the start of a forthcoming year
 - a mid-year update and
 - an outturn report, with any significant updates included as part of quarterly monitoring reports to Cabinet.
5. The Treasury Management Strategy is an integral part of the Council's Strategic and Financial planning framework.



6. In 2004, local authorities were provided with flexibility in relation to the quantum and timing of borrowing decisions. Legislation, guidance and professional codes of practice were introduced to support decision making and ensure investment and borrowing is Prudent, Sustainable and Affordable.



7. The Council has delegated responsibility for treasury management to the Corporate Director of Resources, the S151 Officer. The Council's Treasury Management Practices which are updated annually, identify specific responsibilities of officers as well as setting out schedules highlighting the way in which treasury activities are managed.
8. Responsibility for treasury decisions ultimately remains with the Council, however the Council recognises the value in the use of treasury advisors to support the management of risk and to access specialist skills and resources. Support provided by Link Treasury Services Limited includes advice on timing of decision making, training, credit updates, economic forecasts, research, articles and advice on capital finance.
9. Governance and Audit Committee undertakes scrutiny of the accounting, audit and commercial issues in relation to the Council's Treasury Management Strategy and practices and various reports are produced highlighting treasury management activities in accordance with council policy. It is the councils approved Capital expenditure plans that drive the Treasury Management strategy and Treasury management activities. It is important to note that it is not the role of the Governance and Audit Committee to scrutinise the budget process and controls that determine the affordability, prudence and sustainability of expenditure commitments arising from approved capital expenditure plans.

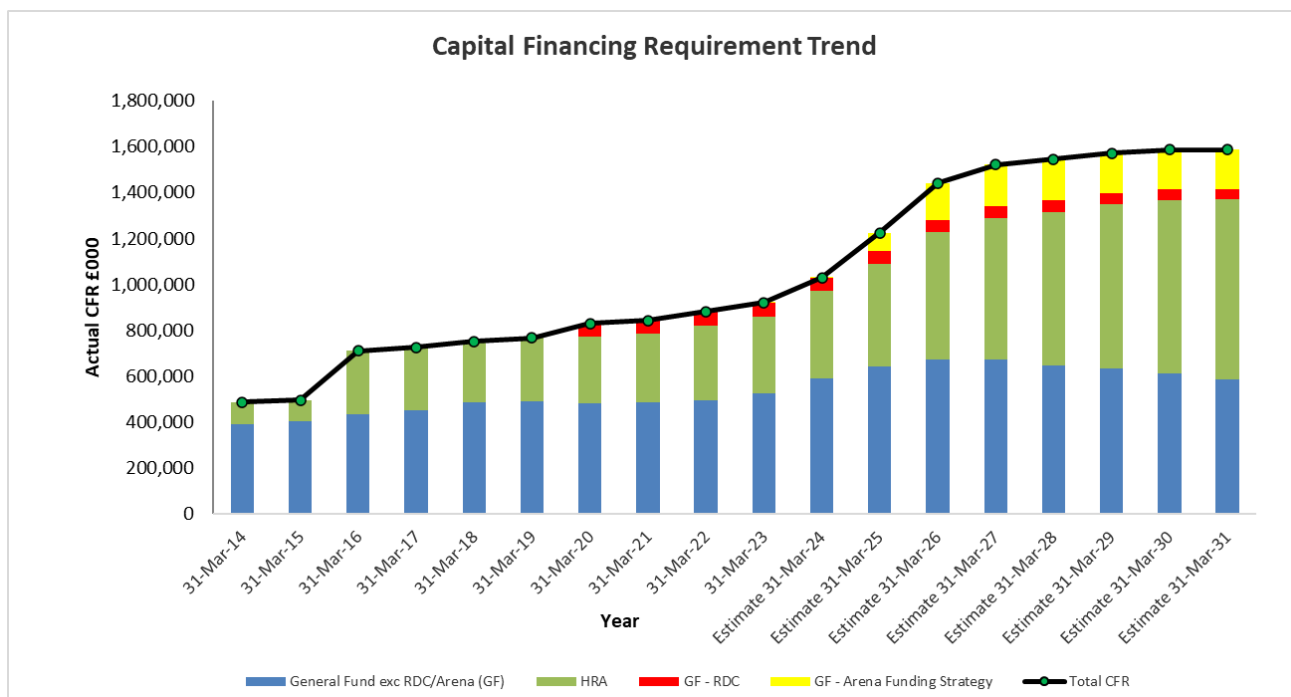
Capital Strategy and Capital Financing Requirement (CFR)

10. The Council's Capital Strategy sets out that successfully delivering the commitments set out in the Council's Corporate Plan will require capital investment. Having a capital strategy in place informs capital investment decisions by providing a framework, which will:
 - provide a longer-term view of capital expenditure plans whilst setting out the financial risks to which the authority is exposed
 - ensure decisions can demonstrate sufficient regard to the proportionality of long-term financing, affordability implications and potential risks to the authority
 - provide an overview of the Council's asset management planning arrangements, which includes any maintenance requirements that have resource and business planning implications.

11. The Capital Strategy is approved by Council as part of its budget setting process, with specific commentary required by the Council's S151 Officer in respect to deliverability, affordability and risks. The strategy sets out the approach to:
 - Working with partners - recognising the enabling role played by the Council in delivering investment and the need for alignment with Welsh Government on a longer term and sustained approach to capital investment.
 - Asset Management Planning - how the Council demonstrates stewardship of assets used in service delivery and the need to understand condition and alternative options as a basis for understanding investment requirements.
 - Risk Appetite - the main areas where capital investment paid for by borrowing would be considered and how such decisions are informed.
 - Governance and decision-making - identifying priorities for investment, securing value for money, and monitoring and reporting of the approved capital programme.
 - Capital Investment Programme - the detailed five-year capital investment programme proposed for 2024/25 to 2028/29.
 - Funding the strategy and investment programme - the Capital Resources assumed to be used to fund the 2024/25 to 2028/29 investment programme.
 - Affordability - understanding the impact of capital investment decisions on the Council's revenue budget and Medium-Term Financial Plan via the calculation of various prudential indicators to be approved by Council. These include highlighting the percentage of capital financing costs committed as a percentage of the revenue budget.
 - Managing the borrowing requirement - identifying the Capital Financing Requirement and setting out the strategy to manage Treasury activities including the borrowing requirement and treasury investments. This activity is considered in the Treasury Management Strategy.

12. The detailed capital investment programme is the subject of an annual review process. It includes a review of existing allocations, consideration of new commitments and known revisions to the timing of projects.

13. The indicative programme shows a significant borrowing requirement for a number of reasons. The Capital Financing Requirement for the General Fund, Housing Revenue Account, Red Dragon Centre (RDC) acquisition and Arena funding strategy are illustrated in the chart below.



14. The CFR projections show an increasing trend. The key reasons for this and assumptions that can impact on the timing of investment include:

- An assumption that the Council has the capacity and can implement the capital programme in accordance with the timescale in which funding is requested.
- An assumption that the proceeds from the disposal of assets (Capital Receipts) are achievable and receivable in a reasonable period.
- The approach to making prudent provision in the Council's revenue budgets for the repayment of any capital expenditure incurred on the basis of borrowing.
- The detailed capital programme that includes:
 - Agreed expenditure pre commitments in the capital programme approved in 2023/24 and prior years
 - Additional investment proposed as part of the budget proposals for 2024/25 to 2028/29
 - Investment in the target to deliver 2800 new affordable homes in the Housing Revenue Account
 - Schools' investment as part of the financial models for 21st Century Schools Band B
 - Specific schemes intended to pay for themselves from future revenue income or savings e.g. Energy retrofit projects, a replacement joint equipment store facility, coastal erosion and International Sports Village development.
 - Repayable loans offered by Welsh Government for specific schemes such as high rise building safety and central market refurbishment
 - Council contribution to the enabling costs and multi storey car parking for the arena and also to 'Direct Fund' the Arena construction following the approval by Cabinet in November 2023 of a funding strategy. The optimal funding

solution is for the Council to provide the funding to construct the arena. Whilst this will increase the Council's Capital Financing Requirement and need to borrow, the costs of the solution are intended to be met over a 45-year period from operator income receivable.

Treasury Management Strategy

15. The Treasury Management Strategy covers the following areas:
 - Borrowing to finance the cash requirements arising from the Council's Capital Strategy and detailed capital investment programme. The costs of servicing that financing is included in Medium Term Financial Plans for the General Fund and Housing Revenue Account.
 - Treasury investments determining how short-term cash flows will be safely managed to meet the Council's financial commitments and objectives.
 - Highlighting the approach to non-treasury Management Investments. Whilst these impact on the treasury function, they arise from capital expenditure plans which are reported separately from day-to-day treasury management activities. Accordingly, this strategy focuses on Treasury investments.
16. The Council accepts that no treasury management activity is without risk. However, 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.
17. The identification, monitoring and control of risk are integral elements of treasury management activities with risks including credit and counterparty, liquidity, interest rate, refinancing, fraud and regulatory. The Council has Treasury Management Practices to address and mitigate these risks which were updated in March 2023.
18. The proposed strategy is an integrated strategy for the Council including the Housing Revenue Account (HRA) and includes:
 - the current treasury position
 - economic background and prospects for interest rates
 - borrowing, including:
 - policy
 - council borrowing requirement based on its capital expenditure plans and choice between internal and external borrowing and
 - borrowing strategy
 - treasury management indicators and limits for 2024/25 to 2028/29
 - investment policy and strategy, including security and investments approved for use
 - non-treasury Investments – Commercial / Service Investment, and
 - the Treasury Function.

The Treasury Position

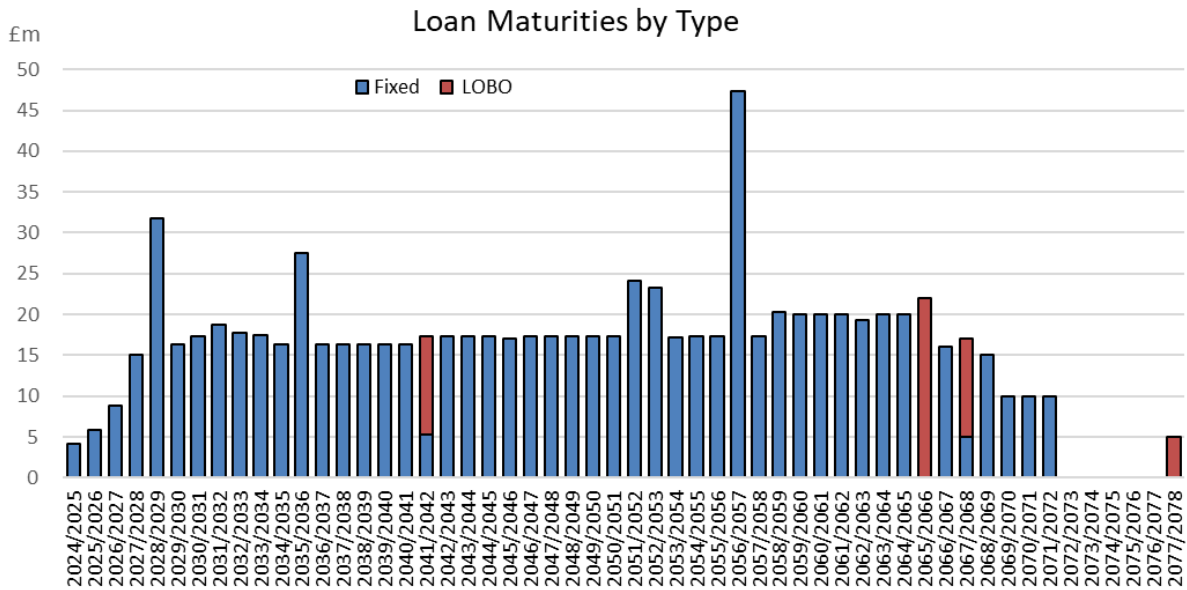
19. Borrowing and investments as at 31 January 2024 and at the same date in the prior year, are shown in the following table. Borrowing is predominantly made up of fixed interest rate loans payable on maturity. Investments fluctuate daily and are represented by fixed term deposits, notice deposit accounts and money market funds. These balances arise due to the timing of cash flows and working capital as well as the existence of reserves, provisions and balances required for future use.

