

17 DECEMBER 2018 MEETING

2017/18 AUDITED STATEMENT OF ACCOUNTS

REPORT OF CARDIFF CAPITAL CITY DEAL SECTION 151 OFFICER

AGENDA ITEM: 4

Reason for this Report

1. To present Regional Cabinet with the final, audited Statement of Accounts in respect of the Cardiff Capital Region City Deal Joint Committee for the financial year 2017/18, which are attached at Appendix A.
2. The International Standard on Auditing (ISA) 260 requires the Appointed Auditor to report to those charged with governance, on key matters arising from the audit examination of the Statement of Accounts for the year ending 31st March 2018.
3. Subject to Regional Cabinet's comments, authorise the:
 - Chair of the Joint Committee to sign the Statement of Responsibilities for the Financial Statements, the Annual Governance Statement and the Letter of Representation to the Wales Audit Office for 2017/18;
 - Joint Committee's Section 151 Officer to sign the Chief Financial Officer's Statement of Responsibilities;
 - The Programme Director to sign the Annual Governance Statement and the Letter of Representation to the Wales Audit Office for 2017/18;
 - Accountable Body to publish the final, audited Statement of Accounts.

Background

4. The Statement of Accounts presents the accounts for the Cardiff Capital Region City Deal Joint Committee for the financial year 2017/18. The Accounts and Audit (Wales) Regulations 2014 (as amended) require the 'Responsible Finance Officer' to sign the accounts by the 30th June, and that the accounts are published by the 30th September.
5. The unaudited accounts were approved by Regional Cabinet at its meeting of the 18th June and were formally submitted to Wales Audit Office (WAO) that afternoon ahead of the statutory deadline of 30th June 2018.

6. In addition, the accounts were made available for public inspection for a period of 4 weeks from the 2nd July to the 27th July, as required by sections 30 and 31 of the Public Audit (Wales) Act 2004 and the Accounts and Audit (Wales) Regulations, 2014 (as amended).
7. At its meeting of the 24th September, Regional Cabinet received a report setting-out the reasons why WAO were unable to finalise their audit at that time. In summary, this resulted from delays in the finalisation of the audit of the Compound Semi-Conductor (CSC) Foundry Ltd.'s accounts. For this reason Regional Cabinet approved that the Joint Committee's draft unaudited accounts be published ahead of the 30th September deadline, along with an accompanying statement setting out the reasons.
8. The audit of the CSC Foundry Ltd. accounts has now been completed, allowing draft Joint Committee accounts to be updated and WAO to complete its work.

Statement of Accounts

9. The Code of Practice requires the preparation of Group Accounts where relevant activities e.g. subsidiaries, associates or joint ventures fall within prescribed definitions or requirements. An assessment undertaken concluded that the Special Purpose Vehicle (SPV) established to deliver the Compound Semi-Conductor project would need to be consolidated and included within the Joint Committee's Group Accounts.
10. Between 18th June and the end of August 2018, Wales Audit Office, in conjunction with the Accountable Body undertook detailed analysis of the Joint Committee's draft 'Single Entity' and 'Group Accounts'.
11. Following receipt of the final, audited CSC Foundry Ltd. accounts on 26th October 2018, revised figures were incorporated into the Joint Committee's Group accounts. The Joint Committee's Section 151 Officer approved the changes made and the updated accounts were provided to WAO in order for them to complete their audit.
12. The WAO has now substantially completed its audit work and its "Audit of Financial Statements Report" (referred to as the 'audit report') is attached at Appendix B. This outlines WAO's intention to issue an unqualified audit report following receipt of the approved financial statements and the signed Letter of Representation. Appendix 3 of the audit report provides a summary of corrections made which need to be drawn to Regional Cabinet's attention. The audit report also confirms that there are no misstatements identified which remain uncorrected.
13. The audit report highlights a number of qualitative and quantitative findings, which are summarised below:
 - i. WAO have no concerns about the qualitative aspects of the Joint Committee's accounting practices and financial reporting. WAO's audit report states:

“This is the first set of consolidated accounts that the Joint Committee has been required to produce. In preparation for this, we liaised closely with representatives of the finance directorate of Cardiff Council over a number of months in terms of the proposed format and content of the draft accounts. Consequently, the quality of the draft financial statements presented for audit were generally of a good standard.”

- ii. The WAO audit report outlines that:

“some difficulties were encountered during the audit. This relates to the delay in completion of the CSC Foundry Ltd accounts which meant that WAO were unable to provide their opinion on the Group Accounts before the statutory deadline of 30th September 2018.

Furthermore, the material amendments to the final CSC Foundry Ltd accounts impacted upon the transactions and balances of the Joint Committee’s accounts.

As a result, and in light of the shortening timescales for the completion of financial statements in future years, the WAO report contains a recommendation that “going forward, it is important that the Joint Committee agrees a timetable for the completion and audit of CSC Foundry Ltd’s financial statements that will enable them to comply with statutory deadlines for the completion of the Joint Committee’s financial statements.”

- iii. There are no significant matters discussed and corresponded upon with management which need to be reported.
- iv. There are no other matters significant to the oversight of the financial reporting process that need to be reported.
- v. There are no material weaknesses in internal controls which need to be reported
- vi. There are no other matters specifically required by auditing standards to be communicated to those charged with governance.

Summary of Changes from Draft Accounts to Final Audited Accounts

14. As outlined above, members were advised back in September that the WAO were unable to finalise their audit prior to the 30th September deadline as a result of the on-going audit of CSC Foundry Ltd accounts. The audit of CSC Foundry Ltd had not been completed as of that date due to on-going discussions and work being undertaken relating to Income Recognition, potential Corporation Tax liabilities and Capital Allowances (with the latter potentially off-setting the former) within the CSC Foundry Ltd Accounts. These matters have now been resolved to the satisfaction of CSC Foundry Ltd.’s external auditors and the resultant changes are reflected in the Joint Committee’s Group Accounts.

15. Details of these are set-out at Appendix 3 of the audit report. In summary, these changes impact on the accounting treatment (and therefore the classification) of expenditure between Capital/Revenue and the recognition of income in respect of deferred lease repayments. In addition, the opportunity was taken to update information which informed estimates of the accruals made within the CSC Foundry Ltd Accounts. The resulting impact of the changes on the Group accounts are:
- Total Comprehensive Income & Expenditure surplus has increased by £2,291,439 from £23,568,767 to £25,860,206. The increase is made-up of: (i) income recognition +£1,976,165 (ii) adjustment to assets under construction +£657,838 (iii) corporation tax liability -£353,000 and (iv) other changes +£10,436;
 - Net Assets and Total Reserves have therefore also increased by the same amount from £23,796,526 to £26,087,965.
16. WAO's review of the Annual Governance Statement also highlighted some suggested changes, which have been implemented.
17. Recommendations arising from WAO's financial audit work are set out in Appendix 4 of the audit report and relate to their finding outlined in paragraph 13.ii above.
18. Management have provided the following response to the recommendation:

“The delays experienced in finalising the CSC Foundry Ltd Accounts for 2017/18 were due to specific issues relating to Corporation Tax Liability and Capital Allowances, which made it necessary for significant legal and technical work to be undertaken by the CSC Foundry's Auditors in order to report both. As this work is now complete, the risk of such complications elongating the process of finalising CSC Foundry Ltd.'s accounts in future years is reduced.

