

## **24<sup>th</sup> SEPTEMBER 2018 MEETING**

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### **UPDATE ON THE AUDIT OF 2017/18 STATEMENT OF ACCOUNTS**

### **REPORT OF CARDIFF CAPITAL REGION CITY DEAL SECTION 151 OFFICER**

### **AGENDA ITEM: 6**

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

1. To present Regional Cabinet with an update on the external audit of its Statement of Accounts in respect of the Cardiff Capital Region City Deal Joint Committee for the financial year 2017/18, which it approved at its meeting of the 18<sup>th</sup> June 2018.
2. The Accounts and Audit (Wales) Regulations 2014, as amended by the Accounts and Audit (Wales) (Amendment) Regulations 2018 require the Responsible Finance Officer to sign the accounts by the 30<sup>th</sup> June, and that the accounts are published by the 30<sup>th</sup> September each year.

#### **Background**

3. The unaudited accounts were approved by Regional Cabinet at its meeting of the 18<sup>th</sup> June and were formally submitted to Wales Audit Office that afternoon ahead of the statutory deadline of 30<sup>th</sup> June 2018. The Statement of Accounts (attached at Appendix 1) presents the accounts for the Cardiff Capital Region City Deal Joint Committee for the financial year 2017/18.
4. The International Standard on Auditing (ISA) 260 requires the Appointed Auditor to report to those charged with governance, on key matters arising from its audit examination of the Statement of Accounts, once the external audit has been concluded and they have issued their final 'audit report'.
5. In addition, the accounts were available for public inspection for a period of 4 weeks from the 2<sup>nd</sup> July to the 27<sup>th</sup> July, as required by The Accounts and Audit (Wales) Regulations 2014, as amended by the Accounts and Audit (Wales) (Amendment) Regulations 2018.

6. The June report outlined that in addition to the Joint Committee's single entity accounts, the Code of Practice requires the preparation of Group Accounts where the relevant activities e.g. subsidiaries, associates or joint ventures fall within prescribed definitions or requirements. Work undertaken had concluded that the Special Purpose Vehicle (SPV) established to deliver the Compound Semi-Conductor project met the relevant definitions or requirements and therefore had been included within the Joint Committee's Consolidated Group Accounts.

### **Update on External Audit work**

7. As outlined above, Wales Audit Office (WAO) as the appointed auditors for the Accountable Body have undertaken a programme of external audit work over the summer, in-line with the Audit Plan presented to Regional Cabinet at their meeting of the 18<sup>th</sup> June 2018.
8. Once complete, it is the auditor's responsibility to issue a certificate and report on the financial statements, which includes an opinion on their 'truth and fairness'. This provides assurance that the accounts:
  - are free from material misstatement, whether caused by fraud or error;
  - comply with statutory and other applicable requirements; and
  - comply with all relevant requirements for accounting presentation and disclosure.
9. The auditor will also consider whether or not the Regional Cabinet has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and report by exception if the Annual Governance Statement does not comply with requirements.
10. The auditor's work and testing in respect of the Joint Committee's single entity accounts has been completed, subject to reviewing any related impact that might arise from the group position. Where changes have been identified, these have been agreed and the accounts updated accordingly.

### **Compound Semi-Conductor Foundry Ltd**

11. Separate to the process outlined above, Monmouthshire County Council in their role as lead authority have prepared the draft accounts for the Compound Semi-Conductor (CSC) Foundry Ltd, and put in place arrangements for their external audit. The audit is in its final stages of completion with a large part of the auditor's work and testing having been completed. At the time of writing the only issue that remained outstanding was the audit of the corporation tax liability. This can only be derived once an assessment of the value of capital allowances has been determined. Capital allowances will offset the corporation tax liability, which itself has principally arisen from rental income accruing to the year of account following a revised rental calculation having been produced following external audit work.
12. Specialist capital allowance specialists have been procured and are working with officers and CSC Foundry's auditors to complete the outstanding work

and to conclude the audit as soon as possible, anticipated to be ahead of the October meeting of the Regional Cabinet.

13. However, until such time as the CSC Foundry's audit is complete (and an audit certificate has been issued), the Joint Committee's Group Accounts cannot be finalised. For this reason, WAO are unable to complete their audit and issue their final report at this time.

### **Next Steps**

14. The regulations require that the final version of the Statement of Accounts are approved by those charged with governance, but only once the audit is concluded and the auditor had issued its final report.
15. Therefore, in order to comply with the statutory requirement to publish the 2017/18 accounts by the 30<sup>th</sup> September 2018, it is recommended that the unaudited accounts approved by Regional Cabinet at its meeting of the 18<sup>th</sup> June be published. The unaudited accounts will need to be accompanied with an appropriate explanation as to why the statements remain unaudited at this time.
16. A further report will be brought back to Regional Cabinet, anticipated to be in October, to approve the audited accounts, once WAO has concluded its audit and issued its final report.

### **Reasons for Recommendations**

17. To provide Regional Cabinet with an update on the external audit of the Statement of Accounts for the year ended 31<sup>st</sup> March 2018.
18. To seek approval for the unaudited 2017/18 Statement of Accounts to be published, along with an appropriate explanation by the deadline of the 30<sup>th</sup> September 2018.

### **Legal Implications**

19. The JWA in relation to the delivery of the CCRC provides the Accountable Body shall have responsibility for administering the financial affairs of the Joint Committee, including ensuring that the annual accounts of the Joint Committee are prepared and for making arrangements for external audit.
20. The Accounts and Audit (Wales) Regulations 2014 as amended, make provision with respect to the accounts and audit of local government bodies in Wales whose accounts are required to be audited in accordance with Part 2 of the Public Audit (Wales) Act 2004. The body of the report sets out how the provisions are being met. The 2014 Regulations require the Statement of Accounts to be published by 30<sup>th</sup> September. If the publication takes place prior to the conclusion of the audit, as is the present case, then it must contain a declaration and explanation of the fact that at the date of publication the auditor has given no opinion.

## **Financial Implications**

21. The attached report provides Regional Cabinet with an update of the external audit work completed to-date and those matters that remain outstanding at this time.

## **Future Generations and Wellbeing Considerations / Well-being and Equalities Assessment**

22. Consideration to aspects concerning the Future Generations (Wales) Act 2015 and Well-being and Equality are described in Appendix 2.

## **RECOMMENDATIONS**

It is recommended that the Cardiff Capital Region Regional Cabinet:

- a) Note the update provided on the external audit work completed to date and details of the matters that remain outstanding at this time;
- b) Authorise the Accountable Body to publish the unaudited 2017/18 Statement of Accounts in the form previously approved by Regional Cabinet on 18<sup>th</sup> June 2018, along with an appropriate explanation by 30<sup>th</sup> September 2018;
- c) Note that a further report will be brought back to Regional Cabinet, anticipated to be in October, once the external audit is complete and the final audit report is issued.

**Christine Salter**  
**Section 151 Officer, Cardiff Capital Region City Deal**  
**18<sup>th</sup> September 2018**

*The following Appendices are attached:*

Appendix 1 - Unaudited 2017/18 Statement of Accounts  
Appendix 2 - Future Generations Evaluation Accounts

# Cardiff Capital Region City Deal Joint Committee Unaudited Statement of Accounts 2017/18



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## **Cardiff Capital Region City Deal**

### **Chair's Statement**

*"The Cardiff Capital Region City Deal is a unique programme of collaborative working which will enable economic change, improved digital and physical connectivity, improved skills and educational opportunities, and regeneration across the region.*

*It is an investment in its people and aims to bring fairness and opportunities for all, no matter where they live in the region.*

*It builds on the region's proud heritage, the beauty of our natural landscape and the vibrancy of our rich cultural and social life.*

*It will enrich our lives in other ways too, reforming our public services, provide new affordable homes, improve family life, and create a workforce which can adapt to the changing needs of the 21<sup>st</sup> Century.*

*To do this, the City Deal partners will work together, with a shared vision of a prosperous Capital City-Region for Wales, forging a clear global identity and strong reputation as a City-Region for trade, innovation, and quality of life.*

*By attracting new investment and growing more successful businesses, by improving our connectivity, by developing our skills and education, we will restore the capital region to its historical role as the "engine room" of the Welsh economy."*

Councillor Andrew Morgan

Chair, Cardiff Capital Region City Deal

## **Narrative Report**

### **Introduction**

The Cardiff Capital Region is comprised of ten local authorities: Blaenau Gwent; Bridgend; Caerphilly; Cardiff; Merthyr Tydfil; Monmouthshire; Newport; Rhondda Cynon Taf; Torfaen; and Vale of Glamorgan. It is the largest city-region in Wales and accounts for approximately 50% of the total economic output of the Welsh economy, 49% of total employment and has over 38,000 active businesses.

The Cardiff Capital Region is an area where people want to live and work. With two cities (Cardiff and Newport) at its core, the region has seen significant regeneration and investment over recent decades. Cardiff, as the capital city, is now dynamic, fast growing and forecast to have a higher population growth rate over the next 20 years than any other city in the UK.

The City Deal sets out a transformative approach in how the Cardiff Capital Region will deliver the scale and nature of investment needed to support the area's growth plans. Central to this will be the development of a 20 year £495 million Investment Fund, which the Cardiff Capital Region will use to invest in a wide range of projects.

The Cardiff Capital Region believes investments in these areas will deliver up to 25,000 new jobs and bring forward at least £4 billion of additional investment from local partners and the private sector by 2036.

### **Background**

In 2017 Council approval was received from each of the ten partnering authorities within the Cardiff Capital Region for the establishment of the Cardiff Capital Region City Deal Joint Committee. The Joint working Agreement in relation to the delivery of the City Deal ('JWA') was signed by all ten Councils on 1<sup>st</sup> March 2017. The JWA sets out the Joint Committee's governance arrangements.

Each partnering authority has one elected member representative serving on the Joint Committee, which joint committee is also referred to as the Cardiff Capital Region 'Regional Cabinet'. The JWA also contains an Assurance Framework and Implementation Plan.

Financial Year 2017/18 is the Joint Committee's first full year of operation having been formally established on the 1<sup>st</sup> March 2017. The Joint Committee is supported by a Programme Management Office (PMO) headed-up by the Regional Programme Director. In addition, the City of Cardiff Council was appointed as the Accountable Body (legal entity) and is responsible for discharging the Council's obligations in respect of the City Deal in accordance with the provisions of the JWA. The cost of the PMO and the Accountable Body are met from contributions made by partnering authorities through the annual approval of the Joint Committee Revenue Budget.



## **Wider Investment Fund (WIF)**

The City Deal provides funding to support schemes which will stimulate the economic growth of the region. The agreement with the UK and Welsh Governments total £1.2 billion, of which £734 million is allocated to the Metro and is directly managed by Welsh Government. The remaining £495 million relates to the 'Wider Investment Fund' and is made up of:

- £375 million HM Treasury grant profiled to be paid over 20 years, £50 million revenue grant will be paid during years 1-5 total, followed by £325 million of capital grant funding flowing through years 6-20;
- £120 million Council Contributions in the form of capital funding, being drawn down as required.

### Wider Investment Fund 'Top Slice'

Annually, up to 3% of the Wider Investment Fund has been earmarked to support the work of Regional Bodies and to meet the costs of Programme Development & Support. This equates to an annual sum of up to £742,500 and is referred to as the Wider Investment Fund 'Top-Slice'.

### Wider Investment Fund 'Balance of Funding'

The remaining Wider Investment Fund balance (circa £480 million) is to be used to fund investment proposals as set-out in the Joint Working Agreement Business Plan, as these are brought forward for consideration and approval in-line with the requirements of the Assurance Framework.

2017/18 saw the approval and implementation of Cardiff Capital Region's first investment. A loan of £38.5 million was approved in respect of the Compound Semi-Conductor project, which has the potential to generate 2,000 jobs and over £380 million of private sector investment.

### Gateway Reviews

An outcome based Gateway Review will be undertaken by HM Treasury every 5 years commencing in December 2020. Funding for financial year 2021/22 and beyond is conditional upon successfully passing each Gateway Review, whilst any unspent funding may be subject to repayment if the Gateway Review is not passed.

Where funds have been committed and/or there is a clear intention to spend, carry forward of funding to future years will be permitted. Carry forward in respect of the final year (2020-21), will also be permitted providing that the Gateway review is passed.

## **Future Plans**

The City Deal Heads of Terms document outlines the Joint Committee's aims in respect of its Wider Investment Fund, namely; the creation of 25,000 new jobs and to leverage £4 billion of private sector investment.