	31 January 2023		31 January 2024	
	Principal	Average	Principal	Average
	£m	Rate %	£m	Rate %
External Borrowing				
Public Works Loan Board (PWLB)	(759.7)	4.2	(756.7)	4.2
Market (Lender Option Borrower Option)	(51.0)	4.0	(51.0)	4.0
Welsh Government	(22.8)	0.0	(51.6)	0.0
Local Authority	0.0	0.0	0.0	0.0
Total Debt	(833.5)	4.1	(859.3)	3.9
Treasury Investments (Internally Managed)*				
Banks	59.0	2.5	9.2	5.1
Building Societies	0.0	0.0	0.0	0.0
Money Market Funds	55.0	3.4	39.8	5.3
Government	63.9	3.2	53.2	5.2
Local Authority	15.0	3.2	0.0	0.0
Total Treasury Investments (Net)	192.9	3.0	102.2	5.2
Net Treasury Investments / (Borrowing)	(640.6)		(757.1)	

*Note all investments are currently managed internally and no external fund management arrangements are in place.

20. The Council's debt maturity profile at 31 January 2024 is shown in the following graph on the assumption that all loans run to their final maturity.

The Treasury Position



21. LOBO products are loans to the Council where the lender can request a change in the rate of interest payable by the Council on pre-determined dates. The Council at this point has the option to repay the loan without penalty. The Council has six such loans totalling £51 million.
22. Apart from the option to increase rates, these loans are comparable to PWLB loans and have no other complications such as variation in interest rates or complex terms. Interest rates on these loans range between 3.81% and 4.35%. Details of the loans are shown in the table below.

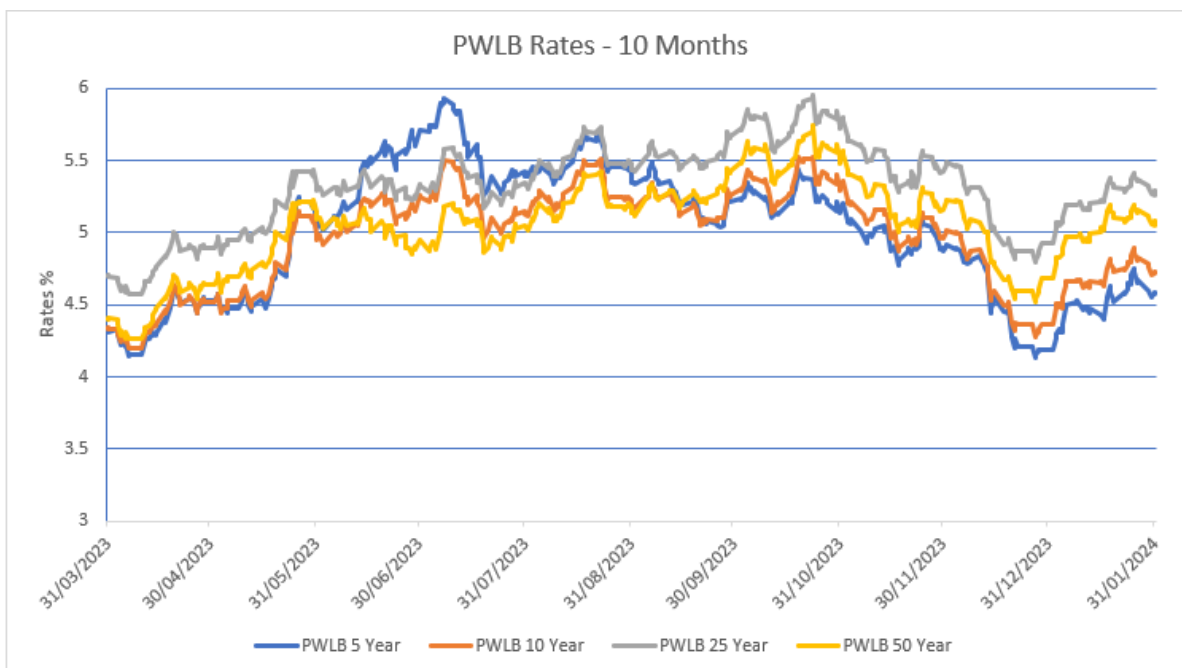
Lender Option Borrower Option (LOBO) Loans			
Potential Next Repayment Date	Loan Value £m	Option Frequency Every	Full Term Maturity Date
04/03/2024	6	6 months	23/05/2067
21/05/2024	6	6 months	23/05/2067
21/05/2024	6	6 months	21/11/2041
21/05/2024	6	6 months	21/11/2041
21/11/2025	22	5 years	23/11/2065
17/01/2028	5	5 years	17/01/2078

23. It should be noted that £24 million of the LOBO loans are currently subject to the lender potentially requesting a change in the rate of interest payable every six months. A further £27 million has a five yearly call option.

24. The financial year 2023/24 to date has seen:
- Interest rates rise by a further 100 basis points, taking Bank Rate from 4.25% to 5.25% and what is assumed to be the peak in the tightening cycle.
 - Consumer Price Index (CPI) Inflation fall from 8.7% in April to 6.7% in September, its lowest rate since February 2022, but still the highest in the G7 group of countries. Twelve Month CPI inflation fell to 4% in December 2023. In the Monetary Policy Committee's latest projection, CPI inflation is around 2.75% by the end of this year, reflecting a persistence of domestic inflationary pressures. Despite an increasing degree of slack in the economy, CPI inflation is projected to be 2.3% in two years' time and 1.9% in three years.
 - Limited UK Gross Domestic Product (GDP) change in the year to date suggests that underlying growth has lost momentum since earlier in the year.
25. As the drag from higher interest rates intensifies, it is expected that the economy will continue to lose momentum. Strong labour demand, fast wage growth and government interventions have all supported household incomes over the past year. CPI inflation has past its peak and expected to decline further. The cost-of-living crisis has led to falls in real household disposable income and the phasing out of financial support packages provided by the government during the energy crisis means real incomes are unlikely to grow strongly. Higher interest rates are also expected to impact harder too. The Bank of England are expected to keep interest rates at 5.25% until the second half of 2024, with mortgage rates also remaining elevated until there is a clear trend downwards.
26. The tightness of the labour market continued to ease, with employment in the three months to July falling by 207,000. The supply of labour is still 0.3% below its pre-pandemic February 2020 level but the cooling in labour market conditions still has not fed through to an easing in wage growth. The headline 3 month year on year rate rose 7.8% for the period June to August, which meant UK wage growth remains much faster than in the US and in the Euro-zone. Moreover, while the Bank of England's closely watched measure of regular annual average total pay growth for the private sector was 7.1% in June to August 2023, for the public sector this was 12.5% and is the highest total pay annual growth rate since comparable records began in 2001.
27. In its monetary policy meeting on 1 February 2024, the Bank of England left interest rates unchanged at 5.25%. The vote to keep rates on hold was a split vote, 6-3. It is clear that some members of the MPC are still concerned about the stickiness of inflation. The bank wants the markets to believe in the higher for longer narrative however in terms of messaging, the Bank moved away from the phrase "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures", to a pledge to "keep under review for how long bank rate should be maintained at its current level" It is now openly endorsing that the next move in interest rates will be a cut and that rates will need to be cut by some margin. However, the committee seem unsure as to what precise signal they are looking for to feel confident enough to begin a cutting cycle.

Economic Background and Prospects for Interest Rates

28. This narrative makes sense as the Bank of England does not want the markets to decide that a peak in rates will be soon followed by rate cuts, which would loosen financial conditions and undermine its attempts to quash inflation. The language also gives the Bank of England the flexibility to respond to new developments. A rebound in services inflation, another surge in wage growth and/or a further leap in oil prices could conceivably force it to raise rates in the future.
29. The above economic background in the UK, has resulted in significant volatility in gilt yields and in turn borrowing rates as markets digest daily developments in the financial markets and release of economic data both domestically and internationally.
30. The Public Works Loan Board is one source of local authority borrowing and is subject to an annual application process and review of eligibility. PWLB rates are based on gilt (UK Government bonds) yields, however HM Treasury determine a specified margin to add to gilt yields for any local authority borrowing. Most local authorities can undertake loans at the PWLB Certainty Rate, which is gilt rate plus 80 basis points (G+80 bps). There is also a Housing Revenue Account Certainty Rate from PWLB at gilts plus 40 basis points and this is available until June 2025.



31. The chart above highlights the volatility in PWLB borrowing rates, with long term rates at the end of January 2024 being circa 5%. Having regard to various uncertain factors, the table below shows the Council's treasury management advisors last forecasts for Bank Rate and Public Works Loan Board (PWLB) certainty borrowing rates, based on their current lending policy. The forecasts are updated periodically and it is a central forecast, acknowledging for example that there are upside and downside risks. This shows a gradual decrease in Bank Rate and PWLB lending rates over the forecast horizon ending on 31 March 2027, albeit with rates higher than previous years lows.

Economic Background and Prospects for Interest Rates

	Actual 31/01/2024	March 2024	March 2025	March 2026	March 2027
Bank Rate (%)	5.25	5.25	4.00	3.00	3.00
5yr PWLB rate (%)	4.56	4.90	4.20	3.60	3.50
10yr PWLB rate (%)	4.77	5.00	4.20	3.70	3.50
25yr PWLB rate (%)	5.29	5.30	4.50	4.10	4.00
50yr PWLB rate (%)	5.07	5.10	4.30	3.90	3.80

Forecast 7 November 2023

32. The view is that the overall balance of risks to economic growth in the UK is to the downside. Markets have built in the likely effects on gilt yields of changes in Bank Rate and the poor inflation outlook. However, there will be a lot of unpredictable volatility during this forecast period and caution must be exercised in respect to all interest rate forecasts. This includes, financial market uncertainty, labour and supply shortages, inflation pressures, approach to reversal of quantitative easing, public sector borrowing levels, and geo-political risks which could lead to increasing safe-haven flows.
33. It should be noted that following a review of PWLB lending policy, a prohibition is in place to deny access to borrowing from the PWLB for any local authority which includes in its capital programme the acquisition of investment assets bought primarily for yield.
34. Where there is a borrowing requirement for certainty, there is deemed to be better value in borrowing from the PWLB for all maturity periods. The Council will also for strategic investments, consider opportunities and eligibility of borrowing from other sources such as the UK infrastructure bank where projects are in line with its lending objectives.