However, officers of Cardiff and Monmouthshire Councils are working together to put arrangements in place to ensure that all reasonable steps are taken in order to meet the deadlines for compiling the Single Entity Accounts, the CSC Foundry Ltd Accounts and therefore the Consolidated Group Accounts for 2018/19.”

Next Steps

19. The unaudited accounts that are currently published on relevant websites will be replaced, once the accounts have been approved by the Joint Cabinet and the Auditor General for Wales has provided his opinion on the accounts. The final audited accounts will be published in both English and Welsh. In addition, public notification of this change will be made in the appropriate places as soon as possible.

Reasons for Recommendations

20. To advise Regional Cabinet of the conclusion and findings of the audit relating to the 2017/18 financial statements.

21. For Regional Cabinet to consider and if deemed appropriate, to formally approve the final, audited Statement of Accounts for the Cardiff Capital Region City Deal Joint Committee for the financial year 2017/18. This will allow the necessary declarations, statements and letters to be signed as required by the regulations.

Legal Implications

22. The Joint Working Agreement (1.3.17) in relation to the delivery of the CCRCDC 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.
23. 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 have been met.
24. **Future Generations and Wellbeing Considerations / Equalities Assessment** Considerations relating to the duties under The Well-being of Future Generations (Wales) Act 2015 and in respect of Equality are described in Appendix D.

Financial Implications

25. This report is presented to Joint Committee to allow it to discharge its duty to approve the Joint Committee's audited accounts for the year ending 31st March 2018. The financial implications are set out in the body of the report and within Appendix A.

RECOMMENDATIONS

It is recommended that the Cardiff Capital Region Joint Cabinet authorises the:

- i. Chair of the Joint Committee to sign the Statement of Responsibilities for the Financial Statements on **page 10 of Appendix A**, the Annual Governance Statement on **page 54 of Appendix A** and the Letter of Representation to the Wales Audit Office for 2017/18 (**Appendix C**);
- ii. Joint Committee Section 151 Officer to sign the Chief Financial Officer's Statement of Responsibilities on **page 11 of Appendix A**;
- iii. Programme Director to also sign the Annual Governance Statement on **page 54 of Appendix A** and the Letter of Representation to the Wales Audit Office for 2017/18 (**Appendix C**);and
- iv. Accountable Body to replace published unaudited Statement of Accounts with the final, audited Statement of Accounts and to make arrangements for the necessary public notifications as soon as possible.

Christine Salter
Corporate Director Resources
17 December 2018

The following Appendices are attached:

Appendix A - Final Audited Statement of Accounts

Appendix B - Wales Audit Office Audit of Financial Statements Report – Cardiff
Capital Region City Deal Joint Committee

Appendix C - Final Letter of Representation

Appendix D - Future Generations Evaluation

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



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Appendix i: Annual Governance Statement Governance Framework Assessment

Appendix ii: Glossary of Relevant Local Government Accountancy Terms

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 21st 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 1st 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 1st 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 17th 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 2nd 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

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

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

Wider Investment Fund Top-Slice	2017/18 Budget £	2017/18 Out-turn £	2017/18 Variance £
Gross Expenditure:			
Regional Bodies	331,297	103,248	(228,049)
Programme Development & Support	411,203	69,966	(341,237)
	742,500	173,214	(569,286)
Investment Income	0	(16,864)	(16,864)
Net Expenditure	742,500	156,350	(586,150)
Funded by:			
HMT Revenue Grant	(742,500)	(156,350)	586,150
Total	(742,500)	(156,350)	586,150

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

CSC Foundry Ltd Project	2017/18 Budget £	2017/18 Out-turn £	2017/18 Variance £
Expenditure:			
Project Delivery & Implementation	450,000	118,528	(331,472)
CSC Foundry Investment	24,210,000	24,541,472	331,472
Total	24,660,000	24,660,000	0
Funded By			
HMT Revenue Grant	(450,000)	(450,000)	0
Council Contributions	(24,210,000)	(24,210,000)	0
Total	(24,660,000)	(24,660,000)	0

Financial Position as at 31st March 2018

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

Summary of Balance Sheet	31st March 2018 £
Long Term Assets :	
Long Term Debtors, Revenue and Capital (CSC Foundry Project)	24,660,000
Current Assets & Liabilities:	
Short Term Debtors, Cash & Cash Equivalents, less Short Term Creditors	17,540,331
Long Term Liabilities	(17,617,013)
Net Assets	24,583,318
Financed by:	
Usable Reserves (£41,846) and Unusable Reserves (£24,541,472)	24,583,318

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 with 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 31st 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 30th 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 the 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 approved the 5 year JWA Business Plan on 23rd February 2018 and it was approved by each of the ten partnering authorities during March 2018. The JWA 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 46 to 54 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 10 to 32 and comprise:

Accounting Policies, Judgements and Assumptions (page 15)

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 19)

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 20)

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 21)

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

Cash Flow Statement (page 22)

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 (pages 23-32)

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

Cllr Andrew Morgan

Chair of Cardiff Capital Region Joint Committee

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

The independent auditor's report of the Auditor General for Wales to the members of Cardiff Capital Region City Deal Joint Committee

Report on the audit of the financial statements

Opinion

I have audited the financial statements of:

- Cardiff Capital Region City Deal Joint Committee; and
- Cardiff Capital Region City Deal Joint Committee Group.

for the year ended 31 March 2018 under the Public Audit (Wales) Act 2004.

The Cardiff Capital Region City Deal Joint Committee financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes, including a summary of significant accounting policies.

Cardiff Capital Region City Deal Joint Committee Group financial statements comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Cardiff Capital Region City Deal Joint Committee and Cardiff Capital Region City Deal Joint Committee Group as at 31 March 2018 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2017.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Joint Committee and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the joint committee or the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The responsible financial officer is responsible for the other information in the Narrative report and accounts. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017;
- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

In the light of the knowledge and understanding of the joint committee and the group and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Annual Governance Statement.