Following the approval of its first investment in Compound Semi-Conductor project, the Joint Committee have agreed 'In Principle' to support four additional investment proposals during 2017/18. These include:

- **Metro Central Project** – enhancing the potential benefits of the Metro to the region through the modernisation of Cardiff Central Station;
- **Regional Housing Investment Fund** – supporting the housing growth aspiration across the region through the establishment of Housing Investment Fund;
- **Digital Strategy** – creating a “Smart Region” through the introduction of a programme of digital interventions; and
- **Skills for the Future** – developing a demand-led skills system that is driven by the needs of industry and which delivers employment and skills support to increase productivity and deliver growth within the regional economy.

In-principle projects, along with other proposals that may emerge over time, will be developed and assessed to ensure they contribute to the sustainable economic growth of the region, are affordable and represent value for money. Meeting these objectives is a key requirement of the City Deal initiative. All potential projects will be assessed in accordance with the City Deal Assurance Framework

This method of identifying, developing, assessing and approving schemes are intended to ensure that investments accurately reflect the needs and encourage the continued development of the region.

**Summary of Financial Performance****2017/18 Joint Committee Expenditure and Funding**

Financial year 2017/18 was the Joint Committee's first full year of operation. The Joint Committee Revenue Budget was approved on the 17<sup>th</sup> March 2017. In addition, the Joint Committee also considered and approved the Wider Investment Fund Top-Slice Budget, whilst the budget for the Wider Investment Fund 'Balance of Funding' was approved on the 2<sup>nd</sup> May 2017 as part of the inaugural Annual Business Plan.

Details of the Out-turn position against the 2017/18 approved budgets are shown below.

**2017/18 Joint Committee Revenue Budget & Out-turn Position**

<b>Programme Management Office and Accountable Body</b>	<b>2017/18 Budget £</b>	<b>2017/18 Out-turn £</b>	<b>2017/18 Variance £</b>
<b>Expenditure:</b>			
Programme Management Office	755,000	701,865	(53,135)
Accountable Body Support Services	245,000	256,289	11,289
<b>Total</b>	<b>1,000,000</b>	<b>958,154</b>	<b>(41,846)</b>
<b>Funded by:</b>			
Underspend brought forward	(227,750)	(227,750)	0
Partner Contributions	(772,250)	(730,404)	41,846
<b>Total</b>	<b>(1,000,000)</b>	<b>(958,154)</b>	<b>41,846</b>

**2017/18 Wider Investment Fund 'Top-Slice' Budget & Out-turn Position**

<b>Wider Investment Fund Top-Slice</b>	<b>2017/18 Budget £</b>	<b>2017/18 Out-turn £</b>	<b>2017/18 Variance £</b>
<b>Expenditure:</b>			
Regional Bodies	331,297	103,248	(228,049)
Programme Development & Support	411,203	69,966	(341,237)
Investment Income	0	(16,864)	(16,864)
<b>Total</b>	<b>742,500</b>	<b>156,350</b>	<b>(586,150)</b>
<b>Funded by:</b>			
HMT Revenue Grant	(742,500)	(156,350)	586,150
<b>Total</b>	<b>(742,500)</b>	<b>(156,350)</b>	<b>586,150</b>

**2017/18 Wider Investment Fund 'Balance of Funding' Budget & Out-turn**

<b>CSC Foundry Ltd Project</b>	<b>2017/18 Budget £</b>	<b>2017/18 Out-turn £</b>	<b>2017/18 Variance £</b>
<b>Expenditure:</b>			
Project Delivery & Implementation	450,000	452,665	2,665
CSC Foundry Investment	24,210,000	24,207,335	(2,665)
<b>Total</b>	<b>24,660,000</b>	<b>24,660,000</b>	<b>0</b>
<b>Funded By</b>			
HMT Revenue Grant	(450,000)	(452,665)	(2,665)
Council Contributions	(24,210,000)	(24,207,335)	2,665
<b>Total</b>	<b>(24,660,000)</b>	<b>(24,660,000)</b>	<b>0</b>

**Financial Position as at 31<sup>st</sup> March 2018**

The Joint Committee's Balance Sheet position is summarised below and provides details of its assets and liabilities as at 31<sup>st</sup> March 2018.

<b>Summary of Balance Sheet</b>	<b>31<sup>st</sup> March 2018 £'000</b>
<b>Long Term Assets :</b>	
Long Term Debtors, Revenue and Capital (CSC Foundry Project)	24,660,000
<b>Current Assets &amp; Liabilities:</b>	
Short Term Debtors, Cash & Cash Equivalents, less Short Term Creditors	17,540,331
<b>Long Term Liabilities</b>	(17,951,150)
<b>Net Assets</b>	<b>24,249,181</b>
<b>Financed by:</b>	
Usable Reserves (£41,846) and Unusable Reserves (£24,207,335)	<b>24,249,181</b>

**Investments**

In 2017/18 an investment in the form of a loan amounting to £38.5 million was approved to support the set-up of Compound Semi-conductor Foundry Ltd, a Special Purpose Vehicle wholly owned by the ten councils. The details of the arrangement were set out in the reports to Regional Cabinet and are set out in the various legal documents.

The loan, together with the private sector investment will fund the acquisition (from Welsh Government) of the Foundry building, its refurbishment and fit-out. In addition, the Foundry building will house a number of 'clean rooms' equipped state-of-the-art

technology and specialist tools. The loan will also cover the initial start-up costs associated with the Special Purpose Vehicle such as registration and other financial and administrative costs.

The loan will be drawn down over two years, with £24.66 million being invested during 2017/18, largely funded via Council Contributions (capital costs), with revenue expenditure being met from HM Treasury Grant funding. The balance (£13.84 million) will be drawn down in 2018/19.

The loan is profiled to be repaid over an 11 year term with repayments commencing in August 2020. The loan repayments will be recycled back into the Wider Investment Fund and used to fund future City Deal commitments.

### **Pensions Liabilities**

The Joint Committee is not a legal entity in its own right and therefore cannot enter into contracts for Goods or Services. Officers supporting the activities of the Joint Committee are contractually employed through one of the partnering authorities or other public sector organisations, such as the Welsh Local Government Association. The employing body is responsible for all current and future pension liabilities that may arise from these arrangements. The Joint Committee reimburses all salary related costs, including employer related pension contributions and accounts for these in its Income & Expenditure Account. Therefore, no liability for future pension payments or benefits is recognised in the Joint Committee's Balance Sheet at present.

### **Balances and Reserves**

As at 31<sup>st</sup> March 2018, the Joint Committee held Usable Reserves of £41,846. This represents the net underspend against the Joint Committee Revenue budgets which is funded by contributions from the ten partnering authorities. Joint Committee agreed at its meeting of 30<sup>th</sup> June 2017, that any underspend in the current year will be carried forward and used to reduce partner contributions in the 2018/19.

### **Prior Period Adjustments**

There were no Prior Period Adjustments during the financial year 2017/18.

### **Corporate Governance**

The Joint Committee's governance arrangements are set out in the JWA and comprise the systems, processes, culture and values in place to deliver the intended outcomes as reviewed through application of the CIPFA / SOLACE Governance Framework.

The Joint Committee has arrangements in place through the Programme Management Office and the Accountable Body, which are designed to deliver strong governance and an effective system of internal control. These comprise a Joint Working Agreement (JWA) as an overall basis of governance, an Assurance Framework which

sets out how the Investment fund will be allocated and managed, and an overall Implementation Plan in respect of key milestones and targets.

The Joint Committee and the ten partnering authorities approved the 5 year JWA Business Plan in March 2018, which provides a clear strategic vision and its focus over the medium term. In addition, the Joint Committee approved its 2018/19 Annual Business Plan, setting the immediate priorities and associated work programme.

The Governance Framework comprises two core principles and five supporting principles, as set out in CIPFA's Delivering Good Governance framework.

### ***Core principles***

- a. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- b. Ensuring openness and comprehensive stakeholder engagement.

### ***Supporting Principles***

- c. Defining outcomes in terms of sustainable economic, social, and environmental benefits;
- d. Determining the interventions necessary to optimise the achievement of the intended outcomes;
- e. Developing the entity's capacity, including the capability of its leadership and the individuals within it;
- f. Managing risks and performance through robust internal control and strong public financial management;
- g. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

Principles a and b permeate implementation of principles C to G but good governance is dynamic, and the Joint Committee of the CCR City Deal is committed to improving governance on a continuing basis through a process of evaluation and review.

The Annual Governance Statement (AGS) on pages 44 to 52 summarises the assessment of governance in place for the Joint Committee.

## **Introduction to the Financial Statements**

This document presents the Statement of Accounts for the Cardiff Capital Region City Deal Joint Committee. These are prepared in accordance with the 2017/18 Code of Practice on Local Authority Accounting in the United Kingdom.

### **The Financial Statements**

The financial statements, accompanied by a Statement of Responsibilities and the Auditor's Report, are set out on pages 13 to 29 and comprise:

#### **Accounting Policies, Judgements and Assumptions (page 13)**

The accounting policies applied by the Joint Committee, critical judgements made in their application and areas of the accounts where significant estimates or assumptions have been made.

#### **Comprehensive Income and Expenditure Statement (page 17)**

This statement provides information on how the Joint Committee has performed throughout the year and as a result, whether or not its operations have resulted in a surplus or a deficit.

#### **Movement in Reserves Statement (page 18)**

This statement shows the changes to the Joint Committee's Reserves over the course of the year and therefore, the movements in the financial position of the Joint Committee.

#### **Balance Sheet (page 19)**

This statement provides a 'snapshot' of the financial position at 31<sup>st</sup> March 2018, showing what the Joint Committee owns and owes.

#### **Cash Flow Statement (page 20)**

This statement shows the reason for changes in the Joint Committee's 'Cash and Cash Equivalents' during the reporting period.

#### **Notes to the Core Financial Statements (page 21)**

These are the notes that accompany the main financial statements and provide an additional tier of information and context.

## **Statement of Responsibilities for the Financial Statements**

### **Cardiff Capital Region City Deal Joint Committee's responsibilities**

The Joint Committee is required to:

- make arrangements for the proper administration of its financial affairs and secure that an appropriate officer has the responsibility for the administration of those affairs. In 2017/18, this officer was Christine Salter, Corporate Director Resources and Section 151 Officer of Cardiff Council who held the role of Cardiff Capital Region City Deal Section 151 Officer
- manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets
- approve the Statement of Accounts

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**Cllr Andrew Morgan**

**Chair of Cardiff Capital Region Joint Committee**

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**Date**



**Responsibilities of the Section 151 Officer as Chief Financial Officer of the Joint Committee**

The Section 151 Officer is responsible for the preparation of the Joint Committee'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 2016-17 (the Code).

In preparing these financial statements, the Section 151 Officer 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 Section 151 Officer has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Section 151 Officer Certificate

The financial statements for the Cardiff Capital Region City Deal Joint Committee give a true and fair view of the financial position of the Joint Committee at 31 March 2018 and its income and expenditure for the year ended 31 March 2018.

\_\_\_\_\_  
**Christine Salter**

\_\_\_\_\_  
**Date**

**Section 151 Officer, Cardiff Capital Region City Deal Joint Committee**

**Audit Report**

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## **Accounting Policies used when formulating the accounts**

In accordance with the Accounts and Audit (Wales) Regulations 2014, this Statement of Accounts summarises the Joint Committee's income and expenditure for the year ended 31<sup>st</sup> March 2018 and its financial position at 31<sup>st</sup> March 2018. The accounts are prepared in accordance with proper accounting practices as contained in the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code).

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

International Financial Reporting Standard 9 - Financial Instruments has been implemented in the 2018/19 Code. Its introduction will see the classifications of financial assets change to Amortised Cost, Fair Value through Comprehensive Income and Fair Value through Profit and Loss, from the previous categories of Loans and Receivables, Available for Sale and Fair Value through Profit and Loss.

The second main change will be the introduction of an expected credit loss model for particular asset types, rather than an impairment of the asset resulting from a specific incident.

The current assessment is that the impact of these changes on the Joint Committee's financial position is likely to be immaterial.

### **2. Accruals of Income and Expenditure**

Activity is accounted for in the year that it takes place, not when the cash payments are made or received. In particular:

- revenue from the sale of goods is recognised when the Joint Committee transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Joint Committee
- revenue from the provision of services is recognised when the Joint Committee can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Joint Committee
- supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet
- expenses in relation to services received are recorded as expenditure when the services are received rather than when the payments are made
- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract
- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the

Balance Sheet. Where debts may not be settled, the balance is written down and a charge made to revenue for the income that might not be collected.