Borrowing Policy

35. Borrowing to pay for capital investment has long-term financial consequences and risks, with decisions taken many years ago impacting currently and in the future in the form of interest and provision for repayment of capital expenditure. The decisions that drive the need to borrow are taken in the Capital Strategy and a detailed capital expenditure programme approved by Council with the recurring cost implications factored into Medium Term Financial Plans. All borrowing is undertaken in the name of the Council and secured on all revenues of the Council.
36. The Council can consider various sources and types of debt instruments to finance capital expenditure as well as its short-term working capital requirements. This includes the Public Works Loan Board, the financial markets, Local Authorities and other public bodies, leases, public private partnership models and the issuing of bonds. These are detailed in the Council's Treasury Management Practices and the advantages and disadvantages of such products would need to be considered including risks, track record and cost of issuance, supported by external advice in respect of different options.
37. The Council's currently maintains a single pool of all Council debt for all activities. Best treasury management practice is that loans are not taken on a project-by-project basis, however this is a consideration for specific capital investment such as for the arena, where there is a need to meet specific cash flows and track performance over the initial construction period of the project.
38. When interest rates for borrowing are greater than interest rates the Council receives for investments (the cost of carry) or if long term interest rates are expected to fall, it makes financial sense to use any internal cash balances held in the short-term to finance capital expenditure and minimise costs (internal borrowing), rather than undertake external borrowing. However, there is a risk that the Council may have to borrow at higher rates when it does need to borrow in future and so this position is kept under continuous review and delegated to the Corporate Director Resources. Borrowing undertaken is reported as part of periodic reports to Council
39. The Council's Borrowing Strategy considers all options to meet the long-term aims of:
 - Promoting revenue cost stability to aid financial planning and avoid a stop-start approach to service delivery, although it is recognised that this may have a financial impact.
 - Pooling borrowing and investments to ensure the whole Council shares the risks and rewards of treasury activities.
 - Ensuring borrowing plans are aligned to known capital expenditure spending plans and financial reserve levels.
 - Achieving a balanced maturity profile.
 - Having regard to the effects on current and future Council Tax and rent payers.
40. The Council does not intend to borrow in advance of need and will not do so just to gain financially from short term investment of that borrowing. However, this option may be considered if it is felt that borrowing in advance allows opportunities to lock into favourable long-term rates as part of risk mitigation. This will be limited to no more than the expected increase in the Council's Capital Financing Requirement over a three-year period.

Prudent Repayment of Capital Expenditure – Annual Minimum Revenue Provision (MRP) Policy Statement for 2024/25

41. Where capital expenditure is financed using borrowing, the Council has a statutory duty to charge an amount to future revenue budgets for the eventual repayment of that expenditure. This spreads the cost of capital expenditure incurred now, and historically, to future revenue budgets. Decisions in respect of the allocation of MRP have short, medium and very long-term impacts across generations.
42. Making minimum and any voluntary provision must be considered to be prudent and results in a reduction in the Council's underlying need to borrow known as the Capital Financing Requirement (CFR). Legislation does not define what constitutes a 'prudent provision.' Instead, Welsh Government has provided guidance and examples to interpret that term.
43. A statement on the Council's policy for its annual MRP is required to be submitted to Council for approval before the start of the financial year to which the provision will relate and is included in the Council's Capital Strategy for 2024/25 but is replicated below.

It is proposed that the Council's MRP Policy to apply for 2024/25 and for future years is as follows, with any change in the level, timing and method of provision in year delegated to the Section 151 Officer:

- *Council expenditure undertaken based on 'supported borrowing' approved by Welsh Government is to be provided for on a straight-line basis over 45 years.*
- *HRA supported borrowing, which was part of the previous housing subsidy system is to be provided for at 2% on a straight-line basis. MRP on the significant £187 million settlement buyout payment is to be on 2% straight line basis as a minimum.*
- *Additional borrowing for a general increase in investment either in the Council Fund or HRA to balance the Capital Programme in a year is to be provided for on a straight-line basis over the estimated average life of the assets created.*
- *Any additional expenditure linked to specific schemes e.g. Invest to Save, 21st Century Schools, Arena funding strategy etc. is to be provided for on a straight-line basis, or annuity basis, over the estimated useful life of assets being created or a shorter period as determined by the Section 151 Officer or suggested periods determined by Welsh Government as is the case with the Local Government Borrowing Initiative.*
- *Voluntary revenue provision more than the above requirements can be made following advice of the Section 151 Officer. Voluntary revenue provision or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent where disclosed in accordance with requirements and the proposed use and outcomes are approved and reported to Council.*
- *Subject to agreement of the S151 Officer, MRP may be waived on expenditure recoverable within a prudent period through capital receipts (e.g. land purchases, loan repayments) or sculpted and deferred to when the benefits from investment are scheduled to begin, to manage any initial revenue deficits or when confirmed external grant payments towards that expenditure are expected. Where this flexibility is used, risks and mitigations should clearly be set out as part of an approved business case and regularly reviewed.*

Borrowing

- *The MRP charged against liabilities under finance leases, or contracts that have the characteristics of finance leases, shall be equal to the principal element of the lease repayment, calculated on an annual basis.*

Council's Borrowing Requirement

44. The following table shows the actual level of external borrowing currently held by the Council; external borrowing planned for the remainder of 2023/24 and scheduled loan repayments in future years. It compares this to the projected CFR i.e. the need to borrow based on estimates and timing of the Council's capital expenditure, proposed MRP policy and indicative funding plans as set out in the budget report for 2024/25. The difference between the projected CFR in 2028/29 (£1,571 million) and the actual level of external borrowing after any planned repayments (£829 million) is £732 million, i.e. there is insufficient cash held by the Council to support this projected level of under borrowing and this means there is a requirement for the Council to undertake further external borrowing in future years.

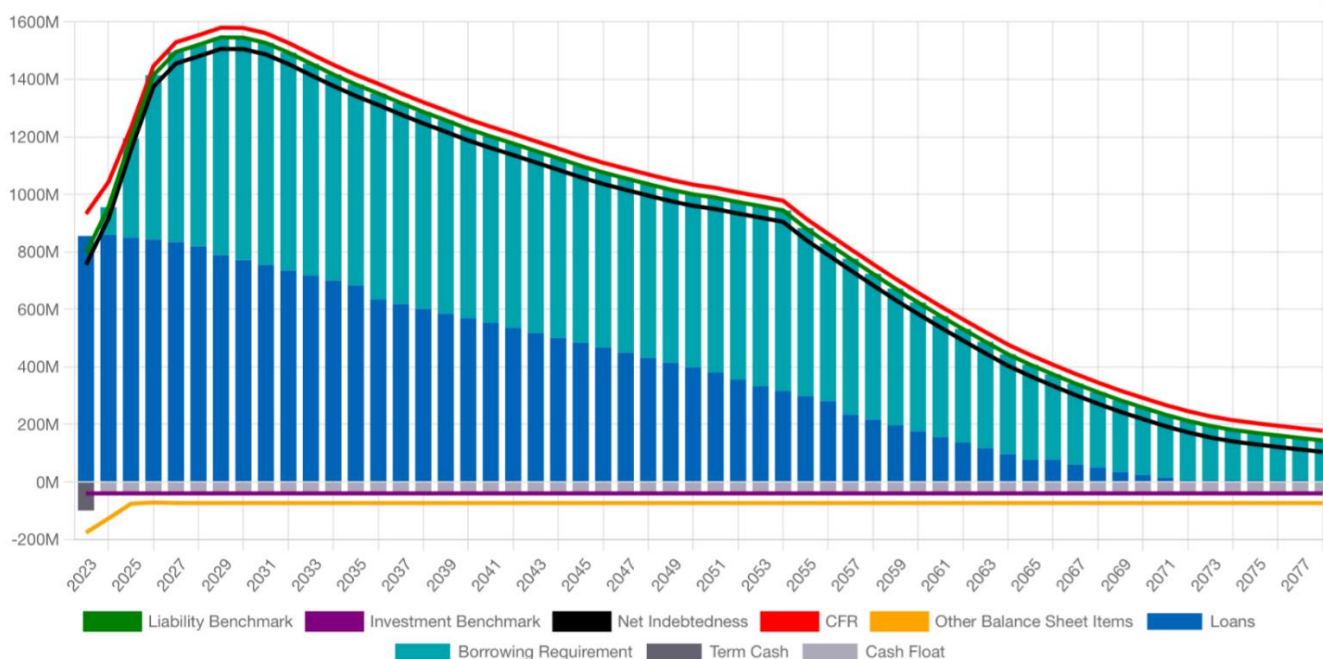
Indicator							
Gross External Borrowing and the Capital Financing Requirement							
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m	£m	£m
External borrowing at 1 April	811	855	912	898	894	885	870
Known / New borrowing	22	61	tbc	2	tbc	tbc	tbc
Scheduled repayments	(23)	(4)	(14)	(6)	(9)	(15)	(31)
External Borrowing at 31 March	855	912	898	894	885	870	839
Capital Financing Requirement	920	1,030	1,224	1,440	1,522	1,545	1,573
Shortfall / (Surplus) borrowing requirement	65	118	326	546	637	675	734
Requirement as % of CFR	7	11	27	38	42	44	47

45. The Council is required to set treasury management indicators as part of the CIPFA Treasury Management Code of Practice as well as Capital expenditure indicators in the Capital Strategy to consider affordability. Indicators for future years may be impacted in future years because of updates to the accounting treatment of leases, which is to be considered and implemented during 2024/25.
46. The Authority is required to estimate and measure the Liability Benchmark for the forthcoming financial year and the following two financial years, as a minimum. CIPFA strongly recommends that the benchmark is produced for at least 10 years and should ideally cover the full debt maturity profile of a local authority. It is not intended to be a boundary or limit that cannot be breached.

Borrowing

47. There are four main components to the Liability Benchmark, with each illustrated in the chart below:
- Existing gross loan debt assumed to be outstanding in future years.
 - Capital Financing Requirement (CFR) for loans, based on approved capital commitments and planned Minimum Revenue Provision. Given that most Capital investment Programmes are confirmed only for the very near term, similar to most other authorities, this will mean that the CFR will peak in the very near term, whereas other inputs into this indicator are projected forward for a much longer period. In other words, it focuses only on current commitments.
 - Net loans requirement. This shows the Council's gross loan debt, less its treasury management investments at the last financial year-end, projected into the future where they can reasonably be assumed. This relies on forecasting of future cash balances and balance sheet position well into the future.
 - Liability benchmark (or gross loans requirement): this equals net loans requirement plus an agreed short-term liquidity benchmark. Short-term liquidity allowance means an adequate (but not excessive) allowance for a level of excess cash to be invested short-term to provide access to liquidity if needed (due to short-term cash flow variations). For the preparation of this indicator, this liquidity benchmark has assumed the Authority will have a minimum cash buffer of £40 million.

Liability Benchmark



48. The Liability Benchmark focuses on the management of the Net Treasury position (borrowing less investments). It assumes minimisation of investments and interest rate and credit risk, profiling the borrowing portfolio to benchmark. It applies to all local authorities, some of whom may have a borrowing requirement such as Cardiff, or others who have net investments because of being debt free or having large reserve balances. The Liability Benchmark is intended to be analysed as part of Treasury Management reporting, with material mismatches explained and be considered when

taking new borrowing decisions such as timing and period of borrowing.