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

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

Certificate of completion of audit

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Financial Statements, the responsible financial officer is responsible for the preparation of the statement of accounts for Cardiff Capital Region City Deal Joint Committee and Group which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Anthony J Barrett

For and on behalf of the Auditor General for Wales

___ December 2018

24 Cathedral Road

Cardiff

CF11 9LJ

Accounting Policies used when formulating the accounts

In accordance with the Accounts and Audit (Wales) Regulations 2014, this Statement of Accounts summarises the Joint Committee's income and expenditure for the year ended 31st March 2018 and its financial position at 31st 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 Standards 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 1st March 2017, the comparative information in respect of the preceding period (2016/17) only represents one month of operation.

*2016/2017 £		Notes	2017/2018 £
	Cost of Services		
23,158	Staff Costs	1	456,740
0	Premises	2	19,044
118	Transport	3	2,614
142,151	Supplies & Services	4	323,954
14,350	Support Services	5	329,016
179,777	Operating Expenditure		1,131,368
(407,526)	Contributions from Local Authorities	6	(772,251)
0	Grant Income	6	(156,350)
(407,526)	Operating Income		(928,601)
(227,749)	Net Cost of Services		202,767
0	Interest & Investment Income	18	(16,864)
0	Financing & Investment Income & Expenditure		(16,864)
0	Recognised Capital Grants & Contributions		(24,541,472)
0	Taxation and Non Specific Grant Income		(24,541,472)
(227,749)	(Surplus) / Deficit on Provision of Services		(24,355,569)
0	Other Comprehensive Income & Expenditure		0
(227,749)	Total Comprehensive Income & Expenditure		(24,355,569)

* 1 month of operation 1st March – 31st March 2017

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.

	Usable Reserves £	Unusable Reserves £	Total Reserves £
Balance at 31st March 2017 C/Fwd	227,749	0	227,749
Surplus / (Deficit) on the Income & Expenditure Account (See Note 7)	24,355,569	0	24,355,569
Adjustments between Accounting Basis and Funding Basis (See Note 8)	(24,541,472)	24,541,472	0
Increase/(Decrease in Year)	(185,903)	24,541,472	24,355,569
Balance at 31st March 2018	41,846	24,541,472	24,583,318

Balance Sheet as at 31st March 2018

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

*31st March 2017 £		Notes	31st March 2018 £
0	Land and Buildings		0
0	Assets Under Construction		0
0	Vehicle, Plant, Furniture & Equipment		0
0	Long Term Debtors - Revenue	13	118,528
0	Long Term Debtors - Capital	13	24,541,472
0	Long Term Assets		24,660,000
0	Inventories		0
0	Short Term Debtors	11	3,019
384,389	Cash & Cash Equivalents	12	19,667,536
384,389	Current Assets		19,670,555
(156,640)	Short Term Creditors	14	(2,130,224)
(156,640)	Current Liabilities		(2,130,224)
0	Long Term Borrowing		0
0	Long Term Creditors	14	(17,617,013)
0	Long Term Liabilities		(17,617,013)
227,749	Net Assets		24,583,318
227,749	Usable Reserves		41,846
0	Capital Adjustment Account		24,541,472
227,749	Total Reserves		24,583,318

* 1 month of operation 1st March – 31st March 2017

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.

* 2016/2017 £		Notes	2017/2018 £
(227,749)	Net (Surplus) / Deficit on the provision of services		(24,355,569)
(156,640)	Adjust net surplus or deficit on the provision of services for non-cash movements	16	24,622,422
(384,389)	Net cash flows from operating activities		266,853
0	Investing activities	16	24,660,000
0	Financing activities	16	(44,210,000)
(384,389)	Net (increase) / decrease in cash and cash equivalents		(19,283,147)
0	Cash and cash equivalents at the beginning of the reporting period		(384,389)
(384,389)	Cash balance as at 31st March		(19,667,536)

* 1 month of operation 1st March – 31st March 2017

Notes to the Core Financial Statements

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

1. Remuneration

2016/2017 £	Remuneration	2017/2018 £
23,158	Remuneration	456,740
23,158	Total	456,740

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.

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

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

2. Premises Costs

The following table analyses Premises expenditure for the year.

2016/2017 £	Premises Costs	2017/2018 £
0	Rents	13,274
0	National Non Domestic Rates	5,611
0	Other Premises Related Expenditure	159
0	Total	19,044

3. Transport Costs

The following table analyses Transport expenditure for the year.

2016/2017 £	Transport Costs	2017/2018 £
0	Car Allowances	1,442
118	Travel Expenses	1,172
118	Total	2,614

4. Supplies and Services

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

2016/2017 £	Supplies & Services	2017/2018 £
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 *	190,921
426	Other Supplies & Services Costs	5,068
142,151	Total	323,954

* 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

2016/2017 £	Support Service Costs	2017/2018 £
0	HR People Services	28,524
8,998	Accountancy Support	120,735
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
14,350	Total	329,016

6. Income

The following table analyses Income accounted for during the year.

2016/2017 £	Income	2017/2018 £
(407,526)	Contributions from Local Authorities (See Note 9)	(772,251)
0	Grant Income	(156,350)
(407,526)	Total	(928,601)

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	456,740	0	456,740
Premises	19,044	0	19,044
Transport	2,614	0	2,614
Supplies & Services	323,954	0	323,954
Support Services	329,016	0	329,016
Contributions from Local Authorities	(958,154)	185,903	(772,251)
Grant Income	(156,350)	0	(156,350)
Net Cost of Services	16,864	185,903	202,767
Interest & Investment Income	(16,864)	0	(16,864)
Recognised Capital Grants & Contributions	(24,541,472)	0	(24,541,472)
Other Income and Expenditure from the Funding Analysis	24,541,472	(24,541,472)	0
(Surplus) or Deficit	(0)	(24,355,569)	(24,355,569)
Opening Usable Reserves Balance 1 st April 2017	(227,749)		
Less Deficit on Usable Reserves Balance in Year	185,903		
Closing Usable Reserves Balance 31st March 2018	(41,846)		

Notes to the Expenditure and Funding Analysis

Expenditure and Funding Analysis	Adjustments for Capital Purposes	Other Adjustments	Total Adjustments
	£	£	£
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	185,903	185,903
Grant Income	0	0	0
Net Cost of Services	0	185,903	185,903
Interest & Investment Income	0	0	0
Recognised Capital Grants & Contributions	0	0	0
Other Income and Expenditure from the Funding Analysis	(24,541,472)	0	(24,541,472)
(Surplus) or Deficit	(24,541,472)	185,903	(24,541,472)

8. Adjustments between Accounting Basis and Funding Basis under Regulation

	Usable Reserves £	Unusable Reserves £
Capital Adjustment Account - Grants and Contributions	(24,541,472)	24,541,472
Total	(24,541,472)	24,541,472

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.