### **3. Cash and Cash Equivalents**

The Joint Committee does not operate its own Bank Account, instead all cash transactions are administered by Cardiff Council in its role as Accountable Body. An approved Treasury Management strategy is in place to manage the Joint Committee's cash balances, short-term investments and borrowing requirements.

The strategy allows the Accountable Body to maintain a clear audit trail (and therefore visibility) of the Joint Committee's cash from its own resources, whilst retaining flexibility to manage cash balances and calculate interest earned or payable. The arrangements consist of short-term investments through approved counterparties and are aimed at securing market returns, whilst ensuring the cash requirements of the projects approved as part of the Wider Investment Fund can be serviced at all times.

### **4. Contingent assets and liabilities**

These are potential benefits or obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Joint Committee's control. Contingent assets and liabilities are not recognised in the accounting statements but are disclosed in a note to the accounts.

### **5. Events After the Balance Sheet Date**

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- those that are indicative of conditions that arose after the reporting period – The Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

### **6. Exceptional Items**

Exceptional items are material in terms of the Joint Committee's overall expenditure and not expected to recur frequently or regularly. When they occur, they are included in the Comprehensive Income and Expenditure Statement as a separate line, if that degree of prominence is necessary to give a fair presentation of the accounts.

## **7. Grants – Revenue**

Grants and other contributions relating to revenue expenditure are accounted for on an accruals basis and recognised when:

- the Joint Committee has complied with the conditions for their receipt;
- there is reasonable assurance that the grant or contribution will be received.

The accounting treatment will vary depending on whether it is deemed that conditions inherent in the agreement have been complied with.

When conditions have been satisfied, the grant or contribution is credited to the relevant service line, detailed as Grant Income.

Where there is no reasonable assurance that the conditions will be met, any cash received will not be recognised as a receipt of grant monies, but as a repayment due to the awarding body. The cash received is held on the Balance Sheet as a liability.

Grant funding is subject to 5 year Gateway Reviews with the first review scheduled to commence in December 2020.

## **8. Interests in Companies and Other Entities**

The Joint Committee has interests in companies and other entities. Subject to the level of materiality and exposure to risk, these are consolidated to produce Group Accounts. In the Joint Committee's own single entity accounts, the interests in such companies are recorded as financial assets in the Balance Sheet.

## **9. Prior Period Adjustments**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Material errors discovered in prior period figures are corrected by amending opening balances and comparative amounts for the prior period.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Joint Committee's financial position or performance. Any change is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

## **10. Reserves**

The Joint Committee sets aside amounts as reserves for future policy purposes or to cover contingencies as these are identified. Reserves are created by appropriating amounts in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year. The reserve is then appropriated back into the Movement in Reserves Statement so that there is no net charge for the expenditure.

## 2017/18 Comprehensive Income & Expenditure Statement

This statement records all of the Joint Committee'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.

As the Joint Committee was formally established on the 1<sup>st</sup> March 2017, the comparative information in respect of the preceding period (2016/17) only represents one month's of operation.

<b>*31<sup>st</sup> March 2017 £</b>		<b>Notes</b>	<b>31<sup>st</sup> March 2018 £</b>
	<b>Cost of Services</b>		
23,158	Staff Costs	1	473,740
0	Premises	2	19,044
118	Transport	3	2,830
142,151	Supplies & Services	4	306,738
14,350	Support Services	5	329,016
<b>179,777</b>	<b>Operating Expenditure</b>		<b>1,131,368</b>
(179,777)	Contributions from Local Authorities		(772,251)
0	Grant Income		(156,350)
<b>(179,777)</b>	<b>Operating Income</b>	6	<b>(928,601)</b>
<b>(0)</b>	<b>Net Cost of Services</b>		<b>202,767</b>
0	Interest & Investment Income	18	(16,864)
<b>0</b>	<b>Financing &amp; Investment Income &amp; Expenditure</b>		<b>(16,864)</b>
0	Recognised Capital Grants & Contributions		(24,207,335)
<b>0</b>	<b>Taxation and Non Specific Grant Income</b>		<b>(24,207,335)</b>
<b>(0)</b>	<b>(Surplus) / Deficit on Provision of Services</b>		<b>(24,021,432)</b>
0	Other Comprehensive Income & Expenditure		0
<b>(0)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>		<b>(24,021,432)</b>

\* 1 month of operation

**2017/18 Movement in Reserves Statement**

This statement is split into both Usable and Unusable Reserves. Usable Reserves are those that the Joint Committee can use to provide services whereas Unusable Reserves such as the Capital Adjustment Account cannot be used.

	<b>Usable Reserves £</b>	<b>Unusable Reserves £</b>	<b>Total Reserves £</b>
<b>Balance at 31st March 2017 C/Fwd</b>	<b>227,749</b>	<b>0</b>	<b>227,749</b>
Surplus / (Deficit) on the Income & Expenditure Account	24,021,432	0	<b>24,021,432</b>
Adjustments between Accounting Basis and Funding Basis	(24,207,335)	24,207,335	<b>0</b>
<b>Increase/(Decrease in Year)</b>	<b>(185,903)</b>	<b>24,207,335</b>	<b>24,021,432</b>
<b>Balance at 31st March 2018</b>	<b>41,846</b>	<b>24,207,335</b>	<b>24,249,181</b>



**Balance Sheet as at 31<sup>st</sup> March 2018**

This statement is comprised of two balancing sections – the net assets of the Joint Committee and the total reserves it holds.

<b>*31<sup>st</sup> March 2017 £</b>		<b>Notes</b>	<b>31<sup>st</sup> March 2018 £</b>
0	Land and Buildings		0
0	Assets Under Construction		0
0	Vehicle, Plant, Furniture & Equipment		0
0	Long Term Debtors - Revenue		452,665
0	Long Term Debtors - Capital		24,207,335
<b>0</b>	<b>Long Term Assets</b>		<b>24,660,000</b>
0	Inventories		0
0	Short Term Debtors	11	264,666
384,389	Cash & Cash Equivalents	12	19,405,889
<b>384,389</b>	<b>Current Assets</b>		<b>19,670,555</b>
(156,639)	Short Term Creditors	14	(2,130,224)
<b>(156,639)</b>	<b>Current Liabilities</b>		<b>(2,130,224)</b>
0	Long Term Borrowing		0
0	Long Term Creditors	14	(17,951,150)
<b>0</b>	<b>Long Term Liabilities</b>		<b>(17,951,150)</b>
<b>227,749</b>	<b>Net Assets</b>		<b>24,249,181</b>
227,749	Usable Reserves		41,846
0	Capital Adjustment Account		24,207,335
<b>227,749</b>	<b>Total Reserves</b>		<b>24,249,181</b>

\* 1 month of operation

**2017/18 Cash Flow Statement**

This statement shows how the Joint Committee generates and uses cash and cash equivalents by classifying the cash flows as arising from operating, investing and financing activities.

<b>* 31<sup>st</sup> March 2017 £</b>		<b>Notes</b>	<b>31<sup>st</sup> March 2018 £</b>
0	Net (Surplus) / Deficit on the provision of services		(24,021,432)
(384,389)	Adjust net surplus or deficit on the provision of services for non-cash movements	<b>16</b>	24,566,796
<b>(384,389)</b>	<b>Net cash flows from operating activities</b>		<b>545,364</b>
0	Investing activities	<b>16</b>	24,660,000
0	Financing activities	<b>16</b>	(44,226,864)
<b>(384,389)</b>	<b>Net (increase) / decrease in cash and cash equivalents</b>		<b>(19,021,500)</b>
0	Cash and cash equivalents at the beginning of the reporting period		(384,389)
<b>(384,389)</b>	<b>Cash balance as at 31<sup>st</sup> March</b>		<b>(19,405,889)</b>

\* 1 month of operation

**Notes to the Core Financial Statements**

As the Joint Committee was formally established on the 1<sup>st</sup> March 2017, the comparative information in respect of the preceding period (2016/17) only represents one month of operation.

**1. Officers Emoluments**

<b>31<sup>st</sup> March 2017 £</b>	<b>Officers Emoluments</b>	<b>31<sup>st</sup> March 2018 £</b>
23,158	Officers Emoluments	473,740
<b>23,158</b>	<b>Total</b>	<b>473,740</b>

Officers supporting the activities of the Joint Committee are contractually employed through one of the partnering authorities or other public sector organisations, such as the Welsh Local Government Association.

In accordance with International Accounting Standard 19 – Employee Benefits, the employing body is required to disclose certain information concerning the income and expenditure of its pension scheme and its related assets and liabilities. As the Joint Committee does not directly employ staff, these statutory disclosures do not apply (instead staff pension liabilities etc. of the relevant officers will be disclosed in the financial statements of each employing body).

The Accounts and Audit (Wales) Regulations 2014 requires that the number of employees whose remuneration is over £60,000 per annum be disclosed within bands of £5,000. In addition, the Code requires a further disclosure relating to senior employees.

The following tables include disclosures of officers who fall within the Officer Emoluments criteria and have been made on a voluntarily basis, for the reasons outlined above.

<b>Remuneration Band £</b>	<b>Number of Employees</b>	
	<b>2016/17</b>	<b>2017/18</b>
95,000 - 99,999	1	1

<b>Senior Employee Post Title</b>	<b>Salary, fees and allowances £</b>	<b>Employers Pension Contributions £</b>	<b>Total £</b>
Programme Director	99,000	20,889	119,889

## 2. Premises Costs

The following table analyses Premises expenditure for the year.

31 <sup>st</sup> March 2017 £	Premises Costs	31 <sup>st</sup> March 2018 £
0	Rents	13,275
0	National Non Domestic Rates	5,611
0	Other Premises Related Expenditure	159
<b>0</b>	<b>Total</b>	<b>19,044</b>

## 3. Transport Costs

The following table analyses Transport expenditure for the year.

31 <sup>st</sup> March 2017 £	Transport Costs	31 <sup>st</sup> March 2018 £
0	Car Allowances	1,442
118	Travel Expenses	1,388
<b>118</b>	<b>Total</b>	<b>2,830</b>

## 4. Supplies and Services

The following table analyses Supplies and Services expenditure for the year.

31 <sup>st</sup> March 2017 £	Supplies & Services	31 <sup>st</sup> March 2018 £
0	ICT, Telephones, Printing & Software	21,698
1,137	Meeting Room Hire & Other Meeting Costs	22,395
1,175	Marketing, Branding & Communications	83,872
139,413	Programme Development & Support *	173,705
426	Other Supplies & Services Costs	5,068
<b>142,151</b>	<b>Total</b>	<b>306,738</b>

\* Programme Development & Support covers a range of professional advice and support needed to ensure that all projects taken forward are robust and have undergone the necessary level of challenge and independent verification to comply with requirements of the Assurance Framework.

## 5. Support Service Costs

The following table analyses Support Service expenditure for the year

<b>31<sup>st</sup> March 2017 £</b>	<b>Support Service Costs</b>	<b>31<sup>st</sup> March 2018 £</b>
0	HR People Services	28,524
8,998	Accountancy Support	120,736
0	Exchequer, Internal Audit & Insurance	2,050
4,614	Legal & Governance Support	75,038
738	ICT, Information & Governance	9,834
0	External Audit (Inc. Technical Advice)	80,435
0	External Advice & Support	12,400
<b>14,350</b>	<b>Total</b>	<b>329,016</b>

## 6. Income

The following table analyses Income accounted for during the year.

<b>31<sup>st</sup> March 2017 £</b>	<b>Income</b>	<b>31<sup>st</sup> March 2018 £</b>
(179,777)	Contributions from Local Authorities	(772,251)
0	Grant Income	(156,350)
<b>(179,777)</b>	<b>Total</b>	<b>(928,601)</b>

Contributions from Local Authorities relates to the funding received in respect of the Joint Committee Revenue Budget from the ten partnering authorities.

HM Treasury grant totalling £20 million was received during the year in respect of the first two years of City Deal funding (2016/17 & 2017/18). The grant is passported through Welsh Government (the grant paying body) following acceptance of their grant terms & conditions.

Based on the funding decisions made by the Joint Committee during the year, £156,350 of grant was drawn down in 2017/18 with the balance being shown in short term (£1,892,500) and long term creditors (£17,951,150). Welsh Government have confirmed that in any year, where funds have been committed and/or there is a clear intention to spend, carry forward of funding to future years will be permitted.