49. Comparing the Council's Liability Benchmark with the current borrowing portfolio shows how the existing portfolio matches current commitments of the Authority.
 - A gap between the existing portfolio of loans and the Liability Benchmark, the debt float in the chart above in this case, indicates a borrowing need to match future liabilities and to avoid a determined liquidity benchmark from being insufficient. It does not necessarily indicate the borrowing that will be undertaken in that year.
 - A Liability Benchmark below the existing portfolio of loans would indicate no additional borrowing need and signifies surplus cash more than what may be deemed a short-term liquidity benchmark.
50. Cardiff Council has a borrowing need and this will give rise to net interest cost uncertainty as the borrowing rate has yet to be determined. This risk is likely to be symmetrical in nature, as interest rates may be higher or lower than those implied from the current market. The section below sets out the approach to meeting the known future borrowing requirement including use of temporary cash balances, external borrowing, sources of borrowing and timing.

Borrowing Strategy

51. The Council will consider various sources and debt instruments to meet the borrowing requirement. The Council continues to qualify for borrowing at the 'Certainty Rate' (0.20% below the PWLB Standard Rate) and the HRA rate (0.60% below the PWLB Standard Rate).
52. As seen from the interest forecasts currently available, interest rates on borrowing are expected to fall over the next two years. This suggests that locking into long term borrowing now would result in higher costs for a long period of time.
53. Accordingly, in managing the Capital Financing Requirement, a pragmatic approach will be adopted by Council's Section 151 Officer due to changing circumstances with the following combination of approaches to be undertaken:
 - Internal borrowing (using temporary cash balances available) will be maximised in the very near term, whilst ensuring sufficient liquidity. Subject to balance sheet capacity and retention of a minimum liquidity balance it is suggested that a targeted level of internal borrowing would remain at circa £100 million.
 - Short term external borrowing from the PWLB and from financial markets via brokers up to 6 years will be undertaken given the current view that interest rates on long term borrowing will fall in the medium term.

This approach will result in a significant increase in the short term maturity profile of debt, on the assumption that this borrowing will be refinanced at lower rates and spread over prudent long-term periods when interest rates are expected to fall. The reduction in interest rates is a significant judgement and assumption on the future movement of financial markets, which is based on latest Treasury Management advice, however this remains a risk outside of the Council's control and must be monitored closely in future

strategy updates and financial resilience risk reviews.

54. The Council's Treasury Management activities including timing of borrowing decisions are delegated to the Council's Section 151 Officer. If there was a significant risk of a sharp rise in long and medium-term rates than that currently forecast, then fixed rate external borrowing may be undertaken sooner. If there was a significant risk of a sharp fall in rates, then long-medium term borrowing would continue to be deferred, following consideration of internal borrowing capacity and short term external borrowing. Whilst economic and financial forecasts are outside of the Council's control, it is recognised the Council and Treasury Team will need continuity, advisory support and capacity to help manage the borrowing requirement and associated risks arising from the Council's capital investment requirement.
55. It should be noted that current interest rates on the Council's existing debt portfolio compared to new borrowing rates and penalty rates charged for early debt repayment, have resulted in limited options for restructuring of debt. Options have previously been considered for early repayment of loans; however, the penalties outweighed the benefits. Options will continue to be reviewed.

Authorised Limit

56. The Council must set and keep under review how much it can afford to borrow from debt or other long-term liabilities for the forthcoming year and at least the following two financial years (the Affordable Borrowing Limit). It must have regard to the Prudential Code and locally determined indicators when setting this limit and be content that the impact upon future Council Taxpayers and Council tenants is acceptable.
57. The Government retains an option to control either the total of all council's plans, or those of a specific council.
58. Based on the capital programme proposed, it is recommended that the Council approve the following authorised limits (Statutory limit under Section 3 (1) of the Local Government Act 2003) and operational boundaries (figures for 2023/24 are for comparison only). The undertaking of other long-term liabilities, within the overall limit, is delegated to the Section 151 Officer based on the outcome of financial option appraisals and best value considerations.

Indicator						
External Debt - Authorised limit						
	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Limit for external borrowing and other long-term liabilities	1,517	1,617	1,617	1,617	1,617	1,617

59. This limit is consistent with proposals contained within the budget for capital expenditure with the addition of headroom for risk and the financing and accounting requirements in relation to landfill aftercare obligations. The overall limit for the Council has been set at a constant level of £1,617 million for 2024/25 to 2028/29 and cannot be breached without further Council approval.

Operational Boundary

60. The proposed operational boundary or projected level of external debt (excluding landfill) is set at the anticipated level of the CFR at the end of each year.

Indicator						
External Debt - Operational Boundary						
	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Boundary for external borrowing and other long-term liabilities	912	1,224	1,440	1,522	1,545	1,573

61. This will be subject to the level and timing of borrowing decisions and so the actual level of borrowing can therefore be below or above this initial estimate. However, what cannot be breached without a further report to Council is the authorised borrowing limit.

Maturity Structure of Borrowing

62. Limits are set to guard against a large element of the Council’s debt maturing and having to be refinanced in a very short space of time, when it may not be economically favourable to do so. The limits have been set to reflect the current debt portfolio, and to allow enough flexibility to enable new borrowing to be undertaken for the optimum period. The table assumes that loans run to their final maturity, however a separate column is also included to show the maturity profile should the Council repay its LOBO loans early.

Indicator				
Maturity structure of borrowing in 2024/25				
	Upper limit	Lower limit	Actual to Maturity	Actual if LOBOs Repaid Early
	%	%	%	%
Under 12 months	35	0	0.49	5.84
12 months and within 24 months	35	0	0.69	0.68
24 months and within 5 years	40	0	6.46	7.04
5 years and within 10 years	30	0	10.22	10.22
10 years and within 20 years	30	0	20.60	19.21
20 years and within 30 years	30	0	21.55	21.55
30 years and within 40 years	30	0	25.45	25.46
40 years and within 50 years	30	0	13.96	10.00
50 years and within 60 years	20	0	0.58	0.00
60 years and within 70 years	10	0	0.49	5.84

Treasury Investment Policy

63. The Council has regard to the CIPFA Treasury Management Code and complies with Welsh Government guidance on Treasury investments. The Council's investments include those arising from its own temporary cash balances as well as balances held from the activities of Joint Committees for which it is the Accountable body.
64. The Council recognises that given the nature of investments, a trade-off between security, liquidity and yield cannot be avoided i.e. there is risk of default. The Council's risk appetite for treasury investments is low and its current business model for financial assets for treasury management investments is to collect contractual cash flows as part of the prudent management of its financial affairs. It aims to achieve the optimum return on investments commensurate with proper levels of security and liquidity. Risk will be contained by ensuring:
- All investments and repayments are in sterling.
 - Investment instruments identified for use in the financial year are listed under 'Specified' investments and 'non-Specified' investment categories, dependant on their complexity and risk.
 - A list of highly credit worthy counterparties with whom to invest is created and monitored.
 - Diversification of approach, investment product and counterparties are sought where possible to avoid concentration of risk.
 - Any set limits are implemented with immediate effect following approval of this Treasury Management Strategy by the Council.
 - Continual monitoring of treasury activities with the categories of investments that may be used, the credit criteria and associated limits in determining with whom to invest and timing of decisions being delegated to the S151 Officer.
65. The Markets in Financial Instruments Directive (MiFID II) was implemented from 3 January 2018. Where requested by counterparties to do so, the Council has opted up to be classed as a 'professional' client following the submission of qualitative and quantitative information on its treasury activities.
66. Understanding and managing Economic, Social and Governance (ESG) risk is important to the Council and can play an important part in long term investments decision making. However, the key aim for the treasury management of short-term temporary cash balances is Security, Liquidity and then Yield. Credit ratings agencies also incorporate ESG risks alongside more traditional financial risk metrics when assessing counterparty ratings, which the Council uses to determine with whom to invest.

Treasury Investment Strategy

67. The Council will retain access to a range of products and organisations available to manage short term investment balances and to achieve diversification. It uses Welsh Government guidance and judgements to define products available for use as specified or non-specified and sets credit criteria to mitigate credit risk. These are defined in the sections below. Any funds held by the Council on behalf of joint committees

will be managed in accordance with this strategy and segregated where possible to avoid adverse impacts on Cardiff Council's own performance. A full move to a Corporate Joint Committee is to be considered during 2023/24. Any move to such an approach, where such an entity would manage its own funds, is welcome and deemed essential in allowing the Council a clearer understanding of its own treasury performance and position.

68. The ability to change credit criteria and the approach to investments is delegated to the S151 Officer. This allows a prompt response to uncertainties in financial markets, with the Council being kept informed of significant changes through the various reports it receives on treasury activities during the year.
69. The Council aims to have sufficient liquid funds to ensure it does not become a forced borrower for a significant period at rates more than what may be earned on such investments.

Specified Investments

70. A specified investment is defined as one:
 - which is in straightforward easily understood low risk products
 - not involving corporate share or loan capital
 - where the principal sum to be repaid at maturity is the same as the initial principal sum invested and
 - is less than one year with an entity with high credit quality
71. Specified investments may comprise up to 100% of the Council's total investments.

Instruments approved for use	Minimum Credit Criteria
Term deposits – UK government and other Local Authorities	Assumed Government Guarantee
Term deposits – banks and building societies up to one year	Long-term A- /Short-term F1 or Government Equity Support

Non-Specified Investments

72. These are all other investments not meeting the definition of a specified investment which could be used to achieve diversification and manage liquidity needs. A maximum upper level of £60 million is to be set for non-specified investments including investments for greater than one year.

Treasury Management Investments

Instruments approved for use	Min Credit Criteria	Max % of total investments	Max. maturity period
Term deposits – banks and building societies (with maturities more than 1 year)	Long-term AA- /Short-term F1+ or part nationalised	30	2 Years
Term deposits with variable rate and variable maturities in excess of 1 year e.g. structured investment products	Long-term AA- /Short-term F1+	10	2 Years
Certificates of Deposit	Long-term AA- /Short-term F1+	10	Maximum 2-year duration
UK Government Gilts and Gilt funds	Assumed Government Guarantee	40	Maximum 3-year duration
Treasury Bills	Assumed Government Guarantee	40	6 months
Collective Investment Scheme structures – Constant as well as Low Volatility Money Market Funds	AAA – (Fitch, Moody's or S&P)	100	Liquid

73. The Council can utilise collective investment funds which pool together investments in a diversified portfolio of products and sectors. These may include short-term money market instruments such as bank deposits, certificates of deposit, government guaranteed bonds, corporate bonds and commercial papers, together with a weighted average maturity of up to 60 days. It should be noted that any such funds are triple A rated and allow instant access.

Security / Creditworthiness Policy

74. The Council uses Fitch credit ratings as a basis for assessment of credit worthiness of institutions it will invest with. Changes in the criteria and decisions with whom to invest are delegated to the S151 Officer. Commercial organisations (counterparties) on its approved list will have at least the short-term credit rating of F1 and be authorised institutions within the meaning of the Financial Services and Markets Act 2000. The rating F1 infers “Highest Credit Quality” - the strongest capacity for timely payment of financial commitments.
75. Whilst Fitch ratings form the basis of the Council's threshold criteria, the Council will also have regard to the following when determining with whom to invest:

Treasury Management Investments

- rating updates provided by treasury advisors in respect of all three credit rating agencies, as well as other market data
- media reports as well as sovereign credit ratings. No minimum sovereign rating is applied to the UK, however for non-UK based institutions the minimum Fitch sovereign rating is AA-
- the informed judgement of treasury staff and treasury management advisors after consideration of wider economic factors
- financial sector and country exposure
- the extent to which organisations who do not meet the above criteria, are nationalised.