2016/2017 £	Related Party Transactions	Revenue	Capital	2017/2018 £
		£	£	
(18,827)	Blaenau Gwent CBC	(35,524)	(1,118,438)	(1,153,962)
(38,466)	Bridgend CBC	(73,364)	(2,285,187)	(2,358,551)
(48,773)	Caerphilly CBC	(92,670)	(2,897,478)	(2,990,148)
(96,689)	Cardiff Council	(183,023)	(5,744,006)	(5,927,029)
(16,060)	Merthyr Tydfil CBC	(30,118)	(954,075)	(984,193)
(25,035)	Monmouthshire County Council	(47,107)	(1,487,240)	(1,534,347)
(40,003)	Newport City Council	(75,681)	(2,376,487)	(2,452,168)
(64,271)	Rhondda Cynon Taf CBC	(122,016)	(3,818,150)	(3,940,166)
(24,861)	Torfaen CBC	(47,107)	(1,476,948)	(1,524,055)
(34,541)	Vale of Glamorgan Council	(65,641)	(2,051,991)	(2,117,632)
(407,526)	Total	(772,251)	(24,210,000)	(24,982,251)

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.

2016/2017 £	External Audit Costs	2017/2018 £
0	2016/17 Joint Committee Audit	900
0	2017/18 Review of Arrangements that supported the CSC Foundry Ltd Investment Decision	55,000
0	2017/18 Joint Committee Financial Audit	9,569
	2017/18 Joint Committee Performance Audit	14,966
0	Total	80,435

11. Debtors

31 st March 2017 £	Debtors	31 st March 2018 £
0	Central Government Bodies	0
0	Other Local Authorities	0
0	Other Entities and Individuals	3,019
0	Sub Total	3,019
0	Provision for Bad Debt	0
0	Total	3,019

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 £19,667,536 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 st March 2017		Financial Instruments	31 st March 2018	
Carrying Amount £	Fair Value £		Carrying Amount £	Fair Value £
384,389	384,389	Cash and Cash Equivalents	19,667,536	19,667,536
0	0	Loan to CSC Foundry Ltd	24,660,000	24,660,000
384,389	384,389	Total	44,327,536	44,327,536

Financial Instrument Gains/Losses

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 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 st March 2017 £	Creditors	Short Term £	Long Term £	31 st March 2018 £
0	Central Government Bodies	1,892,500	17,617,013	19,509,513
17,744	Other Local Authorities	74,979	0	74,979
138,896	Other Entities and Individuals	162,745	0	162,745
156,640	Total	2,130,224	17,617,013	19,747,237

15. Usable Reserves

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

16. Notes to the Cash Flow Statement

2016/2017 £	Operating Activities	2017/2018 £
156,640	Increase / (Decrease) in Creditors	78,419
0	(Increase) / Decrease in Debtors	(3,019)
0	Capital grants / contributions recognised in I&E	(24,541,472)
0	Revenue grants / contributions recognised in I&E	(156,350)
156,640	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(24,622,422)

2016/2017 £	Investing Activities	2017/2018 £
0	Capital Loan	24,541,472
0	Revenue Loan	118,528
0	Adjustments to net surplus or deficit on the provision of services for investing activities	24,660,000

2016/2017 £	Financing Activities	2017/2018 £
0	HMT Grant received	(20,000,000)
0	Capital contribution received	(24,210,000)
0	Adjustments to net surplus or deficit on the provision of services for financing activities	(44,210,000)

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.

2016/2017 £	Capital Adjustment Account	2017/2018 £
0	Balance as at 1st April	0
	Capital financing applied in the year:	
0	Grants and contributions	24,541,472
0	Balance as at 31st March	24,541,472

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 28th July 2017, therefore its transactions are included from this date to the 31st March 2018.

The accounts for CSC Foundry Ltd which are consolidated within these Group Accounts have been independently audited and have been approved by its Board of directors.

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 15 to 18.

Group Comprehensive Income and Expenditure Statement as at 31st March 2018

2016/2017 £		Notes	2017/2018 £
	Cost of Services		
23,158	Staff Costs	19	501,879
0	Premises	20	19,044
118	Transport	21	2,614
142,151	Supplies & Services	22	373,053
14,350	Support Services	23	354,016
0	Provisions	24	0
179,777	Operating Expenditure		1,250,606
(407,526)	Contributions from Local Authorities	25	(772,251)
0	Grant Income	25	(156,350)
0	Fees and Charges	25	(1,976,165)
(407,526)	Operating Income		(2,904,766)
(227,749)	Net Cost of Services		(1,654,160)
0	Interest & Investment Income	35	(17,574)
0	Financing & Investment Income & Expenditure		(17,574)
0	Recognised Capital Grants & Contributions		(24,541,472)
0	Corporation Tax	24	353,000
0	Taxation and Non Specific Grant Income		(24,188,472)
(227,749)	(Surplus) / Deficit on Provision of Services		(25,860,206)
0	Other Comprehensive Income & Expenditure		0
(227,749)	Total Comprehensive Income & Expenditure		(25,860,206)

Group Movement in Reserves Statement 2017/18

	Usable Reserves £	Unusable Reserves £	Total Reserves £
Balance at 31st March 2017 Carried Forward	227,749	0	227,749
Surplus / (Deficit) on the Income and Expenditure Account	25,860,206	0	25,860,206
Called up Share Capital	0	10	10
Adjustments between Accounting Basis and Funding Basis	(24,541,472)	24,541,472	0
Increase/(Decrease in Year)	1,318,734	24,541,482	25,860,216
Balance at 31st March 2018	1,546,483	24,541,482	26,087,965

Group Balance Sheet as at 31st March 2018

31 st March 2017 £		Notes	31 st March 2018 £
0	Land and Buildings		0
0	Assets Under Construction		20,388,315
0	Vehicle, Plant, Furniture & Equipment		0
0	Long Term Debtors - Revenue	28	1,976,165
0	Long Term Debtors - Capital		0
0	Long Term Assets		22,364,480
0	Inventories		0
0	Short Term Debtors	28	1,564,868
384,389	Cash & Cash Equivalents	29	25,205,099
384,389	Current Assets		26,769,967
(156,640)	Short Term Creditors	31	(2,739,901)
(156,640)	Current Liabilities		(2,739,901)
0	Long Term Borrowing		0
0	Long Term Creditors	31	(19,953,581)
0	Provision for Liabilities	24	(353,000)
0	Long Term Liabilities		(20,306,581)
227,749	Net Assets		26,087,965
227,749	Usable Reserves		41,846
0	Called up Share Capital		10
0	Profit and Loss Account		1,504,637
0	Capital Adjustment Account		24,541,472
0	Revaluation Reserve		0
0	Accumulated Absences		0
0	Unusable Reserves		0
227,749	Total Reserves		26,087,965