## 7. Expenditure and Funding Analysis

The Expenditure and Funding Analysis demonstrates how the funding available to the Joint Committee has been used to provide services in comparison with those resources consumed or earned under Generally Accepted Accounting Practices (GAAP).

Expenditure and Funding Analysis	Net Expenditure Chargeable to General Fund Balances	Adjustments	Comprehensive Income & Expenditure 2017/18
	£	£	£
Staff Costs	473,740	0	473,740
Premises	19,044	0	19,044
Transport	2,830	0	2,830
Supplies & Services	306,738	0	306,738
Support Services	329,016	0	329,016
Contributions from Local Authorities	(772,251)	0	(772,251)
Grant Income	(156,350)	0	(156,350)
Draw down of Reserves	(185,903)	185,903	(0)
<b>Net Cost of Services</b>	<b>16,864</b>	<b>185,903</b>	<b>202,767</b>
Interest & Investment Income	(16,864)	0	(16,864)
Recognised Capital Grants & Contributions	(24,207,335)	0	(24,207,335)
Other Income and Expenditure from the Funding Analysis	24,207,335	(24,207,335)	0
<b>(Surplus) or Deficit</b>	<b>(0)</b>	<b>(24,021,432)</b>	<b>(24,021,432)</b>
Opening Usable Reserves Balance 31 March 2017	(227,749)		
Less Deficit on Usable Reserves Balance in Year	185,903		
<b>Closing Usable Reserves Balance 31<sup>st</sup> March 2018</b>	<b>(41,846)</b>		

**Notes to the Expenditure and Funding Analysis**

<b>Expenditure and Funding Analysis</b>	<b>Adjustments for Capital Purposes</b>	<b>Other Adjustments</b>	<b>Total Adjustments</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Staff Costs	0	0	0
Premises	0	0	0
Transport	0	0	0
Supplies & Services	0	0	0
Central Departmental Support	0	0	0
Contributions from Local Authorities	0	0	0
Grant Income	0	0	0
Draw down of Reserves	0	185,903	185,903
<b>Net Cost of Services</b>	<b>0</b>	<b>185,903</b>	<b>185,903</b>
Interest & Investment Income	0	0	0
Recognised Capital Grants & Contributions	0	0	0
Other Income and Expenditure from the Funding Analysis	(24,207,335)	0	(24,207,335)
<b>(Surplus) or Deficit</b>	<b>(24,207,335)</b>	<b>185,903</b>	<b>(24,021,432)</b>

**8. Adjustments between Accounting Basis and Funding Basis under Regulation**

	<b>Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Reserves</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Capital grants and contributions applied	0	24,207,335	24,207,335
<b>Total</b>	<b>0</b>	<b>24,207,335</b>	<b>24,207,335</b>

**9. Related Parties**

The Joint Committee is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Joint Committee or to be controlled or influenced by the Joint Committee. Disclosure of these transactions allows readers to assess the extent to which the Joint Committee 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 Joint Committee.

Welsh Government has the ability to effect influence on the Joint Committee via legislation and grant funding. The grant received in 2017/18 is detailed in note 6.

31 <sup>st</sup> March 2017 £	Related Party Transactions	Revenue	Capital	Total 31 <sup>st</sup> March 2018 £
		£	£	
(8,449)	Blaenau Gwent CBC	(35,524)	(1,118,438)	(1,153,962)
(16,899)	Bridgend CBC	(73,364)	(2,285,187)	(2,358,551)
(21,573)	Caerphilly CBC	(92,670)	(2,897,478)	(2,990,148)
(42,247)	Cardiff Council	(183,023)	(5,744,007)	(5,927,030)
(7,191)	Merthyr Tydfil CBC	(30,118)	(954,075)	(984,193)
(11,146)	Monmouthshire County Council	(47,107)	(1,487,240)	(1,534,347)
(17,618)	Newport City Council	(75,681)	(2,376,487)	(2,452,168)
(28,405)	Rhondda Cynon Taf CBC	(122,016)	(3,818,150)	(3,940,166)
(10,966)	Torfaen CBC	(47,107)	(1,476,948)	(1,524,055)
(15,281)	Vale of Glamorgan Council	(65,641)	(2,051,991)	(2,117,632)
<b>(179,777)</b>	<b>Total</b>	<b>(772,251)</b>	<b>(24,210,000)</b>	<b>(24,982,251)</b>

## 10. External Audit Costs

The following table analyses the 2017/18 External Audit fee payable to the Wales Audit Office and reflects factors such as; this being the Joint Committee's first full year of operation, approval of the first investment decision during the year etc. The cost of external audit is generally reflected within the financial year to which the audit relates.

31 <sup>st</sup> March 2017 £	External Audit Costs	31 <sup>st</sup> March 2018 £
0	2016/17 Audit of the Smaller Bodies Return	900
0	2017/18 Performance Audit of CSC Foundry Ltd decision	55,000
0	2017/18 Audit Plan	24,535
<b>0</b>	<b>Total</b>	<b>80,435</b>

## 11. Debtors

31 <sup>st</sup> March 2017 £	Debtors	31 <sup>st</sup> March 2018 £
0	Central Government Bodies	0
0	Other Local Authorities	264,666
0	Other Entities and Individuals	0
<b>0</b>	<b>Sub Total</b>	<b>264,666</b>
0	Provision for Bad Debt	0
<b>0</b>	<b>Total</b>	<b>264,666</b>



## 12. Cash and Cash Equivalents

The Joint Committee does not operate its own Bank Account, instead all cash transactions are administered by Cardiff Council in its role as Accountable Body. Therefore, the amount of £19,405,889 shown as cash in the Balance Sheet represents the inter-authority cash held by the Accountable Body on behalf of the Joint Committee.

## 13. Financial Instruments

The Joint Committee's 'Financial Instruments' consist of Financial Assets in the form of a loan to Compound Semi-Conductor Foundry Ltd and amounts detailed within the Cash and Cash Equivalents note (Note 12) above.

The loan will fund the acquisition (from Welsh Government) of the Foundry building, its refurbishment, fit-out and initial start-up costs. Loans amounting to £24.66 million were drawn down in 2017/18. The loan is profiled to be repaid over an 11 year term with repayments commencing in August 2020. The loan repayments will be recycled back into the Wider Investment Fund and used to fund future City Deal commitments.

Both the 'Cash and Cash Equivalents' and the 'CSC Foundry Ltd loan' are shown in the accounts at their fair value, which is equal to their carrying value.

31 <sup>st</sup> March 2017		Financial Instruments	31 <sup>st</sup> March 2018	
Carrying Amount £	Fair Value £		Carrying Amount £	Fair Value £
384,389	384,389	Cash and Cash Equivalents	19,405,889	19,405,889
0	0	Loan to CSC Foundry Ltd	24,660,000	24,660,000
<b>384,389</b>	<b>384,389</b>	<b>Total</b>	<b>44,065,889</b>	<b>44,065,889</b>

### Financial Instrument Gains/Losses

Interest amounting £16,864 was earned on the Joint Committee's Cash balances held by the Accountable Body during the year. Cash balances were managed in-line with the approved treasury management strategy.

The structure of the loan made to the Compound Semi-Conductor Foundry Ltd (CSC Foundry Ltd) was agreed as part of the extensive due diligence and associated State Aid advice undertaken to approve the investment proposal. This confirmed that the investment would not carry any coupon/interest charge and therefore the loan has generated no gains or losses during the year.

The Nature and Extent of Risks arising from Financial Instruments

The Joint Committee's 'Cash and Cash Equivalents' are managed by Cardiff Council in accordance with its overall Treasury Management Strategy, although as set out earlier, appropriate measures are in place to maintain an appropriate audit trail between all the resources it is responsible for and manages.

Cardiff Council places deposits only with banks and building societies that have the Fitch minimum criteria of F1. Ratings are regularly reviewed and to date, the Council has not experienced default of any institution and this is not deemed to be a significant risk for investments held. Therefore in respect of 2017/18, it has been determined that no provisions are required and there is no requirement to recognise any losses.

The status of the loan made to CSC Foundry Ltd is subject to regular reviews by both its board members (via quarterly project update reports) and the Programme Director as part of the process for approving further advances. The latter is supported by work undertaken by the Accountable Body to inform the approval process. These range of measures provide the framework for the ongoing review of the loan value.

There is not deemed to be a risk of non-repayment, so no provision or impairment is considered to be required at this time in respect of the outstanding loan value.

**14. Creditors**

31 <sup>st</sup> March 2017 £	Creditors	Short Term £	Long Term £	31 <sup>st</sup> March 2018 £
0	Central Government Bodies	1,892,500	17,951,150	19,843,650
(17,744)	Other Local Authorities	74,979	0	74,979
(138,896)	Other Entities and Individuals	162,744	0	162,744
<b>(156,639)</b>	<b>Total</b>	<b>2,130,224</b>	<b>17,951,150</b>	<b>20,081,374</b>

**15. Usable Reserves**

2016/2017 £	Usable Reserves	2017/2018 £
0	<b>Balance as at 1 April</b>	227,749
	Movements during year:	
227,749	Year-end balance carried forward	0
0	Financing of Expenditure	(185,903)
<b>227,749</b>	<b>Balance as at 31 March</b>	<b>41,846</b>

**16. Notes to the Cash Flow Statement**

<b>31<sup>st</sup> March 2017 £</b>	<b>Operating Activities</b>	<b>31<sup>st</sup> March 2018 £</b>
384,388	Increase / (Decrease) in Creditors	78,419
0	(Increase) / Decrease in Debtors	(264,666)
0	Receipts from Investing Activities	(16,864)
0	Capital grants / contributions recognised in I&E	(24,207,335)
0	Revenue grants / contributions recognised in I&E	(156,350)
<b>384,388</b>	<b>Adjustments to net surplus or deficit on the provision of services for non-cash movements</b>	<b>(24,566,796)</b>

<b>31<sup>st</sup> March 2017 £</b>	<b>Investing Activities</b>	<b>31<sup>st</sup> March 2018 £</b>
0	Capital Loan	24,207,335
0	Revenue Loan	452,665
<b>0</b>	<b>Adjustments to net surplus or deficit on the provision of services for investing activities</b>	<b>24,660,000</b>

<b>31<sup>st</sup> March 2017 £</b>	<b>Financing Activities</b>	<b>31<sup>st</sup> March 2018 £</b>
0	Receipts from Investing Activities	(16,864)
0	HMT Grant received	(20,000,000)
0	Capital contribution received	(24,210,000)
<b>0</b>	<b>Adjustments to net surplus or deficit on the provision of services for financing activities</b>	<b>(44,226,864)</b>

**17. Capital Adjustment Account**

The Capital Adjustment Account is used to reconcile the different rates at which assets are depreciated under proper accounting practice, details how capital expenditure is financed and deals with revaluation gains where applicable.

<b>2016/2017 £</b>	<b>Capital Adjustment Account</b>	<b>2017/2018 £</b>
<b>0</b>	<b>Balance as at 1 April</b>	<b>0</b>
	Capital financing applied in the year:	
0	Grants and contributions	24,207,335
<b>0</b>	<b>Balance as at 31 march</b>	<b>24,207,335</b>

## **18. Interest**

Interest amounting to £16,864 was earned on the Joint Committee's Cash balances held by the Accountable Body during the year. Cash balances were managed in-line with the approved treasury management strategy.

The arrangements consist of short-term investments through approved counterparties and are aimed at securing market returns, whilst ensuring the cash requirements of the projects approved as part of the Wider Investment Fund can be serviced at all times.

## **Group Accounts**

### **Introduction**

The group accounts that follow comply with the requirement of the 2017/18 Code of Practice, that a local authority with 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 Cardiff Capital Region City Deal Joint Committee and its subsidiary, Compound Semi-Conductor Foundry Ltd (CSC Foundry Ltd).

Whilst the single entity accounts represent a full year in 2017/18, the CSC Foundry was incorporated on the 28<sup>th</sup> July 2017, therefore its transactions are included from this date to the 31<sup>st</sup> March 2018.

At the point of drafting these accounts, the accounts for CSC Foundry Ltd had not been audited and, therefore, the draft figures have been consolidated within the Group Accounts.

## **Accounting Policies Applicable to the Group Accounts**

### **Basis of Consolidation**

The group accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of the Cardiff Capital Region City Deal Joint Committee and CSC Foundry Ltd. Inter-group transactions and balances between the Joint Committee and its subsidiary have been eliminated in full.