76. Local authorities usually do not have a credit rating but are expected to assume the UK Sovereign rating. In accordance with the Local Government Act 2003, a person lending money to a local authority shall not be bound to enquire whether the authority has power to borrow the money and shall not be prejudiced by the absence of any such power. All loans are secured on future revenues of local authorities, and this includes the ability to take legal action if any debts are not repaid. Inter local authority lending is an option that continues to be available as part of the strategy proposed.

77. The Council's lending list for direct investment in an organisation is based on the following credit criteria, with the maximum limit for direct investment in any one group of related companies, whether ring fenced or otherwise, being £20 million:

Fitch Ratings (minimum)	Long term	Short term	Limit £m
Overnight to three months	A-	F1	6
Overnight to one year	A	F1	12
Overnight to two years	AA-	F1+	15
Money Market Funds	AAA	n/a	15
UK Part Nationalised Banks overnight to two years	n/a	n/a	20

78. Where treasury advisors recommend a shorter duration than would be allowed in accordance with Fitch criteria above, then the shorter period is adhered to.

The Council's current list of approved counterparties is shown below:

	£m	Duration
Canada AA+		
National Bank of Canada	12	1 year
Germany AAA		
Bayerische Landesbank	6	3 Months
Landesbank Hessen-Thuringen Girozentrale	12	1 year
Singapore AAA		
Development Bank Singapore	15	2 years
Oversea Chinese Banking Corporation	15	2 years
United Overseas Bank	15	2 years
U.K AA- (Including RFB / NRFB)*		
Barclays Bank	12	1 year

Treasury Management Investments

Goldman Sachs International Bank	12	1 year
Handelsbanken	15	2 years
HSBC Bank	15	2 years
Santander UK plc	12	1 year
SMBC Bank International Plc	6	3 months
Standard Chartered Bank	12	1 year
Bank of Scotland	12	1 year
Lloyds Bank	12	1 year
National Westminster Bank **	20	2 years
Royal Bank of Scotland	20	2 years
Coventry BS	6	3 months
Nationwide BS	12	1 year
UK Local Authority (Per Authority)	15	2 Years
Debt Management Office	Unlimited	6 months

Money Market Funds

Aberdeen Liquidity Fund	15	Liquid
BlackRock ICS Sterling Fund	15	Liquid
Deutsche Managed Sterling Fund	15	Liquid
Goldman Sachs Sterling Reserves Fund	15	Liquid
Insight Sterling Liquidity Fund	15	Liquid
JPMorgan GBP Liquidity LVNAV	15	Liquid
LGIM Sterling Liquidity Fund	15	Liquid

* Ring-Fenced Banks and Non-Ringfenced Banks where applicable

** In respect of the Council's Day to day banking provider, there is a risk that the counterparty limit would be exceeded for a short period on receipt of unexpected funds.

79. The above list has been determined having regard to current participation in the financial markets and brokerages, sovereign countries whose banks we would be content to use and selecting some of their highest rated organisations.
80. The credit ratings of financial institutions are monitored regularly through use of the treasury management advisor's credit service. If a downgrade results in the counterparty or investment scheme no longer meeting the Council's criteria, its further use for new investment will be withdrawn immediately. Investments already held with that counterparty will be reviewed and options to call back funds before maturity would be investigated. It should be noted that any early repayment is only at the discretion of the borrower and often at a penalty.

81. In addition to treasury management investment activity, local authorities can utilise their powers in order to undertake capital expenditure and invest in other Non-Treasury financial assets. Such activity can include:
- Service Investments - loans supporting service outcomes, investment in or loans to subsidiaries, and investment in existing commercial property holdings either to maintain them or increase value or
 - Investment assets bought primarily for yield (Financial Return) - An 'investment asset' could be a property asset, or interest or right that generates a balance sheet asset (such as, but not limited to a loan, sale and leaseback agreement). As it has been 'bought primarily for yield,' the asset serves no direct policy purpose linked to the authority's core functions but has been acquired primarily because it would generate an income stream for the authority, which would most often (but not exclusively) be used to support wider service spending. Examples of such assets is included in the glossary.
82. Whilst these investments impact on treasury management activity, they are managed outside of this Treasury Management Strategy and approved separately as part of the Council's Capital expenditure plans arising from its Capital Strategy. Regulator concerns in relation to the extent of this activity have resulted in recent updates to CIPFA professional Codes of Practice including the Treasury Management Code. Whilst no national monetary, financial or other controls or limits are in place currently, regulations have been updated to ensure the risks and implications of such activities are clearly governed and understood over a long-term period. Recent updates to regulations, CIPFA Codes and PWLB borrowing rules have all adopted a similar outlook to discourage further capital expenditure on investment assets bought primarily for a commercial return or financial yield.
83. The most significant investments currently held by the Council and managed outside of normal treasury management activity are the Council's 100% shareholding in Cardiff Bus, loan to Cardiff Heat Network Limited and the Council's holding of investment properties, which include various historic freeholds within the City held for income generation or capital appreciation. An independent review of the Council's approach to holding investment properties as well as specific investment management practices, similar to Treasury Management Practices, are in place and considered as part of the Annual Property Strategy.
84. Proposals for Non-Treasury investments would need to form part of the Council's Capital Strategy and Capital Programme. Such investment requires careful investment management and should be managed as part of agreed processes considering monitoring, decision making and reporting. This will include an appropriate investment management and risk management framework, making it explicit in any decision making:
- The powers under which investment is made.
 - The governance process including arrangements in place to ensure appropriate due diligence to support decision making.
 - The extent to which capital invested is placed at risk and any rewards over a long-term horizon such as 20-30 years.

Non-Treasury Investments – Service Investment and Commercial Investment Primarily for Yield

- Proportionality of any income to the overall resources available to the Council
 - The impact of potential losses on financial sustainability.
 - The methodology and criteria for assessing performance and changes to market and other conditions.
 - How knowledge and skills in managing such investments is arranged and that these are monitored, reported and highlighted explicitly in the decision making process and due diligence.
85. Where investment is undertaken in assets primarily for yield, these investments should be proportional to the level of resources of the authority, but it should be noted, that if undertaking such investments, the Council would not be able to borrow from the PWLB for this and any other capital expenditure within its programme.
86. This emphasises the importance of the Council's S151 (Responsible Finance) Officer role in ensuring the governance of, risk assessment, informing, reviewing and reporting decisions being made in relation to both Treasury and Non-treasury Investments.

The Treasury Function

87. Treasury management activities are delegated to the S151 Officer and detailed Treasury Management Practices are in place and updated regularly setting out the approach to risk management, reporting, responsibilities and controls. Controls and processes in the Treasury function are subject to a more frequent periodic internal audit.
88. The Treasury function performs a key role including ensuring that sufficient funds are available to meet the Council's financial commitments and is often the payment mechanism of last resort. The requirements to meet high standards, accuracy and governance requirements are significant for a small specialist team of c 1.2 FTE undertaking all transactional, reporting and compliance activities for Treasury Management Code requirements. Contingency plans in terms of access to bank and systems are in place and proven. allowing continuity of service provision remotely.
89. Changes to CIPFA's Prudential Indicators have reinforced the need to project positions for the long-term to establish benchmark positions for borrowing and treasury investments. To fully embrace these challenges, the Council overall strategic and budgetary planning will need to continue to develop a longer-term planning approach working with key funders.
90. Treasury Management activities continue to be the subject of regulatory change. The function also needs to evolve in parallel to the complexity of the Council's activities. These challenges and approach to implementing and sustaining changes, continue to test skills, resilience and capacity.
91. Changes in the profile of the Council's projected balance sheet, including an ambitious capital investment programme which almost doubles the size of the existing borrowing, will place the emphasis on ensuring borrowing at the most appropriate structure and timing to reduce risk to the council. The treasury team will need to consider focusing allocating resources towards short and long-term tactical borrowing decisions to manage the borrowing requirement and support minimisation of longer-term costs, whilst identifying and managing risk in a proportionate way. This will require the use of external services, where appropriate to provide the tools and / or expertise to support the implementation of the borrowing strategy and the risk management framework.
92. The CIPFA Treasury Management Code requires all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making. Treasury staff directly and regularly involved in borrowing and lending activities are provided access to a wide range of training. This includes seminars and workshops organised by treasury advisors bringing together practitioners from different authorities; seminars organised by CIPFA and other national bodies; regular contact with a client relationship manager as well as their briefing notes and articles. Staff responsible for treasury activity on a day-to-day basis have a recognised accountancy qualification and are encouraged to undertake relevant treasury management training.

93. The CIPFA Treasury Management Code also requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Governance and Audit Committee Members responsible for reviewing and seeking assurance on treasury management activities will be provided with the opportunity for additional specific external training as informed by individual and collective Governance and Audit Committee self-assessments.
94. It is the responsibility of the Section 151 officer to ensure the adequacy of the treasury management function, to ensure continuity and workforce planning and ensure skills and expertise are in place, having regard to the size and complexity of the treasury management activity required to be conducted by the council.

Glossary of Terms

Bank Rate

The rate of interest set by the Bank of England as a benchmark rate for British banks.

Bonds

A long-term debt security issued by a company, a financial institution, a local authority, national government or its affiliated agencies. It represents an undertaking to repay the holder the fixed amount of the principal on the maturity date plus a specified rate of interest payable either on a regular basis during the bond's life (coupon) or at maturity.

Borrowing

Loans taken out by the authority to pay for capital expenditure or for the prudent management of the Council's financial affairs, which are repayable with interest.

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 as amended. Statute relies on the accounting measurement of cost in International Accounting Standard (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 (CFR)

An authority'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.

Movement	Opening Capital Financing Requirement (CFR)
+	Capital expenditure incurred in year
-	Grants, contributions, reserves and receipts used for capital expenditure
-	Prudent Minimum Revenue Provision and Voluntary Provision
=	Closing Capital Financing Requirement (CFR)

Capital Market

A market for securities (debt or equity), where companies and governments can raise long-term funds (periods greater than one year). The raising of short-term funds takes place on other markets (e.g. the money market).

Capital Programme

The Capital Programme sets out the Council's capital expenditure plans for the forthcoming financial year as well as for the medium term. It is approved annually at Council and identifies the estimated cost of those schemes, their projected phasing over financial years as well as the method of funding such expenditure.

Certificates of Deposits (CDs)

A certificate issued for deposits made at a deposit-taking institution (generally a bank). The bank agrees to pay a fixed interest rate for the specified period and repays the principal at maturity. CDs can be purchased directly from the banking institution or through a securities

Glossary of Terms

broker. An active interbank secondary market exists to buy and sell CDs.

Chartered Institute of Public Finance & Accountancy (CIPFA)

CIPFA is the professional body for accountants in public finance. As a specialised public services body, it provides information, guidance, and determines accounting standards and reporting standards to be followed by Local Government.

Collective Investment Scheme Structures

Schemes whereby monies from a number of investors are pooled and invested as one portfolio in accordance with pre-determined objectives.