Group Cash Flow Statement 2017/18

2016/2017 £		Notes	2017/2018 £
(227,749)	Net (Surplus) / Deficit on the provision of services		(25,860,206)
(156,640)	Adjust net surplus or deficit on the provision of services for non-cash movements	33	24,861,191
(384,389)	Net cash flows from operating activities		(999,015)
0	Investing activities	33	20,388,315
0	Financing activities	33	(44,210,010)
(384,389)	Net (increase) / decrease in cash and cash equivalents		(24,820,710)
0	Cash and cash equivalents at the beginning of the reporting period		(384,389)
(384,389)	Cash balance as at 31st March		(25,205,099)

Notes to the Core Group Financial Statements**19. Remuneration**

2016/2017 £	Remuneration	Joint Committee £	CSC Foundry Ltd £	2017/2018 £
23,158	Remuneration	456,740	45,139	501,879
23,158	Total	456,740	45,139	501,879

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.

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

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

20. Premises Costs

The following table analyses Premises expenditure for the year.

2016/2017 £	Premises Costs	Joint Committee £	CSC Foundry Ltd £	2017/2018 £
0	Rents	13,274	0	13,274
0	National Non Domestic Rates	5,611	0	5,611
0	Other Premises Related Expenditure	159	0	159
0	Total	19,044	0	19,044

21. Transport Costs

The following table analyses Transport expenditure for the year.

2016/2017 £	Transport Costs	Joint Committee £	CSC Foundry Ltd £	2017/2018 £
0	Car Allowances	1,442	0	1,442
118	Travel Expenses	1,172	0	1,172
118	Total	2,614	0	2,614

22. Supplies and Services

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

2016/2017 £	Supplies and Services	Joint Committee £	CSC Foundry Ltd £	2017/2018 £
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	190,921	47,304	238,225
426	Other Supplies & Services Costs	5,068	1,689	6,757
142,151	Total	323,954	49,099	373,053

* 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.

2016/ 2017 £	Support Service Costs	Joint Committee £	CSC Foundry Ltd £	2017/2018 £
0	HR People Services	28,524	0	28,524
8,998	Accountancy Support	120,735	22,000	142,735
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
14,350	Total	329,016	25,000	354,016

24. Provisions

Deferred tax is recognised in respect of timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

The following table analyses Provisions made for this purpose in the year.

2016/2017 £	Provisions	Joint Committee £	CSC Foundry Ltd £	2017/2018 £
0	Deferred Tax – Accelerated Capital Allowances	0	353,000	353,000
0	Total	0	353,000	353,000

25. Income

The following table analyses Income accounted for during the year.

2016/2017 £	Income	Joint Committee £	CSC Foundry Ltd £	2017/2018 £
(407,526)	Contributions from Local Authorities	(772,251)	0	(772,251)
0	Grant Income	(156,350)	0	(156,350)
0	Fees and Charges	0	(1,976,165)	(1,975,165)
(407,526)	Total	(928,601)	(1,976,165)	(2,904,766)

26. Related Parties

2016/2017 £	Related Party Transactions	Joint Committee £	CSC Foundry Ltd £	2017/2018 £
(18,827)	Blaenau Gwent CBC	(1,153,961)	0	(1,153,961)
(38,466)	Bridgend CBC	(2,358,551)	0	(2,358,551)
(48,773)	Caerphilly CBC	(2,990,148)	0	(2,990,148)
(96,689)	Cardiff Council	(5,927,029)	0	(5,927,029)
(16,060)	Merthyr Tydfil CBC	(984,193)	0	(984,193)
(25,035)	Monmouthshire County Council	(1,534,348)	0	(1,534,348)
(40,003)	Newport City Council	(2,452,168)	0	(2,452,168)
(64,271)	Rhondda Cynon Taf CBC	(3,940,165)	0	(3,940,165)
(24,891)	Torfaen CBC	(1,524,055)	0	(1,524,055)
(34,541)	Vale of Glamorgan Council	(2,117,633)	0	(2,117,633)
(407,526)	Total	(24,982,251)	0	(24,982,251)

27. External Audit Costs

2016/2017 £	External Audit Costs	Joint Committee £	CSC Foundry Ltd £	2017/2018 £
0	2016/17 Joint Committee Financial Audit	900	0	900
0	2017/18 Joint Committee Financial Audit	9,569	0	9,569
0	2017/18 Joint Committee Performance Audit	14,966	0	14,966
0	2017/18 Review of Arrangements that supported the CSC Foundry Ltd Investment Decision	55,000	0	55,000
0	2017/18 Audit of Accounts	0	3,000	3,000
0	Total	80,435	3,000	83,435

28. Debtors

31 st March 2017 £	Debtors	Joint Committee £	CSC Foundry Ltd £	Total 31 st March 2018 £
0	Central Government Bodies	0	0	0
0	Other Local Authorities	0	0	0
0	Other Entities and Individuals	0	3,541,033	3,541,033
0		0	3,541,033	3,541,033
0	Provision for Bad Debt	0	0	0
0	Total	0	3,541,033	3,541,033

Debtors – Long and Short Term	Long Term £	Short Term £	Total 31 st March 2018 £
Central Government Bodies	0	0	0
Other Local Authorities	0	0	0
Other Entities and Individuals	1,976,165	1,564,868	3,541,033
Total	1,976,165	1,564,868	3,541,033

29. 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 £25,205,099 shown as cash in the balance sheet represents the inter-authority cash held by the Accountable Body on behalf of the Joint Committee along with balances held by CSC Foundry Ltd.

31 st March 2017 £	Cash and Cash Equivalents	Joint Committee £	CSC Foundry Ltd £	Total 31 st March 2018 £
0	Bank	0	5,537,563	5,537,363
384,389	Cardiff Council Inter-Co Cash	19,667,536	0	19,667,536
384,389	Total	19,667,536	5,537,563	25,205,099

30. Financial Instruments

In addition to the Financial Assets of the Joint Committee, CSC Foundry Ltd. holds Cash and Cash Equivalents amounting to £5,537,563. All balances 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.

31 st March 2017		Financial Instruments	31 st March 2018	
Carrying Amount £	Fair Value £		Carrying Amount £	Fair Value £
384,389	384,389	Cash and Cash Equivalents	25,205,099	25,205,099
0	0	Loan to CSC Foundry Ltd	0	0
384,389	384,389	Total	25,205,099	25,205,099

Financial Instrument Gains/Losses

Net interest of £17,574 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.