### **Accounting policies**

CSC Foundry Ltd is a private company, limited by shares, domiciled in England and Wales, registration number 10888081. The registered office is Ty Dysgu, Cefn Coed, Nantgarw, CF15 7QQ. Its accounts have been prepared in accordance with the provisions of FRS102 Section 1A small entities.

The Group Accounts are prepared in accordance with paragraph 9.1.2.60 of the Code, using uniform accounting policies for like transactions and other events in similar circumstances. The policies to be applied are those specified for the single entity financial statements of the reporting authority, requiring realignment of the policies applied by other group members where they have materially different effect.

Therefore, the financial statements in the group accounts are prepared in accordance with the policies set out in the Statement of Accounting Policies on pages 13 to 16.

## Group Comprehensive Income and Expenditure Statement as at 31<sup>st</sup> March 2018

31st March 2017 £		Notes	31st March 2018 £
	<b>Cost of Services</b>		
23,158	Staff Costs	19	518,557
0	Premises	20	111,444
118	Transport	21	3,046
142,151	Supplies & Services	22	535,358
14,350	Support Services	23	354,016
0	Provisions	24	61,699
<b>179,777</b>	<b>Operating Expenditure</b>		<b>1,584,120</b>
(179,777)	Contributions from Local Authorities		(772,251)
0	Grant Income		(156,350)
<b>(179,777)</b>	<b>Operating Income</b>	25	<b>(928,601)</b>
<b>(0)</b>	<b>Net Cost of Services</b>		<b>655,519</b>
0	Interest & Investment Income	37	(16,951)
<b>0</b>	<b>Financing &amp; Investment Income &amp; Expenditure</b>		<b>(16,951)</b>
0	Recognised Capital Grants & Contributions		(24,207,335)
	<b>Taxation and Non Specific Grant Income</b>		<b>(24,207,335)</b>
<b>(0)</b>	<b>(Surplus) / Deficit on Provision of Services</b>		<b>(23,568,767)</b>
0	Other Comprehensive Income & Expenditure		0
<b>(0)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>		<b>(23,568,767)</b>

**Group Movement in Reserves Statement 2017/18**

	<b>Usable Reserves £</b>	<b>Unusable Reserves £</b>	<b>Total Reserves £</b>
<b>Balance at 31st March 2017 Carried Forward</b>	<b>227,749</b>	<b>0</b>	<b>227,749</b>
Surplus / (Deficit) on the Income and Expenditure Account	23,568,767	0	<b>23,568,767</b>
Called up Share Capital	0	10	<b>10</b>
Adjustments between Accounting Basis and Funding Basis	(24,207,335)	24,207,335	<b>0</b>
<b>Increase/(Decrease in Year)</b>	<b>(638,568)</b>	<b>24,207,345</b>	<b>23,568,777</b>
<b>Balance at 31st March 2018</b>	<b>(410,819)</b>	<b>24,207,345</b>	<b>23,796,526</b>

**Group Balance Sheet as at 31<sup>st</sup> march 2018**

31st March 2017 £		Notes	31st March 2018 £
0	Land and Buildings		0
0	Assets Under Construction		19,730,477
0	Vehicle, Plant, Furniture & Equipment		0
0	Long Term Debtors - Revenue		452,665
0	Long Term Debtors - Capital		0
<b>0</b>	<b>Long Term Assets</b>		<b>20,183,142</b>
0	Inventories		0
0	Short Term Debtors	30	1,829,534
384,389	Cash & Cash Equivalents	31	24,942,773
<b>384,389</b>	<b>Current Assets</b>		<b>26,772,307</b>
(156,639)	Short Term Creditors	33	(2,954,936)
<b>(156,639)</b>	<b>Current Liabilities</b>		<b>(2,954,936)</b>
0	Long Term Borrowing		0
0	Long Term Creditors	33	(18,403,815)
0	Provision for Liabilities		(1,800,172)
<b>0</b>	<b>Long Term Liabilities</b>		<b>(20,203,987)</b>
<b>227,749</b>	<b>Net Assets</b>		<b>23,796,526</b>
227,749	Usable Reserves		41,846
0	Called up Share Capital		10
0	Profit and Loss Account		(452,665)
0	Capital Adjustment Account		24,207,335
0	Revaluation Reserve		0
0	Accumulated Absences		0
0	Unusable Reserves		0
<b>227,749</b>	<b>Total Reserves</b>		<b>23,796,526</b>



**Group Cash Flow Statement 2017/18**

<b>31st March 2017 £</b>		<b>Notes</b>	<b>31st March 2018 £</b>
0	Net (Surplus) / Deficit on the provision of services		(23,568,767)
(384,389)	Adjust net surplus or deficit on the provision of services for non-cash movements	<b>35</b>	26,042,191
<b>(384,389)</b>	<b>Net cash flows from operating activities</b>		<b>2,473,424</b>
0	Investing activities	<b>35</b>	41,855,142
0	Financing activities	<b>35</b>	(68,886,950)
<b>(384,389)</b>	<b>Net (increase) / decrease in cash and cash equivalents</b>		<b>(24,558,384)</b>
0	Cash and cash equivalents at the beginning of the reporting period		(384,389)
<b>(384,389)</b>	<b>Cash balance as at 31st March</b>		<b>(24,942,773)</b>

**Notes to the Core Group Financial Statements****19. Officers Emoluments**

<b>31st March 2017 £</b>	<b>Officers Emoluments</b>	<b>Joint Committee £</b>	<b>CSC Foundry Ltd £</b>	<b>Total 31st March 2018 £</b>
23,158	Officers Emoluments	473,740	44,817	518,557
<b>23,158</b>	<b>Total</b>	<b>473,740</b>	<b>44,817</b>	<b>518,557</b>

Officers supporting the activities of the Joint Committee are contractually employed through one of the partnering authorities or other public sector organisations, such as the Welsh Local Government Association.

In accordance with International Accounting Standard 19 – Employee Benefits, the employing body is required to disclose certain information concerning the income and expenditure of its pension scheme and its related assets and liabilities. As the Joint Committee does not directly employ staff, these statutory disclosures do not apply (instead staff pension liabilities etc. of the relevant officers will be disclosed in the financial statements of each employing body).

The Accounts and Audit (Wales) Regulations 2014 requires that the number of employees whose remuneration is over £60,000 per annum be disclosed within bands of £5,000. In addition, the Code requires a further disclosure relating to senior employees.

The following tables include disclosures of officers who fall within the Officer Emoluments criteria and have been made on a voluntarily basis, for the reasons outlined above.

<b>Remuneration Band £</b>	<b>Number of Employees</b>	
	<b>2016/17</b>	<b>2017/18</b>
95,000 - 99,999	1	1

<b>Senior Employee Post Title</b>	<b>Salary, fees and allowances £</b>	<b>Employers Pension Contributions £</b>	<b>Total £</b>
Programme Director	99,000	20,889	119,889

## 20. Premises Costs

The following table analyses Premises expenditure for the year.

31st March 2017 £	Premises Costs	Joint Committee £	CSC Foundry Ltd £	Total 31st March 2018 £
0	Rents	13,275	0	13,275
0	National Non Domestic Rates	5,611	0	5,611
0	Dilapidation Works	0	92,400	92,400
0	Other Premises Related Expenditure	159	0	159
<b>0</b>	<b>Total</b>	<b>19,044</b>	<b>92,400</b>	<b>111,444</b>

## 21. Transport Costs

The following table analyses Transport expenditure for the year.

31st March 2017 £	Transport Costs	Joint Committee £	CSC Foundry Ltd £	Total 31st March 2018 £
0	Car Allowances	1,442	216	1,658
118	Travel Expenses	1,388	0	1,388
<b>118</b>	<b>Total</b>	<b>2,830</b>	<b>216</b>	<b>3,046</b>

## 22. Supplies and Services

The following table analyses Supplies and Services expenditure for the year.

31st March 2017 £	Supplies and Services	Joint Committee £	CSC Foundry Ltd £	Total 31st March 2018 £
0	ICT, Telephones, Printing & Software	21,698	106	21,804
1,137	Meeting Room Hire & Other Meeting Costs	22,395	0	22,395
1,175	Marketing, Branding & Communications	83,872	0	83,872
139,413	* Programme Development & Support	173,705	226,825	400,530
426	Other Supplies & Services Costs	5,068	1,689	6,757
<b>142,151</b>	<b>Total</b>	<b>306,738</b>	<b>228,620</b>	<b>535,358</b>

\* Programme Development and Support covers a range of professional advice and support needed to ensure that all projects taken forward are robust and have undergone the necessary level of challenge and independent verification to comply with requirements of the Assurance Framework.

### 23. Support Service Costs

The following table analyses Support Service expenditure for the year.

31st March 2017 £	Support Service Costs	Joint Committee £	CSC Foundry Ltd £	Total 31st March 2018 £
0	HR People Services	28,524	0	28,524
8,998	Accountancy Support	120,736	22,000	142,736
0	Exchequer, Internal Audit & Insurance	2,050	0	2,050
4,614	Legal & Governance Support	75,038	0	75,038
738	ICT, Information & Governance	9,834	0	9,834
0	External Audit (Inc. Technical Advice)	80,435	3,000	83,435
0	External Advice & Support	12,400	0	12,400
<b>14,350</b>	<b>Total</b>	<b>329,016</b>	<b>25,000</b>	<b>354,016</b>

### 24. Provisions

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

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

The following table analyses Provisions made in the year.

31st March 2017 £	Provisions	Joint Committee £	CSC Foundry Ltd £	Total 31st March 2018 £
0	Provision for deferred purchase of asset	0	61,699	61,699
<b>0</b>	<b>Total</b>	<b>0</b>	<b>61,699</b>	<b>61,699</b>

**25. Income**

The following table analyses Income accounted for during the year.

31st March 2017 £	Income	Joint Committee £	CSC Foundry Ltd £	Total 31st March 2018 £
(179,777)	Contributions from Local Authorities	(772,251)	0	(772,251)
0	Grant Income	(156,350)	0	(156,350)
<b>(179,777)</b>	<b>Total</b>	<b>(928,601)</b>	<b>0</b>	<b>(928,601)</b>

**26. Expenditure & Funding Analysis**

Expenditure and Funding Analysis	Net Expenditure Chargeable to General Fund Balances £	Adjustments £	Comprehensive Income & Expenditure 2017/18 £
Staff Costs	518,557	0	518,557
Premises	111,444	0	111,444
Transport	3,046	0	3,046
Supplies & Services	535,358	0	535,358
Support Services	354,016	0	354,016
Provisions	61,699	0	61,699
Contributions from Local Authorities	(772,251)	0	(772,251)
Grant Income	(156,350)	0	(156,350)
Draw down of Reserves	(410,819)	410,819	0
<b>Net Cost of Services</b>	<b>244,700</b>	<b>410,819</b>	<b>655,519</b>
Interest & Investment Income	(16,951)	0	(16,951)
Recognised Capital Grants & Contributions	(24,207,335)	0	(24,207,335)
Other Income and Expenditure from the Funding Analysis	24,207,335	(24,207,335)	0
<b>(Surplus) or Deficit</b>	<b>227,749</b>	<b>(23,796,516)</b>	<b>(23,568,767)</b>
Opening Usable Reserves Balance 31 March 2017	(227,749)		
Less Deficit on Usable Reserves Balance in Year	638,568		
<b>Closing Usable Reserves Balance 31 March 2018</b>	<b>410,819</b>		

**Note to the Expenditure and Funding Analysis**

<b>Expenditure and Funding Analysis</b>	<b>Adjustments for Capital Purposes</b>	<b>Other Adjustments</b>	<b>Total Adjustments</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Staff Costs	0	0	0
Premises	0	0	0
Transport	0	0	0
Supplies & Services	0	0	0
Support Services	0	0	0
Provisions	0	0	0
Contributions from Local Authorities	0	0	0
Grant Income	0	0	0
Draw down of Reserves	0	638,568	638,568
<b>Net Cost of Services</b>	<b>0</b>	<b>638,568</b>	<b>638,568</b>
Interest & Investment Income	0	0	0
Recognised Capital Grants & Contributions	0	0	0
Other Income and Expenditure from the Funding Analysis	(24,207,335)	0	(24,207,335)
<b>(Surplus) or Deficit</b>	<b>(24,207,335)</b>	<b>638,568</b>	<b>(23,568,767)</b>