Corporate Bonds

Bonds that are issued by a company or other non-government issuers. They represent a form of corporate debt finance and are an alternative means of raising new capital other than equity finance or bank lending.

Counterparty

One of the parties involved in a financial transaction with whom the Council may place investments.

Counterparty / Credit Risk

Risk that a counterparty fails to meet its contractual obligations to the Council to repay sums invested.

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 Default Swaps

A financial transaction which the buyer transfers the credit risk related to a debt security to the seller, who receives a series of fees for assuming this risk. The levels of fees reflect the perceived level of risk.

Credit Rating

A credit rating assesses the credit worthiness of an individual, corporation, or even a 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. Ratings usually consist of a long-term, short term, viability and support indicators. The Fitch credit rating of F1 used by the Council is designated as “Highest Credit Quality” and indicates the strongest capacity for timely payment of financial commitments.

Debt Management Account Deposit Facility (DMADF)

The Debt Management Office provides this service as part of its cash management operations and of a wider series of measures designed to improve local and central government’s investment framework and cash management. The key objective of the DMADF is to provide users with a flexible and secure facility to supplement their existing range of investment options while saving interest costs for central government.

Debt Restructuring

Debt restructuring is a process that allows an organisation to reduce, renegotiate and undertake replacement debt.

Diversification of Investments

The process of creating a portfolio of different types of financial instruments with regard to type, price, risk issuer, location, maturity, etc. in order to reduce the overall risk of the portfolio as a whole.

Duration (Maturity)

The length of time between the issue of a security and the date on which it becomes payable.

External Borrowing

Money borrowed from outside of the Council.

Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Typical financial liabilities are borrowing and financial guarantees. Typical financial assets include bank deposits, amounts owed by customers, loans receivable and investments.

Fitch Credit Ratings

A commercial organisation providing an opinion on the relative ability of an entity to meet financial commitments, such as interest, preferred dividends, repayment of principal, insurance claims or counterparty obligations. The opinion is usually provided in the form of a credit rating.

Fixed Rate

An interest rate that does not change over the life of a loan or other form of credit.

Four Clauses of Treasury Management

In compliance with the First Clause, this Council will create and maintain, as the cornerstones for effective treasury management:

- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities.
- Suitable Treasury Management Practices (TMPs), setting out the way the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

In compliance with the Second Clause, this Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

In compliance with the Third Clause, this Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Cabinet, and for the execution and administration of treasury management decisions to the Corporate Director Resources in accordance with existing delegations, who will act in accordance with the organisation's policy statement, TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

Glossary of Terms

In compliance with the Fourth Clause, this Council requires the scrutiny of the accounting, audit and commercial issues of its Treasury Management Strategy and Practices to be undertaken by the Council's Audit Committee due to the technical nature of the documents.

Fraud / Error Risk

Risk of losses being incurred because of fraud, error or corruption in treasury management and failure to institute adequate systems, procedures and other arrangements to prevent irregularities.

Housing Revenue Account (HRA)

The HRA is an account of expenditure and income that every local authority housing department must keep in accordance with the Local Government & Housing Act 1989. The account is kept separate, or ring fenced from other Council activities. Income is primarily generated by the rents and service charges paid by tenants, while expenditure is on the management and maintenance of the housing stock, and capital financing charges on the HRA's outstanding loan debt.

Interest Rate Risk

Risk that fluctuations in interest rates could impose extra costs against which the Council has failed to protect itself adequately.

Internal Borrowing

Money borrowed from within the Council, sourced from temporary internal cash balances.

Investment assets bought primarily for yield

Assets that serve no direct policy purpose but are held primarily to generate an income. An 'investment asset' could be a capital or property asset, or interest or right that generates a balance sheet asset (such as, but not limited to a loan, sale and leaseback agreement). As it has been 'bought primarily for yield,' the investment asset would serve no direct policy purpose linked to the authority's core functions but has been acquired primarily because it would generate an income stream for the authority, which would most often (but not exclusively) be used to support wider service spending.

Investment assets bought primarily for yield would usually have one or more of the following characteristics: a. buying land or existing buildings to let out at market rate b. buying land or buildings which were previously operated on a commercial basis which is then continued by the local authority without any additional investment or modification c. buying land or existing buildings other than housing which generate income and are intended to be held indefinitely, rather than until the achievement of some meaningful trigger such as the completion of land assembly d. buying a speculative investment asset (including both financial and non-financial assets) that generates yield without a direct policy purpose.

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.

Liquidity

The ability of the Council to meet its financial obligations as they fall due.

Market Loans

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

Medium Term Financial Plan

Plan outlining the financial strategies and actions that are envisaged by the Council in the medium term regarding the budget.

Markets in Financial Instruments Directive (MiFID)

EU legislation that regulates firms who provide financial instrument services. MiFID was applied in the UK from November 2007 but was revised with changes taking effect from **3 January 2018** (MiFID II).

The aim is to ensure financial institutions undertake more extensive checks on their client's suitability for investment products. Organisations undertaking investments will be either classified as 'retail' or 'professional.'

MiFID II requires all Local Authorities to be initially treated as "retail clients" unless they "opt up" to a "professional client." The assumption being that retail clients require a greater level of due diligence and support for investment decision making. Financial institutions will owe a greater duty of care to retail clients, however, they will have no greater financial protection than professional clients.

Minimum Revenue Provision (MRP)

This is the amount which must be charged to the authority's revenue account each year and set aside as provision for repaying external loans and meeting other credit liabilities. The prudent amount is determined having regard to guidance issued by WG. This has the effect of reducing the Capital Financing Requirement (CFR).

Money Market

The market for short-term securities or investments, such as certificates of deposit, commercial paper or treasury bills, with maturities of up to one year.

Money Market Funds

An investment fund which pools the investments of numerous depositors, spreading those investments over a number of different financial instruments and counterparties. Funds with a Constant Net Asset Value (CNAV) are those where the sum invested is the same on maturity, Low Volatility Net Asset Value (LVNAV) are those where any sum invested is likely to be the same on maturity. Funds with a Variable Net Asset Value (VNAV) are those where the sum on maturity could be higher or lower due to movements in the value of the underlying investments.

Net Asset Value (NAV)

The market value of an investment fund's portfolio of securities as measured by the price at which an investor will sell a fund's shares or units.

Pooling

The process whereby investments or loans are held corporately rather than for specific projects or parts of the Council, with recharges to those areas for their share of the relevant income and expenditure using an agreed methodology, where such a recharge is required to be made.

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, if 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.

Public Works Loans Board (PWLB)

The Public Works Loans Board is a statutory body operating within the United Kingdom Debt

Glossary of Terms

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.

Refinancing Risk

Risk that maturing borrowing or other financing of capital projects cannot be renewed on terms that reflect existing assumptions and that the Council will suffer extra costs as a result.

Regulatory Risk

Risk that actions by the Council or by any person outside of it are in breach of legal powers or regulatory requirements resulting in losses to the Council, or the imposition of extra costs.

Ring Fencing

The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities. Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and "riskier" activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other members of its group.

Security

Protecting investments from the risk of significant loss, either from a fall in value or from default of a counterparty.

Sovereign Credit Ratings

The credit rating of a country. It indicates the risk level of the investing environment of a country, considering political risk and other factors.

Sterling

The monetary unit of the United Kingdom (the British pound).

Term Deposits

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

Treasury Management

The management of the organisation's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

Treasury Bills

Debt securities issued by a government with a short-term maturity of up to 6 months.

Glossary of Terms

UK Government Gilts

Fixed-interest debt securities issued or secured by the British Government. Gilts are always denominated in sterling though the Government occasionally also issues instruments in other currencies in the Eurobond market or elsewhere.

Variable Rate

An interest rate that changes in line with market rates.

Yield

The annual rate of return paid out on an investment, expressed as a percentage of the current market price of the relevant investment.



**CARDIFF COUNCIL
CYNGOR CAERDYDD**

GOVERNANCE AND AUDIT COMMITTEE: 26 MARCH 2024

**PROPOSED TREASURY MANAGEMENT PRACTICES - APRIL 2024
ONWARDS**

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 9.2

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 2024.

Background

3. The Council conducts 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 conducted 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 2024/25 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.
7. The main changes compared to previous year are not material in nature and include updating for changes in the approved 2024/25 investment strategy; staff changes; review of risk register, insurance limits and terminology. Consultation has taken place on relevant sections of the practices with the Pension Fund, Internal and External Audit.

Reason for Recommendations

8. To note the proposed treasury management practices to apply from April 2024 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

9. No direct legal implications arise from this report.

Financial Implications

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

RECOMMENDATIONS

11. Governance and Audit Committee to note the Treasury Management Practices to be implemented from April 2024.

CHRISTOPHER LEE
CORPORATE DIRECTOR RESOURCES
26 March 2024

The following appendix is attached

Appendix 1 – Treasury Management Practices and Annexes – Valid from April 2024

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

Document is Restricted

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Governance and Audit Committee Action Plan and Recommendations
(Updated following meeting held on 23 January 2024)

1. Action Plan

Minute No. /Agenda No.	Actions	Timeline	Action Owner
	Finance (Budget)		
	No Outstanding Actions		
	Governance & Risk Management		
	No Outstanding Actions		
	Audit Wales (AW)		
23.01.24	Prior to the March meeting, Audit Wales to provide a breakdown of their audit fee, and to provide the actual costs in respect of the 2022/23 work, in a format that can be replicated year on year. <i>(Letter received from Audit Wales for consideration on 26 March)</i>	To be completed before 26.03.24 Letter received for consideration	Audit Wales
23.01.24	Audit Wales to establish whether the inequalities theme in their forward work programme includes work on digital inclusion and to report back to the Committee.	07.02.24 Completed	Audit Wales
	Internal Audit		
	No Outstanding Actions		
	Treasury Management		
	No Outstanding Actions		
	Operational Items		
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)	23.01.24 Completed	CL / CP
	AW Tracker/Other Studies		
	No Outstanding Actions		
	Performance		
	No Outstanding Actions		
	Work Programme		
	No Outstanding Actions		
	Outstanding Actions		
	No Outstanding Actions		
	Correspondence		
	No Outstanding Actions		
	Scrutiny Engagement / Letters		
	No Outstanding Actions		

2. Recommendations

Committee Meeting Date	Agenda Item	Recommendation	Date Raised	Management Response	Target Action Date	Status
		No Outstanding Actions				

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.

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 reporting period covered a time when the budget setting process for 2024/25 took place, where there were naturally a number of letters from Scrutiny to note.