31. Creditors

31 st March 2017 £	Creditors	Joint Committee £	CSC Foundry Ltd £	Total 31 st March 2018 £
0	Central Government Bodies	19,509,513	0	19,509,513
17,744	Other Local Authorities	71,960	0	71,960
138,896	Other Entities and Individuals	162,745	2,949,264	3,112,009
156,640	Total	19,744,218	2,949,264	22,693,482

Creditors – Long and Short Term	Long Term £	Short Term £	Total 31 st March 2018 £
Central Government Bodies	17,617,013	1,892,500	19,509,513
Other Local Authorities	0	71,960	71,960
Other Entities and Individuals	2,336,568	775,441	3,112,009
Total	19,953,581	2,739,901	22,693,482

32. Usable Reserves

2016/2017 £	Usable Reserves	2016/2017 £
0	Balance as at 1 April	227,749
	Movements during year:	
227,749	Year-end balance carried forward	0
0	Funding of Expenditure	(185,903)
0	Surplus on Provision of Services	1,504,637
227,749	Balance as at 31st March	1,546,483

33. Notes to the Cash Flow Statement

2016/2017 £	Operating Activities	2017/2018 £
(156,640)	Increase / (Decrease) in Creditors	3,380,683
0	(Increase) / Decrease in Debtors	(3,544,052)
0	Capital grants / contributions recognised in I&E	(24,541,472)
0	Revenue grants / contributions recognised in I&E	(156,350)
(156,640)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(24,861,191)

2016/2017 £	Investing Activities	2017/2018 £
0	Capital Loan	0
0	Revenue Loan	0
0	Purchases of property, plant and equipment	20,388,315
0	Adjustments to net surplus or deficit on the provision of services for investing activities	20,388,315

2016/2017 £	Financing Activities	2017/2018 £
0	HMT Grant received	(20,000,000)
0	Capital contribution received	(24,210,000)
0	Adjustments to net surplus or deficit on the provision of services for financing activities	(44,210,010)

34. 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 £
0	Balance as at 1st April	0
	Capital financing applied in the year:	
0	Grants and contributions	24,541,472
0	Balance as at 31st March	24,541,472

35. 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 £17,574 (Joint Committee £16,864 and CSC Foundry Ltd, net £710).

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.

As set-out above, this is CCRCD's first full year of operation and therefore, some of the governance arrangements referred to within the Governance Framework Assessment outlined in Appendix i have been developed and introduced at various points during the year.

Whilst it is considered that the arrangements that are in place as at 31st March 2018, provide strong assurance that the principles of CIPFA's Delivering Good Governance Framework are being met, it is acknowledged that not all of these arrangements have been in place throughout the year. It is also recognised that as future investment decisions are made and as the operating arrangements of CCRCD embed, the effectiveness of these arrangements will need to be closely monitored and reviewed.

The CCRCDC 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 CCRCDC 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 31st 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.

In addition, the Programme Director has provided the following statement to provide the appropriate context to the AGS work completed at this time:

"Our City Deal is embryonic and still very much in the early phases of development. It must therefore be borne in mind that the statements and targets described in this report reflect notional progress and different points in time where new practices, developments and standards have been adopted, in line with our emergence and 'bedding in'. This growing maturity and ongoing development is difficult to depict in target setting – and even more difficult to reflect in target

hitting. Where we have stated that something has been achieved in full or to an optimum standard, it reflects a considered view that for that stage of progress – we have completed the task. However the full context is that task will need to evolve and adapt as we advance and as such a moment in time.

This is especially important in recognising that our City Deal is now moving to the next phase of delivery and that will be important in providing a baseline from which to compare and relate progress year on year. In essence we are in ‘start up’ territory and as we move forward, this serves as an important reminder that much of what we are doing is new and different and our jurisdictions are limited to the stages we are at and the tasks relevant to them. It is only overtime and as things routinize and settle that history will allow for comparisons and more informed judgements to be made.”

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 16 of the 20 good practice assurance statements. Details of the 16 statements, with the corresponding reference (as set-out in CIPFA’s Delivering Good Governance Framework document) are outlined 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

ASSURANCE STATEMENT REFERENCES (with abbreviated descriptions)					
4	Clear channels of communication with all stakeholders have been established.	5	A vision specifying intended outcomes has been developed and communicated effectively.	6	We have translated the vision into courses of action for our function, its partnerships and collaborations.
7	We have mechanisms in place to review the effectiveness of the decision-making framework.	8	We measure the performance of services and related projects, and ensure that they are delivered in accordance with defined outcomes.	9	We have defined and documented the roles and responsibilities of members and management.
10	Our financial management arrangements conform to all relevant legislative and best practice requirements.	11	We have effective arrangements in place to discharge the monitoring officer function.	12	We have effective arrangements in place to discharge the head of paid service function.
13	We provide relevant induction training and have mechanisms in place to identify the development needs of members and senior officers.	15	We ensure effective counter fraud and anti-corruption arrangements are developed and maintained.	16	We have an effective scrutiny function in place.

17	Our internal audit assurance arrangements conform to Public Sector Internal Audit standards and relevant best practice.	18	We have arrangements in place for the delivery of the core functions of an audit committee.	19	We provide timely support to external auditors and properly consider audit findings
20	We incorporate good governance arrangements in our partnerships and other joint working arrangements.				

Findings 2 – Moderate Level of Assurance

- 1) The assessment identified that 3 of the remaining 4 good practice assurance statements achieved a Moderate assurance rating as detailed in Table 2.
- 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

	Assurance Statement	Consolidated Response
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>

2	We ensure compliance with all relevant laws, regulations and internal policies	<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>
3	We are committed to openness and acting in the public interest.	<p><i>Comply with Local Government legislation on public meetings. The aim is to ensure that decision making meetings are held in compliance with legislation and open to public. It is recognised that the arrangements for Welsh Language need to be more visible and therefore, need to be strengthened.</i></p> <p><i>Where information is deemed to be confidential, then appropriate tests are applied and suitable disclosures are made on published agendas within the prescribed timescales.</i></p> <p><i>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</i></p>

Findings 3 – Limited Level of Assurance

1. 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”

2. 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.