**27. Adjustments between Accounting Basis and Funding Basis under Regulation**

	<b>Usable Reserves £</b>	<b>Unusable Reserves £</b>	<b>Total Reserves £</b>
Capital grants and contributions applied	0	24,207,335	24,207,335
<b>Total</b>	<b>0</b>	<b>24,207,335</b>	<b>24,207,335</b>

**28. Related Parties**

31st March 2017 £	Related Party Transactions	Joint Committee £	CSC Foundry Ltd £	Total 31st March 2018 £
(8,449)	Blaenau Gwent CBC	(1,153,961)	0	(1,153,961)
(16,899)	Bridgend CBC	(2,358,551)	0	(2,358,551)
(21,573)	Caerphilly CBC	(2,990,148)	0	(2,990,148)
(42,247)	Cardiff Council	(5,927,030)	0	(5,927,030)
(7,191)	Merthyr Tydfil CBC	(984,193)	0	(984,193)
(11,146)	Monmouthshire County Council	(1,534,348)	0	(1,534,348)
(17,618)	Newport City Council	(2,452,168)	0	(2,452,168)
(28,405)	Rhondda Cynon Taf CBC	(3,940,165)	0	(3,940,165)
(10,966)	Torfaen CBC	(1,524,055)	0	(1,524,055)
(15,281)	Vale of Glamorgan Council	(2,117,633)	0	(2,117,633)
<b>(179,777)</b>	<b>Total</b>	<b>(24,982,251)</b>	<b>0</b>	<b>(24,982,251)</b>

**29. External Audit Costs**

31st March 2017 £	External Audit Costs	Joint Committee £	CSC Foundry Ltd £	Total 31st March 2018 £
0	Fees Payable for external audit services	80,435	3,000	83,435
<b>0</b>	<b>Total</b>	<b>80,435</b>	<b>3,000</b>	<b>83,435</b>

**30. Debtors**

31st March 2017 £	Debtors	Joint Committee £	CSC Foundry Ltd £	Total 31st March 2018 £
0	Central Government Bodies	0	0	0
0	Other Local Authorities	264,666	0	264,666
0	Other Entities and Individuals	0	1,564,868	1,564,868
<b>0</b>	<b>0</b>	<b>264,666</b>	<b>1,564,868</b>	<b>1,829,534</b>
0	Provision for Bad Debt	0	0	0
<b>0</b>	<b>Total</b>	<b>264,666</b>	<b>1,564,868</b>	<b>1,829,534</b>

### 31. Cash and Cash Equivalents

The Joint Committee does not hold its own bank account so all income and expenditure is managed by Cardiff Council in its role as the Accountable Body, through its own bank balance. Therefore, the amount of £19,405,889 shown as cash in the balance sheet represents the inter-authority cash held by the Accountable Body on behalf of the Joint Committee. CSC Foundry Ltd holds cash at bank and a short term investment as shown below.

31st March 2017 £	Cash and Cash Equivalents	Joint Committee £	CSC Foundry Ltd £	Total 31st March 2018 £
0	Bank	0	999,291	999,291
0	Short-term deposit with Local Authority	0	4,537,593	4,537,593
384,389	Cardiff Council Inter-Co Cash	19,405,889	0	19,405,889
<b>384,389</b>	<b>Total</b>	<b>19,405,889</b>	<b>5,536,884</b>	<b>24,942,773</b>

### 32. Financial Instruments

In addition to the Financial Assets of the Joint Committee, CSC Foundry Ltd. holds Cash and Cash Equivalents amounting to £5,536,884 made up of bank account balances of £999,291 and a short-term investment of surplus cash balances of £4,537,593 with Monmouthshire County Council, all of which are shown at their fair value, which is equal to their carrying value.

The loan between the Joint Committee and CSC Foundry Ltd. is neutralised on consolidation and ceases to be a Financial Instrument in the Group Accounts.

31st March 2017		Financial Instruments	31st March 2018	
Carrying Amount £	Fair Value £		Carrying Amount £	Fair Value £
384,389	384,389	Cash and Cash Equivalents	24,942,773	24,942,773
0	0	Loan to CSC Foundry Ltd	0	0
<b>384,389</b>	<b>384,389</b>	<b>Total</b>	<b>24,942,773</b>	<b>24,942,773</b>

#### Financial Instrument Gains/Losses

Net interest of £16,951 has been earned on balances held as stated above, in line with each organisation's policies.



The Nature and Extent of Risks arising from Financial Instruments:

Cash and Cash Equivalents are managed by Cardiff Council, by CSC Foundry Ltd and by Monmouthshire County Council in accordance with each organisation's Treasury Management Strategy. No provisions or losses are to be recognised.

**33. Creditors**

31st March 2017 £	Creditors	Joint Committee £	SPV £	Total 31st March 2018 £
0	Central Government Bodies	19,843,650	0	19,843,650
(17,744)	Other Local Authorities	74,979	0	74,979
(138,896)	Other Entities and Individuals	162,745	1,277,377	1,440,122
<b>(156,639)</b>	<b>Total</b>	<b>20,081,374</b>	<b>1,277,377</b>	<b>21,358,751</b>

Creditors – Long and Short Term	Long Term £	Short Term £	Total 31st March 2018 £
Central Government Bodies	17,951,150	1,892,500	19,843,650
Other Local Authorities	0	74,979	74,979
Other Entities and Individuals	452,665	987,457	1,440,122
<b>Total</b>	<b>18,403,815</b>	<b>2,954,936</b>	<b>21,358,751</b>

**34. Usable Reserves**

2016/2017 £	Usable Reserves	2016/2017 £
0	<b>Balance as at 1 April</b>	227,749
	Movements during year:	
227,749	Year-end balance carried forward	0
0	Financing of Expenditure	(185,903)
0	Surplus on Provision of Services	(452,665)
<b>227,749</b>	<b>Balance as at 31 March</b>	<b>(410,819)</b>

**35. Notes to the Cash Flow Statement**

31st March 2017 £	Operating Activities	31st March 2018 £
156,639	Increase / (Decrease) in Creditors	166,968
0	(Increase) / Decrease in Debtors	(264,666)
0	Receipts from Investing Activities	(17,558)
0	Interest Paid	607
0	Taxation (Net VAT Paid)	(1,563,857)
0	Capital grants / contributions recognised in I&E	(24,207,335)
227,749	Revenue grants / contributions recognised in I&E	(156,350)
<b>384,388</b>	<b>Adjustments to net surplus or deficit on the provision of services for non-cash movements</b>	<b>(26,042,191)</b>

31st March 2017 £	Investing Activities	31st March 2018 £
0	Capital Loan	24,207,335
0	Revenue Loan	452,665
0	Purchases of property, plant and equipment	17,195,142
<b>0</b>	<b>Adjustments to net surplus or deficit on the provision of services for investing activities</b>	<b>41,855,142</b>

31st March 2017 £	Financing Activities	31st March 2018 £
0	Receipts from Investing Activities	(17,558)
0	Interest Paid	607
0	HMT Grant received	(20,000,000)
0	Capital contribution received	(24,210,000)
0	Loans Raised	(26,368,992)
0	Repayment of borrowings	1,708,993
<b>0</b>	<b>Adjustments to net surplus or deficit on the provision of services for financing activities</b>	<b>(68,886,950)</b>

**36. Capital Adjustment Account**

The Capital Adjustment Account is used to reconcile the different rates at which assets are depreciated under proper accounting practice, details how capital expenditure is financed and deals with revaluation gains where applicable.

2016/2017 £	Capital Adjustment Account	2017/2018 £
<b>0</b>	<b>Balance as at 1 April</b>	<b>0</b>
	Capital financing applied in the year:	
0	Grants and contributions	24,207,335
<b>0</b>	<b>Balance as at 31 march</b>	<b>24,207,335</b>

### **37. Interest**

Interest is earned from investment activities relating to the balance of funding held during the year by the Accountable Body on behalf of the Joint Committee. CSC Foundry Ltd. both earns and incurs interest. During 2017/18 this amounted to £16,951 (Joint Committee £16,864 and CSC Foundry Ltd £87).

## **2017/18 Annual Governance Statement**

### **1. Scope of Responsibility**

The Cardiff Capital Region City Deal (CCRCD) is a unique programme of collaborative working to enable economic change, improved digital connectivity, improved skills and education opportunities, and regeneration across the region. An Investment Fund of £495 million is funded from a HM Treasury Grant of £375 million (provided over a 20-year period) and Local Government capital contributions amounting to £120 million.

The CCRCD is overseen by a Joint Committee, which was established on the 1st March 2017 and comprises the ten Leaders from the following councils: Blaenau Gwent, Bridgend, Caerphilly, Cardiff, Merthyr Tydfil, Monmouthshire, Newport, Rhondda Cynon Taff, Torfaen and Vale of Glamorgan.

The Joint Committee is responsible for ensuring that CCRCD business is conducted in accordance with the law and proper standards. It oversees the City Deal Wider Investment Fund of £495m having regard to a combination of economy, efficiency and effectiveness. In discharging its role, the Joint Committee of the CCR City Deal is responsible for putting in place proper arrangements for the governance of its affairs.

The following governance disclosure represents an assessment in accordance with the principles of the 'Delivering Good Governance in Local Government' framework, developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE). This disclosure meets the requirements of the Accounts and Audit (Wales) Regulations 2014, as amended by the Accounts and Audit (Wales) (Amendment) Regulations 2018.

### **2. The Purpose of the Governance Framework**

The governance of the CCRCD comprises the systems, processes, culture and values in place to deliver the intended outcomes as reviewed through application of the CIPFA / SOLACE Governance Framework.

The CCRCD has arrangements in place, which are designed to deliver strong governance and an effective system of internal control. These comprise a Joint Working Agreement (JWA) which sets out the overall governance arrangements, an Assurance Framework which sets out how the Investment fund will be allocated and managed, and an Implementation Plan. The Joint Committee and all partner councils approved its five year JWA Business Plan in March 2018 to provide a clear strategic vision and focus over the medium term.

### 3. The Governance Framework

The Governance Framework comprises two core principles and five supporting principles. Principles A and B permeate implementation of principles C to G but good governance is dynamic, and the CCRCJ Joint Committee is committed to improving governance on a continuing basis through a process of evaluation and review.

#### ***Core principles***

- a. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- b. Ensuring openness and comprehensive stakeholder engagement.

#### ***Supporting Principles***

- c. Defining outcomes in terms of sustainable economic, social, and environmental benefits;
- d. Determining the interventions necessary to optimise the achievement of the intended outcomes;
- e. Developing the entity's capacity, including the capability of its leadership and the individuals within it;
- f. Managing risks and performance through robust internal control and strong public financial management;
- g. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

### 4. Assessment Process

The assessment against the governance framework comprised the following stages:

- 1) Lead officers with key governance responsibilities reported the extent of assurance they could provide in their capacity against the 20 good practice assurance statements. Assurance Statements have been received from:
  - Lead Chief Executive;
  - Programme Director;
  - Joint Committee Section 151 Officer;
  - Joint Committee Monitoring Officer.
- 2) Officers documented the extent of assurance that can be provided against the 20 statements outlined in CIPFA's 'Delivering Good Governance Framework', recognising that the Joint Committee had only been in existence for 13 months as at the 31<sup>st</sup> March 2018. The responses aimed to identify the level of assurance that could be provided, using the following RAG categories:
  - GREEN - Indicates a STRONG level of assurance;
  - AMBER – Indicates a MODERATE level of assurance, which is considered to be satisfactory, but recognises that further controls could be put into place

to strengthen the level of assurance and identifies further action/s that should be taken;

- RED - Indicates a LIMITED level of assurance i.e. 'significant governance issue identified', which needs to be recognised and addressed through an agreed action.
- 3) The individual officer assurance statements were consolidated and presented to the City Deal Chief Executives Group (CEXs) for consideration, comment and agreement. Where further actions have been identified, these have been captured as part of the formal Action Plan as set-out in the conclusions section below.
  - 4) To ensure ownership, the CEXs have identified and agreed the following details for each action:
    - Action owner;
    - Target date for completion;
    - Mechanisms and frequency to review progress.
  - 5) Prior to its inclusion in the unaudited Statement of Accounts, an opportunity was provided for the draft Annual Governance Statement process and outputs to be discussed with the Joint Committee, with all appropriate comments reflected within the final statement.

## **5. Assurance Summary**

The Governance Assessment exercise completed was comprehensive, carried out in accordance with CIPFA's Delivering Good Governance Framework and considered all 20 good practice assurance statements, accepting that some statements may not be directly relevant to a Joint Committee arrangement.