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
18 March 2024**

Children and Young People Scrutiny Committee

Committee Date	Agenda/ Minute No	Item Background Papers	Correspondence Following Committee Meeting
Tuesday 5 th December 2023	Minute No. 39	Schools Pandemic Recovery Update	Link to Correspondence (pages 3-6)
Tuesday 5 th December 2023	Minute No. 39	Schools Pandemic Recovery Update	Link to Correspondence (pages 7-11)
Monday 15 th January 2024	Agenda Item 4	School Organisation Planning: Primary School Places to Serve Cathays and Parts of Gabalfa, Heath, Llandaff North and Plasnewydd	Link to Correspondence (pages 3-4)
Monday 26 th February 2024	Agenda Item 5	Draft Budget Proposals 2024/25 and Draft Corporate Plan 2024-2027	Link to Correspondence (pages 11-20)
Monday 26 th February 2024	Agenda Item 4	Cardiff Education: Collaboration and Federation Strategy	Link to Correspondence (pages 3-9)
Monday 26 th February 2024	Agenda Item 4	Draft Budget Proposals 2024/25 (response)	Link to Correspondence (pages 21-25)

Community and Adult Services Scrutiny Committee

Committee Date	Agenda/ Minute No.	Item Background Papers	Correspondence Following Committee Meeting
Monday 11 th December 2023	Minute No. 29	Housing Emergency (response)	Link to Correspondence (pages 11-12)
Monday 26 th February 2024	Agenda Item 4	Draft Corporate Plan 2024-2027 and Draft Budgetary Proposals 2024-2025	Link to Correspondence (pages 3-8)

Economy and Culture Scrutiny Committee

Committee Date	Agenda/ Minute No	Item Background Papers	Correspondence Following Committee Meeting
Tuesday 16 th January 2024	Agenda Item 4	Skateboard Amenity Strategy	Link to Correspondence (pages 3-5)
Tuesday 16 th January 2024	Agenda Item 4	Skateboard Amenity Strategy (response)	Link to Correspondence (pages 7-8)
Tuesday 16 th January 2024	Agenda Item 5	Atlantic Wharf Regeneration Update	Link to Correspondence (pages 9-13)
Tuesday 16 th January 2024	Agenda Item 6	Shared Prosperity Fund	Link to Correspondence (pages 15-17)
Tuesday 27 th February 2024	Agenda Item 4	Draft Corporate Plan 2024-2027 and draft Budgetary Proposals 2024/25	Link to Correspondence (pages 3-9)
Tuesday 27 th February 2024	Agenda Item 4	Draft Budget Proposals 2024/25 (response)	Link to Correspondence (pages 11-14)

Environmental Scrutiny Committee

Committee Date	Agenda/ Minute No	Item Background Papers	Correspondence Following Committee Meeting
Thursday 7 th December 2023	Minute No. 36	Chair's Letter 04 December 2023 - Recycling & Waste Management	Link to Correspondence (pages 9-10)
Thursday 7 th December 2023	Minute No. 31	RNIB Briefing	Link to Correspondence (pages 11-15)
Thursday 11 th January 2024	Agenda Item 5	Cardiff Parking Plan	Link to Correspondence (pages 3-6)
Thursday 11 th January 2024	Agenda Item 4	Cardiff Bus Interchange	Link to Correspondence (pages 7-10)
Thursday 11 th January 2024	Agenda Item 6	Recycling Strategy for Cardiff	Link to Correspondence (pages 11-13)
Tuesday 27 th February 2024	Minute No. 47	Draft Budget 2024/25 and the Draft Corporate Plan 2024- 27	Link to Correspondence (pages 3-9)

Governance & Audit Committee

Committee Date	Agenda/ Minute No	Item Background Papers	Correspondence Following Committee Meeting
Tuesday 23 rd January 2024	Agenda Item 4	Special Purpose Vehicle & Outstanding Internal Audit Recommendations Update	Link to Correspondence (pages 3-4)
Tuesday 23 rd January 2024	Agenda Item 4	Special Purpose Vehicle & Outstanding Internal Audit Recommendations Update (response)	Link to Correspondence (pages 5-8)
Tuesday 23 rd January 2024	Agenda Item 7	Audit Wales Fee	Link Currently Not Available

Policy Review and Performance Scrutiny Committee

Committee Date	Agenda/ Minute No	Item Background Papers	Correspondence Following Committee Meeting
Wednesday 10 th January 2024	Agenda Item 4	Budget Consultation 2024/25	Link to Correspondence (pages 3-6)
Wednesday 10 th January 2024	Agenda Item 5	Participation Strategy	Link to Correspondence (pages 7-11)
Wednesday 10 th January 2024	Agenda Item 6	Central Transport Services	Link to Correspondence (pages 13-17)
Wednesday 28 th February 2024	Agenda Item 4	Draft Corporate Plan 2024-27	Link to Correspondence (pages 3-6)
Wednesday 28 th February 2024	Minute No. 61	Draft Budget Proposals 2024/25	Link to Correspondence (pages 7-13)
Wednesday 28 th February 2024	Agenda Items 4 & 5	Response in relation to the 2024/25 Budget and Corporate Plan	Link to Correspondence (pages 15-17)

Scrutiny Work Programmes

Committee Date	Agenda/ Minute No	Item Background Papers	Latest Published Work Programme
Tuesday 17 th October 2023	Minute No. 25	Children and Young People Scrutiny Committee	Committee Business Report – CYPSC Work Programme 2023/24
Monday 18 th September 2023	Minute No. 14	Community & Adult Services Scrutiny Committee	Work Programme 2023/24
Tuesday 21 st November 2023	Minute No. 51	Economy & Culture Scrutiny Committee	Work Programme Update
Thursday 6 th July 2023	Minute No. 17	Environmental Scrutiny Committee	Committee Business Work Programming Planning 2023/24
Wednesday 20 th September 2023	Minute No. 24	Policy Review and Performance Scrutiny Committee	Work Programming 2023/24

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Ref: GAC2024-3
Date: 2 February 2024

Andrew Gregory
County Hall
Atlantic Wharf
Cardiff
CF10 4UW

Dear Andrew,

Special Purpose Vehicle & Outstanding Internal Audit Recommendations Update

Thank you for attending the Governance and Audit Committee on 23rd January 2024 to present your Directorate Control Environment update. The Committee values the time and effort that clearly went into composing such a comprehensive and helpful paper.

I am grateful that you were able to attend personally and I was aware that you had another commitment following the committee and so had to leave promptly, I hope we released you in time. However, I did note that there were a couple of further areas I felt the Committee may be keen to explore had we had more time; hence this letter.

Special Purpose Vehicle

You may be aware that the Committee has had a particular focus on “partnership” arrangements during 2023/24. In paragraph 40 of your report note the “special purpose vehicle” (a company wholly owned by the Council) for the Heat Network project; which is perhaps one of the more unusual arrangements in place. I would be grateful if you could outline for the Committee:-

- a) How the risks to the Council arising from the formation of the “special purpose vehicle” have been identified, managed and reported on?
- b) How the company is held to account by the Council?
- c) Who has responsibility for the governance of the company and what arrangements are in place for them to gain an assurance on the adequacy of the company’s systems of internal control and risk management?

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GWEITHIO DROS GAERDYDD, GWEITHIO DROSOCH CHI

Mae'r Cyngor yn croesawu gohebiaeth yn Gymraeg, Saesneg neu'n ddwyieithog. Byddwn yn cyfathrebu â chi yn ôl eich dewis, dim ond i chi roi gwybod i ni pa un sydd well gennych. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

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I would therefore be grateful if you could arrange for a letter in response to the above questions, which can be included in our next agenda under our correspondence section on 26th March 2024; so there will not be a need to attend (unless you wish to do so).

Outstanding Internal Audit recommendations

Thank you for the summary update on the implementation of internal audit recommendations, it was pleasing to note the table on pages 23-24 of your report with 69 out of 84 recommendations reported as implemented. I also noted that of the 15 outstanding recommendations 10 were from 2021/22 and 5 from 2022/23, all with revised implementation dates from February 2024 to April 2024. I would therefore be grateful if you could arrange for a short paper updating the Committee on the progress in implementing these outstanding recommendations for our meeting on 9th July 2024; if full implementation is being reported I do not anticipate the need for you to present the report.

Again, thank you for presenting your control environment update report and please thank all those who contributed to it.

Yours sincerely,

Gavin McArthur,
Chair of the Governance and Audit Committee

*Cc: Members of the Governance and Audit Committee
Scrutiny Committee Chairpersons & Principal Scrutiny Officers
Chris Lee, Corporate Director Resources
Ian Allwood, Head of Finance
Gary Jones, Head of Democratic Services
Chris Pyke, Audit Manager*

Ref: G & A Committee Feb/24
Date: 14th March 2024

Andrew Gregory
Director
Planning Transport & Environment

Gavin McArthur
Chair of the Governance & Audit Committee

Dear Gavin,

Special Purpose Vehicle & Outstanding Internal Audit Recommendation

Further to my attendance at the committee on the 23rd January 2024 and your subsequent letter dated 2nd February 2024. In your letter you requested some further information in relation to two areas. The first being the special purpose vehicle in relation to Cardiff Heat Network and the second, outstanding internal audit recommendations.

Special Purpose Vehicle

You may be aware that the Committee has had a particular focus on “partnership” arrangements during 2023/24. In paragraph 40 of your report note the “special purpose vehicle” (a company wholly owned by the Council) for the Heat Network project; which is perhaps one of the more unusual arrangements in place. I would be grateful if you could outline for the Committee:-

a) How the risks to the Council arising from the formation of the “special purpose vehicle” have been identified, managed and reported on?

The Cardiff Heat Network (CHN Ltd) business case was developed using Central Government (Heat Network Development Unit) Grant funding. An initial [Outline Business Case](#) was presented to and approved by Cabinet and this paved the way for work on a more detailed [Full Business Case](#) Report which reached Cabinet in December 2020. These reports examined risk from a number of perspectives including financial, contractual and H&S risk:

Financial risks were partially mitigated through our successful securing of Central Government grant funding and Welsh Government soft loan funding for the delivery of the project. Certain financial risks remain, and these are recognised in the financial advice given for the Cabinet reports. We have a regular dialogue on these as necessary, via the governance arrangements set out below, to monitor

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and address any issues. CHN Ltd is also externally audited annually in a process that can identify and raise concerns about any emerging or “going concern” issues. These reports considered by CHN’s Board of Directors and are shared with the Council who can then raise any questions or issues.

Contractual and H&S risks have been substantially addressed through formal arrangements embedded in our Design, Build, Operate, and Maintain Contract. The selected contractor has a range of contractual and legal roles and responsibilities in these respects which are monitored via an independent Contract Management consultant also procured to support the Company in the delivery of the scheme. CHN Ltd’s role as “Client” in respect of Health and Safety legislation is managed via a separate appointment of specialist H&S consultants acting on the role of “Principle Designer” which is a specific role and requirement arising from the national Health and Safety Executive’s “Construction Design and Management Regulations”. Any matters arising are reported and addressed via the governance arrangements set out below.

Other risks, such as reputational risk, and lessons learned from other similar schemes elsewhere were also discussed as part of the Cabinet Reporting process. Cardiff Heat Network Ltd’s Board of Directors undergoes regular training on their roles and responsibilities as directors of a public sector owned company to ensure that these sorts of risks and challenges are understood and measures put in place to mitigate them.

As the project moves from its Design and Build phase through to its Operate and maintain phase this year we are also working to bring more formality to the relationship and communication between the Board and the Council via its Shareholder’s Representative (see below).

b) How the company is held to account by the Council?

The approval of the [Full Business Case](#) authorised the Incorporation of Cardiff Heat Network Ltd as a company wholly owned by the Council. The company’s composition, roles and reporting structure were informed by specialist legal advisors experienced in public sector companies and Energy Services operations.

The company’s specific role is to deliver the Cardiff Heat Network project according to the approved business plan. The details of this, and how the company reports to and is held to account by the Council are set out in the companies associated Articles of Association and Shareholders Agreement. These were approved by Cabinet as part of the decision to proceed with the Heat Network project and were used in the company’s formal Incorporation.