3. 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

	Assurance Statement	Consolidated Response
14	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 CCRC D 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>

6. Other Cardiff Capital Region City Deal Governance Related Work

In addition to the specific governance assessment process outline above, a number of other governance related reviews have been undertaken which will serve to supplement the work and findings outlined in the AGS at this time.

a) Wales Audit Office (Performance Audit) - Review of Compound Semi-Conductor Foundry Project

Commenced: February 2018

Report Issued: Expected towards the end of 2018

The Wales Audit Office Performance Audit Team commenced a review of the decision to invest in the Compound Semi-Conductor (CSC) Foundry project, towards the end of the 2017/18 financial year. The final report is expected to be issued towards the end of 2018 and governance arrangements will be reviewed in-light of the findings and any recommendations that are set-out in that report.

b) Internal Audit Service - Review of Governance, Transparency and Effective Decision Making Project

Commenced: April 2018

Report Issued: July 2018

Cardiff Council's Internal Audit Service is responsible for providing internal audit services to the Cardiff Capital Region City Deal through a Service Level Agreement (SLA) with the Accountable Body.

To enable the Internal Audit Service to fulfil its role, a 5 year audit plan has been prepared covering the period from 2017-18 to 2021-22 and sets out the proposed work required each year, to secure the appropriate level of assurance.

The first audit of the 5 year plan covered governance, transparency and the effectiveness of decision making and was undertaken just after the end of the 2017-18 financial year. The final report was issued in July 2018.

In summary, the key findings largely mirror those reached as part of the AGS assessment outline above. The audit report's Recommendations, Risk Rating, Management Response and Agreed Actions were set-out in Appendix iii (Internal Audit Action Plan) of the report.

Progress against the Internal Audit Action Plan will be monitored and reported to the Joint Committee through the quarterly performance reporting arrangements.

A further Internal Audit is scheduled during the second half of the 2018/19 financial year.

7. Conclusions & Next Steps

- a) The assessment process identified that in the vast number of areas (16 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.
- b) Officer feedback identified 3 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.
- c) In addition, other governance related work has been undertaken and the arrangements will be reviewed on completion of that work.

Table 4. – Action Plan

Assurance Statement	Suggested Action	Responsible Officer/s	Review Period	Mechanism for Review
Statements: 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

1	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
2	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
3	We are committed to openness and acting in the public interest	It is recognised that the arrangements for Welsh Language need to be more visible and therefore, need to be strengthened.	Programme Director with advice from Accountable Body	Quarterly	Progress against action monitored and reported on a quarterly basis
14	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.

Certification by the Chair of the Cardiff Capital Region Joint Committee and the City Deal Programme Director.

Cllr Andrew Morgan

Date

Kellie Beirne

Date

Governance Framework Assessment

STRONG ASSURANCE		
Assurance Statement	Consolidated Response	Suggested Action
4	<p>Clear channels of communication with all stakeholders have been established</p> <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	<p>A vision specifying intended outcomes has been developed and communicated effectively</p> <p>5 year JWA Business Plan agreed by the Joint Committee and adopted by all 10 Councils in March 2018 and sets vision, aims & objectives.</p>	Subject to Ongoing Review
6	<p>We have translated the vision into courses of action for our function, its partnerships and collaborations.</p> <p>Annual Business Plan translates JWA Business Plan into action plan for each year.</p> <p>The Quarterly Performance Reporting against the Annual Work Plan will ensure agreed courses of action are regularly monitored and reported upon.</p>	Subject to Ongoing Review

7	We have mechanisms in place to review the effectiveness of the decision-making framework	<p>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).</p> <p>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.</p> <p>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.</p> <p>Senior Offices representing the Accountable Body attend key meetings, briefings, workshops etc. in preparation for formal decisions via Joint Committee reports.</p>	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>City Deal is still in its infancy with only one project fully approved and in delivery stage at this time. Projects are required to go through formal business case development cycle, however, at the time of the first project approval, the full assessment process was still in development.</p> <p>The business case development cycle will include details of 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 & will measure the outputs & outcomes of each investment made. UK and Welsh Government Funding Terms & 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 & 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.	<p>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.</p>	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	<p>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.</p> <p>Training provided to PMO staff on financial matters including budget matters e.g. chart of accounts, purchasing, ordering and payment of invoices.</p>	Subject to Ongoing Review

15	We ensure effective counter fraud and anti-corruption arrangements are developed and maintained.	<p>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.</p> <p>All procedures for purchasing goods & services follow CCC policies. Clearly identified financial authorisation limits in place.</p>	Subject to Ongoing Review
16	We have an effective scrutiny function in place.	<p>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.</p> <p>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.</p>	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.	<p>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.</p> <p>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</p>	Subject to Ongoing Review
18	We have arrangements in place for the delivery of the core functions of an audit committee.	<p>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.</p>	Subject to Ongoing Review

19	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
20	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 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.



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Audit of Financial Statements Report – Cardiff Capital Region City Deal Joint Committee

Audit year: 2017-18

Date issued: 27 November 2018

Document reference: 957A2018-19



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

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000.

The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at

infoofficer@audit.wales.

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

Contents

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

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Summary report

Introduction

- 1 The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of the Cardiff Capital Region City Deal Joint Committee (the Committee) at 31 March 2018 and its income and expenditure for the year then ended. The accounts consolidate the operating results and balances of the Committee and its subsidiary, Compound Semi-Conductor Foundry Ltd (CSC Foundry Ltd). The accounts for CSC Foundry Ltd which are consolidated within the group accounts are independently audited.
- 2 We do not try to obtain absolute assurance that the financial statements are correctly stated but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
- 3 The quantitative levels at which we judge such misstatements to be material for the Committee is £247,000. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
- 4 International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
- 5 This report sets out for consideration the matters arising from the audit of the financial statements of Committee, for 2017-18, that require reporting under ISA 260.

Status of the audit

- 6 The accounts of the Joint Committee consolidate the operating results and balances of the Joint Committee and its subsidiary (CSC Foundry Ltd) for the year ended 31 March 2018. The accounts for CSC Foundry Ltd are prepared by officers of Monmouthshire County Council and are independently audited by a private sector accountancy practice.
- 7 Following approval of the draft Joint Committee accounts by the Cabinet on 18 June 2018, we received the draft financial statements in line with the agreed deadline.
- 8 We have now substantially completed the audit work and we are reporting to you the more significant issues arising from the audit. The audit team has already discussed these issues with the Corporate Director Resources and Head of Finance.

Proposed audit report

- 9 It is the Auditor General's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
- 10 The proposed audit report is set out in [Appendix 2](#).

Significant issues arising from the audit

Uncorrected misstatements

- 11 There are no misstatements identified in the financial statements, which remain uncorrected.