### **Findings 1 – Strong Level of Assurance**

1. As a result of the assessment process undertaken, it has been concluded that Strong Assurance can be indicated against 17 of the 20 good practice assurance statements. Details of the 17 statements are set-out in Table 1 below, with the full consolidated response detailed at Appendix i.
2. The importance of maintaining a programme of 'Ongoing Review' of these areas has been agreed, to ensure this level of assurance is maintained.

**Table 1. – Strong Level of Assurance in Place**

<b>ASSURANCE STATEMENT REFERENCES (with abbreviated descriptions)</b>					
<b>3</b>	We are committed to openness and acting in the public interest.	<b>4</b>	Clear channels of communication with all stakeholders have been established	<b>5</b>	A vision specifying intended outcomes has been developed and communicated effectively
<b>6</b>	We have translated the vision into courses of action for our function, its partnerships and collaborations.	<b>7</b>	We have mechanisms in place to review the effectiveness of the decision-making framework	<b>8</b>	We measure the performance of services and related projects, and ensure that they are delivered in accordance with defined outcomes
<b>9</b>	We have defined and documented the roles and responsibilities of members and management	<b>10</b>	Our financial management arrangements conform to all relevant legislative and best practice requirements.	<b>11</b>	We have effective arrangements in place to discharge the monitoring officer function.
<b>12</b>	We have effective arrangements in place to discharge the head of paid service function.	<b>13</b>	We provide relevant induction training and have mechanisms in place to identify the development needs of members and senior officers	<b>15</b>	We ensure effective counter fraud and anti-corruption arrangements are developed and maintained.
<b>16</b>	We have an effective scrutiny function in place.	<b>17</b>	Our internal audit assurance arrangements conform to Public Sector Internal Audit standards and relevant best practice.	<b>18</b>	We have arrangements in place for the delivery of the core functions of an audit committee.
<b>19</b>	We provide timely support to external auditors and properly consider audit findings	<b>20</b>	We incorporate good governance arrangements in our partnerships and other joint working arrangements.		

**Findings 2 – Moderate Level of Assurance**

The assessment identified that 2 of the remaining 3 good practice assurance statements achieved a Moderate assurance rating as detailed in Table 2.

The rating recognises that the Joint Committee is relatively new in its development cycle, with roles, responsibilities, processes and procedures still 'bedding down'. However, identification of areas for improvement, coupled with a proactive approach to address the gaps via an agreed Action Plan will seek to improve the level of assurance that can be provided against these statements.

**Table 2. – Moderate Level of Assurance in Place**

	<b>Assurance Statement</b>	<b>Consolidated Response</b>
1	Codes of conduct exist and are effectively communicated	<p><i>Specific reference within the JWA to Codes of Conduct. Induction sessions were organised during the year for the Joint Committee (Leaders) on the Joint Working Agreement. Should instances arise between officers across the 10 Local Authorities regarding conduct then each officer is subject to their employing authority's codes of conduct.</i></p> <p><i>It is therefore important that the employment status of all officers supporting City Deal is clear, including clarity regarding the employing authority where staff transfers have occurred. The need to correctly document the arrangements in place is paramount.</i></p> <p><i>Member and staff Codes of Conduct, whistleblowing and conflicts of interest policies are in place.</i></p> <p><i>Whilst the JWA outlines that the Accountable Body's policies and procedures apply to Joint Committee matters it is unclear as to which authority's policy and procedures would apply to matters that may arise outside of the committee setting. For example is the accountable body responsible for and able to respond to complaints between officers and members of different organisations (should they arise) and are all officers and members aware of what the accountable body's policies are.</i></p>



<b>2</b>	<p>We ensure compliance with all relevant laws, regulations and internal policies</p>	<p><i>Governance protocol is designed to ensure compliance with relevant laws and regulations, whilst due diligence work aims to ensure expenditure is lawful.</i></p> <p><i>Monitoring Officer and S151 Officer (or nominated deputies) are present at every Joint Committee meeting.</i></p> <p><i>The Joint Committee follows the policies and procedures e.g. Financial Procedures Rules, Contract Standing Orders etc. of the Accountable Body which in turn are compliant with all relevant laws and regulations. Regular budget monitoring meetings took place throughout the year and were formally reported to the Joint Committee at appropriate intervals. Formal financial advice provided on all reports to the Joint Committee and relevant Sub-Committees.</i></p> <p><i>There have been a number of instances where formal reports have fallen outside of the agreed protocol in terms lateness of report and/or completeness of information provided. This creates a potential issue in respect of the s151 officer's ability to respond in time and undertake the required depth of review and challenge. There is a risk that this in turn could undermine the robustness of the assessment made in respect of identifying and reporting, key financial issues and risks in respect of the proposed decision. The 2018/19 Work Plan includes the need to review key governance documents e.g. JWA etc.</i></p> <p><i>Legal and financial implications written by appropriately qualified staff are included in all reports for decision to the Joint Committee. On occasions the draft reports had been provided with insufficient time for the written comments included in the reports to be as comprehensive as is ideal. However, legal and financial advice is available at all Joint Committee meetings and oral updates can be given. The joint committee has not been operating for very long and so this is a matter for improvement in the future.</i></p> <p><i>Business Case Development process will be key in providing assurance that internal policies and procedures are being complied with.</i></p>
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### **Findings 3 – Limited Level of Assurance**

3. The assessment identified that 1 of the 20 good practice assurance statements only offered Limited Assurance at this time. As set-out in Table 3, this relates to:

***“Statement 14 - We have mechanisms to review the effectiveness of our framework for identifying and managing risks and performance and for demonstrating clear accountability”***

4. Operational (including investment) decisions are informed by a good understanding of risks. All decision-making reports are considered to draw appropriate attention to relevant risks and are supported by the inclusion of detailed implications e.g. Legal, Finance, HR etc. prepared by professionally

qualified staff. These arrangements support the decision-making process, whilst ensuring compliance with the Assurance Framework and funding terms and conditions.

5. However, it is recognised that the absence of a risk management strategy to formalise a process for the identification, reporting, escalation and management of risk, provides a significant gap in assurance at a strategic risk management level. Accordingly, this area is considered to represent a significant governance issue for which steps have been considered for mitigation, and these are outlined within the conclusions section of this document.

**Table 3. – Limited Level of Assurance in Place**

	<b>Assurance Statement</b>	<b>Consolidated Response</b>
<b>14</b>	We have mechanisms to review the effectiveness of our framework for identifying and managing risks	<p><i>Quarterly Performance Management Reports provide risk rating around achievability, however, wider piece of work needed to build on risk strategy work undertaken during the year.</i></p> <p><i>Individual proposals for investment have risk registers. An overall CCRCDC Risk Register needs to be completed now that the processes and procedures are agreed.</i></p> <p><i>Issues log in place to capture all financial and technical issues as they arose through the year. All but 2 of the 36 issues captured have been resolved and closed. However, consideration needed to establish a similar process in respect of the identification of key financial risks and associated mitigation measures.</i></p> <p><i>Arrangements for the identification and monitoring of wider Risks, need to be put in place.</i></p>

### **Conclusions & Next Steps**

6. The assessment process identified that in the vast number of areas (17 out of 20) good practice is applied and therefore, Strong Assurance is in place. The areas where improvement actions have been identified will be subject to 'ongoing review' by officers to target strong assurance in all areas and ensure that high standards continue and remain consistent going forward.
7. Officer feedback identified 2 areas where Moderate Assurance is currently provided and 1 area where only Limited Assurance is currently indicated. The action plan outlined in Table 4. below is aimed at addressing the current shortcomings, whilst agreeing a formal mechanism for the continuing review of those areas where Strong Assurance has been identified at this time.

**Table 4. – Action Plan**

	<b>Assurance Statement</b>	<b>Suggested Action</b>	<b>Responsible Officer/s</b>	<b>Review Period</b>	<b>Mechanism for Review</b>
	Statements: 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 17, 18, 19, 20	Periodic review of Good Practice Assurance Statements undertaken during the year.	Programme Director, s151 Officer, Monitoring Officer & CEXs	6 monthly	Half-year review of AGS
<b>1</b>	Codes of conduct exist and are effectively communicated	Clarity needed on the applicability of Policies and Procedures outside of those explicitly outlined in the JWA  The need to correctly document the employment arrangements in place is paramount. HR (Accountable Body) to advise, with any non-compliance escalated to CEXs via Programme Director	Programme Director with advice from Accountable Body	Quarterly	Progress against action monitored and reported on a quarterly basis
<b>2</b>	We ensure compliance with all relevant laws, regulations and internal policies	Need to remind City Deal partnering authorities of the Governance Protocol approved by the Joint Committee in relation to the decision making framework	Programme Director / CEXs	Quarterly	Progress against action monitored and reported on a quarterly basis
<b>14</b>	We have mechanisms to review the effectiveness of our framework for identifying and managing risks	Programme Director to lead on putting in place the appropriate arrangements in respect of Strategic Risk Management	Programme Director	Quarterly	Progress against action monitored and reported on a quarterly basis

8. As indicated within Table 4 above, appropriate officers have been identified as responsible for the development of the respective action plans, with each action having clear and defined governance arrangements in terms of deadlines for implementation and mechanisms for review. Outcomes arising from this process will be analysed throughout the 2018/19 financial year and lead by the responsible

officers, with the appropriateness of the suggested action plans being the subject of ongoing assessment.

**Governance Framework Assessment**

<b>STRONG ASSURANCE</b>		
<b>Assurance Statement</b>	<b>Consolidated Response</b>	<b>Suggested Action</b>
<b>3</b> We are committed to openness and acting in the public interest.	<p>Comply with Local Government legislation on public meetings. Decision making meetings are held in compliance with legislation and open to public.</p> <p>Where information is deemed to be confidential, then appropriate tests are applied and suitable disclosures are made on published agendas within the prescribed timescales.</p> <p>Need to consider the openness and perceptions of openness of the various partnership bodies established by the City Deal. No obvious concerns as yet but Programme Director and Chair to maintain a watching brief</p>	Subject to Ongoing Review
<b>4</b> Clear channels of communication with all stakeholders have been established	<p>Clear channels of communication have been established with the ten Councils through the establishment of the S151 Officer Group and Technical Sub-group. Key issues are debated and decisions made are appropriately communicated. Decisions requiring escalation are managed accordingly. Arrangements in place to provide financial advice and support to Programme Board, CEXs and the Joint Committee (Briefings and Meetings). Arrangements in place to consult with Welsh Government and Wales Audit Office as required. Arrangements in place to support the implementation of approved projects e.g. CSC Foundry Project.</p> <p>Web site developed. Advisory groups / bodies either set up (or in process of being set-up) for consultation on relevant matters.</p> <p>Initial meeting with all Monitoring Officers held to discuss original agreement and subsequent email contact</p> <p>Local arrangements are well established, with good progress made on developing these in a regional context. Some further work to do with the Business forum, with the Regional Business Council advisory body (once established), acting as the conduit.</p>	Subject to Ongoing Review

5	A vision specifying intended outcomes has been developed and communicated effectively	5 year JWA Business Plan agreed by the Joint Committee and adopted by all 10 Councils in March 2018 and sets vision, aims & objectives.	Subject to Ongoing Review
6	We have translated the vision into courses of action for our function, its partnerships and collaborations.	Annual Business Plan translates JWA Business Plan into action plan for each year.  The Quarterly Performance Reporting against the Annual Work Plan will ensure agreed courses of action are regularly monitored and reported upon.	Subject to Ongoing Review
7	We have mechanisms in place to review the effectiveness of the decision-making framework	Completion of the AGS proforma by those responsible for and supporting governance matters, coupled with the process of consulting with the wider CEX group and the resulting Action Plan, demonstrates that a mechanism for reviewing effectiveness is in place. Introduction of the Joint Scrutiny function during 18/19 will introduce a further mechanism of review (see Statement 16).  Assurance Framework has been accepted by UK & Welsh Government. JWA includes details of delegations. All investment proposals must comply with Assurance Framework. Gateway reviews every 5 years ensure mechanisms for review. Quarterly liaison meetings with UK and Welsh Government in place.  Joint Committee indicated that it would like to review its delegations when the new Programme Director is in place and this action has been added to the 2018/19 work plan.  Senior Offices representing the Accountable Body attend key meetings, briefings, workshops etc. in preparation for formal decisions via Joint Committee reports.	Subject to Ongoing Review