In summary, a Board of Directors oversees the company and the activities of the Design, Build, Operate and Maintain contractor. The Board is appointed by the Council’s CEx. The Board acts within strict terms set out in the Incorporation documentation and receives frequent training on these duties. The Company’s

finances are also subject to external audit annually with reports submitted to Companies House and reviewed by Council finance officers.

A “Shareholder’s representative” was also appointed by Cabinet. This role sits apart from the Board and is the conduit through which the Board conveys any issues that might affect the everyday delivery of business plan to the Council. It is also the conduit through which any strategic issues or instructions that might affect the everyday delivery of the Business Plan are passed by the Council to the Board. This mechanism, together with periodic project progress updates with senior officers and the relevant Cabinet Member ensures that the company’s activities are understood and that the company is held to account.

An informal officer level project progress meeting is also held bi-monthly, chaired by the CEx, where any emerging issues can be conveyed and discussed in an informal setting. Any formal recommendations or instructions that might start to emerge from these meetings are subsequently conveyed to the Board by the Shareholders Representative and this would be subject to relevant internal processes procedures and scrutiny as necessary, including Officer Decision reporting and Cabinet reporting. The project, and the activities of the company are also subject to internal (and external) audit, Scrutiny and Performance monitoring.

As the project develops we are taking further legal advice on how to bring more formality and transparency to the process of communication between the Board and the Council. We are developing bespoke Terms of Reference for the project update meetings to ensure compliance with our Articles of Association, Shareholders Agreement and general company law, with advice from our solicitor. This will set out how the Council is briefed on project development, how it registers and tracks emerging risks and solutions and how it, in turn, advises the Shareholder’s representative in his communications with and instructions to the Board.

c) Who has responsibility for the governance of the company and what arrangements are in place for them to gain an assurance on the adequacy of the company’s systems of internal control and risk management?

Cabinet signed off and have ultimate responsibility for the existing governance arrangements as set out above. The Board follows the general advice and limitations set by the Articles of Association and Shareholder’s Agreement and in its meetings is briefed on and can scrutinise the internal project/contract risks and emerging issues in this context. A regular Health and Safety briefing note is provided summarising issues arising from Project CDM arrangements and the Board receives and signs off external audits of accounts. Major emerging issues relating to project delivery or business plan matters are dealt with as formal agenda items at the Board Meetings. The focus of the company in recent months has been on the delivery of phase 1 of the network. I am pleased to report that ‘Heat on’ testing will take place this summer. Operational risks in this regard are managed by the appointed consultants and contractors.

As the company now begins to look forward more in regards to future development it is in the process of reviewing and updating the risks as identified in the full business plan. As part of this the Council's legal advisers continue to be engaged in the arrangements of the SPV as it continues to develop and learn from its ways of working.

I hope the above provides you and the committee with the further information you were looking for. If, however, there are any further areas information you would like clarified in regards of the special purpose vehicle please do not hesitate to contact me.

Outstanding internal audit recommendations

With regards to updating you on outstanding audit recommendations. Officers are working with the appropriate auditors to complete the final recommendations and I expect to be able to give you an update to be circulated in advanced of the committee's July meeting.

Yours sincerely



Cyfarwyddwr / Director

Cynllunio, Trafnidiaeth a'r Amgylchedd / Planning, Transport and Environment

1 Cwr y Ddinas / 1 Capital Quarter
 Caerdydd / Cardiff
 CF10 4BZ

Cardiff Council
 Governance and Audit Committee

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Date issued: 19 March 2024

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Dear Members of the Governance and Audit Committee

Audit Wales fee detail

Following on from discussion at the Governance and Audit Committee meeting in November and your subsequent request for more detail on the Audit Fee, I have enclosed the following information in response.

1 The 2023 Audit Fee analysed by grade, days and cost:

Grade	Planned number of days	Cost £
Engagement Lead	20	23,520
Audit Manager	85	76,304
Audit Lead	180	133,560
Senior Auditor	206	122,570
Auditor	135	57,645
Audit Trainee	206	79,310
Audit Apprentice	68	19,040
Total	900	511,949
Analysed by:		
Financial Audit	744	394,362
Performance Audit	156	117,586
Total	900	511,949

2 **The prior year audit fee outcome analysed as deployed, by grade, days and cost:**

As referred to in the Governance and Audit committee meeting and our work programme updates, we are currently finishing aspects of our 2022-23 performance audit work programme. We will share the final costs of that work once it is complete. As you will be aware from our work programme updates, our performance audit work, as per our 2023 audit plan, is underway.

Below is the information requested on the 2021/22 Audit of Accounts, Grants and Performance Audit work to date:

Audit area	Estimated cost	Actual cost
Audit of Accounts	£283,759	£283,759
Grants	£65,000	£69,787
Performance	£112,420	tbc
Total	£461,188	tbc

Grade	Day rate £	Planned days	Actual days
Engagement Lead	1141	21	31
Audit Manager	854	84	85
Audit Lead	700	175	167
Senior Auditor	588	154	146
Auditor	420	137	223
Audit Trainee	357	210	146
Audit Apprentice	273	73	70

I have also provided the following context around the fee setting process which I hope you find helpful:

- Our fee scheme is subject to consultation and published on our website [[Fee Scheme 2023-24 | Audit Wales](#)]. [[Consultation on Fee Scales 2024-25](#)]. These set out the basis for how we calculate our fees.

- The fee set out in our Audit Plan is an estimate. We set our audit fees based on our estimated expenditure, the estimated skill mix and the estimated number of days required to complete the work. The Council's Senior management has the opportunity to comment on our draft audit plan and any additional charges are first discussed with the Council.
- As part of the 2023-24 fee scheme, we went beyond the statutory consultation requirements and consulted all audited bodies and other stakeholders on our proposed fee rates and fee scales for 2023-24. We consulted upon our 2024-25 fee scheme during August and September last year.
- Included in the fee scheme each year are the fee scales we are required to prescribe for work relating to our audit of local government bodies. Fee scales also provide a framework for auditors to assess the amount of annual audit work necessary and the fee to be charged for that work at a particular audited body.
- Legislation requires that the fees we charge may not exceed the full cost of exercising the function to which the fee relates. Our fee rates are set at a level to recover that full cost.
- The table in Appendix 1 summarises current Public Sector Audit Appointment (PSAA) rates and then compares them to current Audit Wales fee rates. The table illustrates the very substantial change in PSAA rates over the past four years (following the Redmond Review) and highlights the very marked difference between current local government rates in England and those of Audit Wales. Whilst we are focusing on fee rates within the local government arena, this is indicative of the rising audit costs across the border.
- Each year, we present an estimate of the income and expenditure of Audit Wales for the next financial year to Welsh Parliament for approval – this is available on our website.
- In October 2023, we published our interim report setting out our progress against our 2023-24 Annual Plan. This report includes information about our stakeholder feedback obtained via an independent research company.

In addition to our accounts, grants and performance audit work, Audit Wales undertakes other work, which may be of interest to the Governance and Audit Committee:

- We deliver a programme of good practice (GPX) events to facilitate sharing of good practice examples and the development of supportive networking across

public sector bodies. Further information about this and how to subscribe to our GPX newsletter is available on our website [here](#).

- National value for money examinations and studies. This programme of work includes value for money examinations, local government studies, and the preparation of summary reports on the findings from local audit work across multiple NHS, central government and/or local government bodies. It also includes examinations undertaken in response to issues of public concern identified through our audit work or raised with the Auditor General through correspondence. The outputs from much of this programme supports the work of the Senedd's Public Accounts and Public Administration Committee (PAPAC) and other Senedd committees. Further information about this work is included in our interim report referred to above. We flag recent publications to the Governance and Audit Committee through our regular work programme update report.

If you would like to discuss the audit fee further, please let me know and I'll be happy to arrange a meeting to discuss.

Yours sincerely



Richard Harries
Engagement Director

Appendix 1 – A comparison of current Public Sector Audit Appointment (PSAA) fee rates with Audit Wales

	Audit Wales Fee Rates	Public Sector Audit Appointments (PSAA) Rate Cards	
	2023-24 £	2023-24 £	2018-20 £
Partner / Director	168	414	132
Senior Manager / Manager	129	228	73
Audit Lead	106	148	47
Other	40 - 85	113	36

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1. Current Work Programme 2023/24:

Area	Tuesday 11.07.23 (1pm)	Tuesday 26.09.23 (4.30pm) POSTPONED	Tuesday 24.10.23 (2pm)	Tuesday 28.11.23 (2pm)	Tuesday 23.01.24 (4:30pm)	Tuesday 26.03.24 (2pm)	Tuesday 09.07.24 (2pm) TBC
Audit Wales (AW)	Annual Audit Plan 2023			Cardiff Council - Detailed Audit Plan 2023			Annual Audit Plan 2024
	Cardiff & Vale Pension Fund Audit Plan 2023		* ISA 260 and Audited Statement of Accounts 2022/23 for Cardiff & Vale of Glamorgan Pension Fund			* ISA 260 and Audited Statement of Accounts 2022/23 for Cardiff Council including Cardiff Harbour Authority & Trust Funds	Cardiff & Vale Pension Fund Audit Plan 2024
	Annual Audit Summary Report		Cardiff & Vale Pension Fund – Detailed Audit Plan 2023		Digital and Performance Information Reports		Annual Audit Summary Report
							Equalities Impact Assessment Report
							Financial Sustainability
	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 Annual Well-being (Self-Assessment) Report 2022/23				Mid-Year Self-Assessment Report Update		Draft Year-End Annual Well-being (Self-Assessment) Report 2023/24
			Council Complaints and Compliments – Arrangements and Annual Report 2022/23		Council Complaints – Mid Year Report		
Treasury Management			Treasury Management Annual Report	Half Year Report		Treasury Management Strategy 2024/25	
						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 2022/23					Statement of Accounts 2023/24: Accounting Policies and Timescales	** Draft Statement of Accounts 2023/24
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 2022/23		Counter-Fraud Annual Report 2022/23	Counter-Fraud and Corruption Strategy and Operational Policies - Update	Draft Internal Audit Charter & Summary Audit Plan 2024/25	Audit Charter and Audit Plan 2024/25	Internal Audit Annual Report 2023/24
Governance and Risk Management	Governance and Audit Committee Annual Report 2022/23						Governance and Audit Committee Annual Report 2023/24
	Governance Senior Management Assurance Statement 2022/23						Draft Annual Governance Statement 2023/24 and Senior Management Assurance Statements
	Corporate Risk Management (Year-End)			Corporate Risk Management 2023/24 (Mid-Year)	Draft Annual Governance Statement 2022/23	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)	Update on the Council's Control Environment			Sarah McGill – Update on Directorate Control Environment (People & Communities)	Andrew Gregory – Update on Directorate Control Environment (Planning, Transport and Environment)	Neil Hanratty – Update on Directorate Control Environment (Economic Development)	TBC - Chief Executive – Update on the Council's Control Environment

2. Matters to be addressed outside of formal Committee meetings during 2023/24:

Governance and Audit Committee

- Annual self-assessment workshop
- Training and development sessions

General

- Correspondence, publications and reports for information purposes
- Time sensitive consultation

Director / Senior Officer Assurance

- Use of letters, correspondence, and video / telephone meetings as necessary

* Timing of item could be deferred, subject to completion of external audit
 ** Timing of item could be deferred, subject to completion of the Statements

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