8	We measure the performance of services and related projects, and ensure that they are delivered in accordance with defined outcomes	<p>Projects are required to go through formal Business Case development cycle and the financial assessment done as part of that process will consider matters such as deliverability, value for money and compliance with funding Terms and Conditions. An appropriate level of resources (capacity and capability) have identified to support these activities. Regular bi-monthly meetings with UK and Welsh Government, supplemented by the 5 year Gateway Review process add appropriate challenge and review mechanisms. The effective role of Programme Board is key in robustly applying the 'Scheme Assessment, Appraisal and Evaluation' framework, once approved.</p> <p>In addition the Assurance Framework requires 5 Case Business Model detail info &amp; will measure the outputs &amp; outcomes of each investment made. UK and Welsh Government Funding Terms &amp; Conditions requires compliance with Assurance Framework.</p>	Subject to Ongoing Review
9	We have defined and documented the roles and responsibilities of members and management	<p>JWA Governance structure specifies the Roles &amp; Responsibilities. JWA sets s151 Officer and Monitoring Officer roles and responsibilities of members and officers with clear protocols for effective communication in respect of authority and partnership arrangements.</p> <p>This is supplemented by a range of SLAs which clearly set-out the level of support that will be provided. Governance protocol also in place and approved by the Joint Committee.</p>	Subject to Ongoing Review
10	Our financial management arrangements conform to all relevant legislative and best practice requirements.	<p>Financial management arrangements conform to all relevant legislative and best practice requirements. Full budget cycle (budget setting, monitoring and accounts closure) completed in accordance with statutory and internal deadlines. Regular budget monitoring meetings took place throughout the year and were formally reported to the Joint Committee at appropriate intervals. Formal financial advice provided on all reports to the Joint Committee and relevant Sub-Committees. As set-out in 9 above a range SLAs in place which outline the financial management support and services that have been provided throughout the year. Close working relationship maintained with Welsh Government and Wales Audit Office to ensure City Deal expenditure is appropriately accounted for under the relevant legislative powers in the current year and going forward as each project is approved.</p>	Subject to Ongoing Review
11	We have effective arrangements in place to discharge the monitoring officer function.	<p>A Monitoring Officer representative is at all Joint Committee meetings and is able to contact senior staff and raise any concerns.</p>	Subject to Ongoing Review

12	We have effective arrangements in place to discharge the head of paid service function.	No head of paid service as not statutory body. All employees are seconded from other Local Authorities subject to their respect Head of Paid Service arrangements. The CCR appoints the Regional Programme Director who oversees daily HR/Staffing issues of the PMO.	Subject to Ongoing Review
13	We provide relevant induction training and have mechanisms in place to identify the development needs of members and senior officers	Member induction June 2107 after Local Government Elections. Each Local Authority leader has benefit of own Local Authority Training. Training for PMO (and wider) staff has been undertaken and budget provision for training allocated in budget.  Training provided to PMO staff on financial matters including budget matters e.g. chart of accounts, purchasing, ordering and payment of invoices.	Subject to Ongoing Review
15	We ensure effective counter fraud and anti-corruption arrangements are developed and maintained.	SLA in place with the Accountable Body's Internal Audit section, which incorporates a 4 year audit plan, which is based on a risk assessment. As the City Deal activity ramps up the Audit Plan will be developed and updated accordingly. The accounts of CSC Foundry Ltd will be externally audited to provide independent assurance.  All procedures for purchasing goods & services follow CCC policies. Clearly identified financial authorisation limits in place.	Subject to Ongoing Review
16	We have an effective scrutiny function in place.	Until such time as Joint Scrutiny arrangements are in place, effective scrutiny arrangements are met through the ability of each member's individual Scrutiny Committee to scrutinise decisions if they so wished.  Proposals for Regional Joint Scrutiny were accepted by the Joint Committee in November 2017. Bridgend CBC will now take the role of Lead Authority in ensuring delivery of the Regional Joint Scrutiny Committee.	Next steps in relation to Regional Joint Scrutiny to be included in 18/19 Work Plan, along with timescales for implementation.
17	Our internal audit assurance arrangements conform to Public Sector Internal Audit standards and relevant best practice.	SLA in place with the Accountable Body's Internal Audit section, which incorporates a 4 year audit plan based on an assessment of risk. As the City Deal activity ramps up the Audit Plan will be developed and updated accordingly. The Internal Audit section conforms to Public Sector Internal Audit standards and relevant best practice.  Cardiff Council's Audit Committee meeting of the 27th March 2018, noted the successful completion and endorsement of its 5yr Peer Review by RCT Council	Subject to Ongoing Review



<b>18</b>	We have arrangements in place for the delivery of the core functions of an audit committee.	There is no statutory requirement for a Joint Committee to have its own audit committee. The Joint Committee is the body charged with governance and therefore the 'core functions' of an audit committee are being delivered through a combination of roles and responsibilities. For example, ensuring effective financial management and internal controls, preparing its accounts and submission for audit is discharged by the Joint Committee through its appointed s151 Officer. Providing independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes is achieved via an SLA with the Accountable Body's Internal Audit Section and through the Annual External Audit Plan.	Subject to Ongoing Review
<b>19</b>	We provide timely support to external auditors and properly consider audit findings	<p>A two-way relationship is maintained with Wales Audit Office, with regular update meetings taking place through the year. WAO have made available a Technical Manager to observe the work of the Technical Sub-group and assist with resolving issues as they arise.</p> <p>The 2016/17 Smaller Bodies Return audit was completed on time and without qualification. Regular updates and exchanges taking place with WAO in respect of the preparation of the 2017/18 full Statement of Accounts. WAO Review of the CSC Foundry Project ongoing with meetings attended and information provided as appropriate.</p> <p>The first formal WAO review is currently taking place and all information requested to-date has been provided.</p>	Subject to Ongoing Review
<b>20</b>	We incorporate good governance arrangements in our partnerships and other joint working arrangements.	<p>Joint Committee governance arrangements are covered in the JWA. Depending on the nature of the partnerships different governance structures are required. Terms of Reference of Regional Partnerships agreed by Joint Committee. Regional Skills Partnership are developing their governance. The Regional Business Council are developing governance but any funding provided by CCRCD will be subject to a grant agreement.</p> <p>In this context, partnerships are considered to refer to our true partners such as the Welsh and UK Governments and possibly (in time) other city deals. Constituent bodies established the deal as part of the governance structure operate in part as partners, but that implies that we have no control over their governance. We do and therefore it is suggested that we have a more active influence in their probity, transparency etc. than we would a truly independent partner.</p>	Subject to Ongoing Review

## **APPENDIX ii**

### **Glossary of Relevant Local Government Accountancy Terms**

Knowledge of basic accountancy terminology is assumed. However, there are certain specialist terms related to local government finance, which are described below:

#### **Accruals Basis**

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

#### **Asset Under Construction**

An asset that is not yet complete.

#### **Borrowing**

Loans 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'.

#### **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.

### **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 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.

### **Debtors**

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

### **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.

### **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.

### **Impairment**

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

### **Investments**

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

invested.

### **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.

### **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.

### **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.

### **Related Parties**

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

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

### **Reserves**

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

### **Treasury Management**

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

## Future Generations Assessment Evaluation






<b>Name of the Officer completing the evaluation:</b>  <b>Kellie Beirne</b>  <b>Phone no: 07826 9219286</b> <b>E-mail: kellie.beirne@cardiff.gov.uk</b>	<b>Please give a brief description of the aims of the proposal</b>  To provide an update on the external audit of the Joint Committee statement of accounts for 2017/18.
<b>Proposal:</b>  <b>Update on the audit of the 2017/18 statement of accounts</b>	<b>Date Future Generations Evaluation form completed: 14 Sept 2018</b>

**1. Does your proposal deliver any of the well-being goals below?** Please explain the impact (positive and negative) you expect, together with suggestions of how to mitigate negative impacts or better contribute to the goal.

Well Being Goal	Does the proposal contribute to this goal? Describe the positive and negative impacts.	What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?
<b>A prosperous Wales</b> Efficient use of resources, skilled, educated people, generates wealth, provides jobs	The report sets out an update on the current audit position re: statement of accounts. Whilst this is not directly relevant – it sets out a picture of wider City Deal progress relating to governance and financial accountabilities and responsibilities	Set out in report
<b>A resilient Wales</b> Maintain and enhance biodiversity and ecosystems that support resilience and can adapt to change (e.g. climate change)	Not directly relevant however financial support and investments will have regard to these principles and will be set out on a business-case by business-case basis.	

<b>Well Being Goal</b>	<b>Does the proposal contribute to this goal? Describe the positive and negative impacts.</b>	<b>What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?</b>
<b>A healthier Wales</b> People's physical and mental wellbeing is maximized and health impacts are understood	Not direct applicable	
<b>A Wales of cohesive communities</b> Communities are attractive, viable, safe and well connected	Not directly applicable	
<b>A globally responsible Wales</b> Taking account of impact on global well-being when considering local social, economic and environmental wellbeing	Not directly applicable	
<b>A Wales of vibrant culture and thriving Welsh language</b> Culture, heritage and Welsh language are promoted and protected. People are encouraged to do sport, art and recreation	Not directly applicable	
<b>A more equal Wales</b> People can fulfil their potential no matter what their background or circumstances	City Deal is about delivering as far as possible across 10 LAs and a population of £1.5m people. It is about economic gains – but importantly how this will convert as tools for improving people's lives. Some of the specific interventions around skills and housing – will seek to make a more direct contribution to equity of access and equal opportunity for all.	

2. How has your proposal embedded and prioritized the sustainable governance principles in its development?

Sustainable Development Principle	Does your proposal demonstrate you have met this principle? If yes, describe how. If not explain why.	Are there any additional actions to be taken to mitigate any negative impacts or better contribute to positive impacts?
 <p>Long Term</p> <p>Balancing short term need with long term and planning for the future</p>	<p>Relates to an outturn position and opinion and must be seen in context of the wider 5 year business plan</p>	
 <p>Collaboration</p> <p>Working together with other partners to deliver objectives</p>	<p>As above – albeit the assessment does refer to opinions and areas for improvement</p>	
 <p>Involvement</p> <p>Involving those with an interest and seeking their views</p>	<p>Communications and engagement remain a feature of our work.</p>	
 <p>Prevention</p> <p>Putting resources into preventing problems occurring or getting worse</p>	<p>Demonstrated in the report through detailed funding allocations and investment cases</p>	
 <p>Integration</p> <p>Considering impact on all wellbeing goals together and on other bodies</p>	<p>City Deal seeks to make a contribution on place and to improving the life chances of people in the region.</p>	

3. Are your proposals going to affect any people or groups of people with protected characteristics? Please explain the impact, the evidence you have used and any action you are taking below.

Protected Characteristics	Describe any positive impacts your proposal has on the protected characteristic	Describe any negative impacts your proposal has on the protected characteristic	What has been/will be done to mitigate any negative impacts or better contribute to positive impacts?
Age	The report is an update on the Statement of Accounts. Protected characteristic assessments related to specific proposals will need to be drawn out in the relevant business cases and proposal documents.	None arising at this time.	
Disability	As above	As above	
Gender reassignment	As above	As above	
Marriage or civil partnership	As above	As above	
Pregnancy or maternity	As above		
Race	As above		
Religion or Belief	As above		
Sex	As above		
Sexual Orientation	As above		
Welsh Language	As above	Not at this time but the situation will be kept under review.	



**4. Safeguarding & Corporate Parenting. Are your proposals going to affect either of these responsibilities?**

	<b>Describe any positive impacts your proposal has on safeguarding and corporate parenting</b>	<b>Describe any negative impacts your proposal has on safeguarding and corporate parenting</b>	<b>What will you do/ have you done to mitigate any negative impacts or better contribute to positive impacts?</b>
Safeguarding	Not directly relevant –however, building the future economy should have a profoundly positive impact on ability to safeguard the future of our residents		
Corporate Parenting	Not directly relevant – however building strength in the economy should create opportunities for all of the young people entrusted in our care		

**5. What evidence and data has informed the development of your proposal?**

- Draft Annual Governance Statement
- CSC Foundry Ltd reporting

**6. SUMMARY: As a result of completing this form, what are the main positive and negative impacts of your proposal, how have they informed/changed the development of the proposal so far and what will you be doing in future?**

*This is an update report only with the full position being reported in October 2018*

**7. MONITORING: The impacts of this proposal will need to be monitored and reviewed. Please specify the date at which you will evaluate the impact, and where you will report the results of the review.**

<b>The impacts of this proposal will be evaluated on:</b>	<b>October 2018</b>
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