Corrected misstatements

- 12 There are misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in [Appendix 3](#)

Other significant issues arising from the audit

- 13 In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were some issues arising in these areas this year:
 - **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.** This is the first set of consolidated accounts that the Joint Committee has been required to produce. In preparation for this, we liaised closely with representatives of the finance directorate of Cardiff Council over a number of months in terms of the proposed format and content of the draft accounts. Consequently, the quality of the draft financial statements presented for audit were generally of a good standard.
 - **We encountered some difficulties during the audit.** The draft financial statements of the Joint Committee were based upon the unaudited financial statements of its subsidiary CSC Foundry Ltd. The operating results and balances of CSC Foundry Ltd contained balances and disclosures that were likely to be material to the consolidated accounts and therefore we were unable to provide our opinion on the consolidated Joint Committee consolidated accounts until the audit of CSC Foundry Ltd was complete. The audit of CSC Foundry Ltd was completed by its auditors on 26 October 2018 (ie approximately four weeks after the statutory deadline for completion of

the Joint Committee financial statements). As a result of that audit, a number of material amendments to the subsidiary's draft accounts were required. These amendments also impacted upon the transactions and balances of the consolidated Joint Committee's accounts. Therefore, the draft Joint Committee accounts could not be updated by Cardiff Council until the final version of the subsidiary's accounts were received from Monmouthshire County Council. **Appendix 3** and paragraph 14 below provide further details in respect of the amendments required to the 2017-18 accounts and the statutory audit deadlines from 2018-19 onwards.

- **There were no significant matters discussed and corresponded upon with management which we need to report to you.**
- **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
- **We did not identify any material weaknesses in your internal controls that we have not reported to you already.**
- **There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.**

Amendments to the accounts and audit deadlines going forward

- 14 Under the Accounts and Audit (Wales) (Amendments) Regulations 2018¹, in future the Joint Committee and the Auditor General are required to meet earlier statutory deadlines. Under the amended regulations the new deadlines are due to change in stages, with the final change taking effect from 2020-21. **Exhibit 1** sets out the new deadlines.

Exhibit 1: changes in deadlines introduced by the amended regulations

Annual financial statements year	Financial statements signed by the responsible finance officer (Section 151 Officer)	Financial statements approved by the Joint Cabinet and published (with the signed audit certificate or an explanation for its absence)
2017-18	30 June 2018	30 September 2018
2018-19	15 June 2019	15 September 2019
2019-20	15 June 2020	15 September 2020
2020-21 and thereafter	31 May 2021	31 July 2021

¹ <http://www.legislation.gov.uk/wsi/2018/91/contents/made>

- 15 To comply with the relevant legislative requirements, on 28 September 2018, the Joint Committee published its draft financial statements, together with a statement, which explained that the audit was yet to be concluded due to technical matters relating to the 2017/18 audit of CSC Foundry Ltd needing to be finalised.
- 16 Given the earlier statutory deadlines going forward, it is important that the Joint Committee agrees a timetable for the completion and audit of CSC Foundry Ltd's financial statements that will enable them to comply with statutory deadlines for the completion of the Joint Committee's financial statements.

Recommendations arising from our 2017-18 financial audit work

- 17 The recommendations arising from our financial audit work are set out in [Appendix 4](#). Management has responded to them and we will follow up progress on them during next year's audit. Where any actions are outstanding, we will continue to monitor progress and report it to you in next year's report.

Independence and objectivity

- 18 As part of the finalisation process, we are required to provide you with representations concerning our independence.
- 19 We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There is one potential conflict of interest that I wish to bring to your attention. This relates to the Audit Manager of my financial audit team whose wife previously worked with, and remains, a friend of the Chair of the Joint Cabinet's mother. However, in my opinion as the work of the Audit Manager does not require any direct contact with the Chair outside of the Joint Cabinet meetings, I do not believe that this impacts on our objectivity and independence. With the exception of this, all other members of my team are independent of the Council and your officers and there are no relationships between the Wales Audit Office and the Joint Committee that we consider to bear on our objectivity and independence.

Appendix 1

Final Letter of Representation

[Audited body's letterhead]

Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

17 December 2018

Representations regarding the 2017-18 financial statements

This letter is provided in connection with your audit of the financial statements of the Cardiff Capital Region City Deal Joint Committee (the Joint Committee) for the year ended 31 March 2018 for the purpose of expressing an opinion on their truth and fairness.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and the Code of Practice; in particular the financial statements give a true and fair view in accordance therewith; and
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- Full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
 - additional information that you have requested from us for the purpose of the audit; and

- unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects the Committee and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. There are no uncorrected misstatements.

Representations by those charged with governance

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for ensuring that the Joint Committee maintains adequate accounting records.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Committee on 17 December 2018.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

[Officer who signs on behalf of management]

Date: 17 December 2018

Signed by:

[Officer or Member who signs on behalf of those charged with governance]

Date: 17 December 2018

Appendix 2

Proposed audit report of the Auditor General to the Cardiff Capital Region City Deal Joint Committee

The independent auditor's report of the Auditor General for Wales to the members of Cardiff Capital Region City Deal Joint Committee

Report on the audit of the financial statements

Opinion

I have audited the financial statements of:

- Cardiff Capital Region City Deal Joint Committee; and
- Cardiff Capital Region City Deal Joint Committee Group;

for the year ended 31 March 2018 under the Public Audit (Wales) Act 2004.

The Cardiff Capital Region City Deal Joint Committee financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes, including a summary of significant accounting policies.

Cardiff Capital Region City Deal Joint Committee Group financial statements comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Cardiff Capital Region City Deal Joint Committee and Cardiff Capital Region City Deal Joint Committee Group as at 31 March 2018 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2017.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section

of my report. I am independent of the Joint Committee and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the joint committee or the group's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Other information

The responsible financial officer is responsible for the other information in the Narrative report and accounts. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial

statements and the Annual Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

In the light of the knowledge and understanding of the joint committee and the group and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Annual Governance Statement.

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

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

Certificate of completion of audit

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Financial Statements, the responsible financial officer is responsible for the preparation of the statement of accounts for Cardiff Capital Region City Deal Joint Committee and Group which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Anthony J Barrett
For and on behalf of the Auditor General for Wales
19 December 2018

24 Cathedral Road
Cardiff
CF11 9LJ

Appendix 3

Summary of corrections made to the draft financial statements which should be drawn to the attention of the Cardiff Capital Region City Deal Joint Committee Cabinet

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

Corrections arising from the audit of the Committee's single-entity accounts

Exhibit 2: Impact on single-entity accounts

Value of correction	Nature of correction	Reason for correction
Balance Sheet 'Reclassification of Short-Term Debtors' and 'Cash' balances. Cash increase of £261,647 and corresponding decrease in short-term debtors of £261,647.	Receipt believed to be owed at year-end had been received but was initially allocated within a Cash Suspense balance. Associated impact on Cashflow Statement and Note.	Recognises that the material debt balance had been received and was held as a cash asset as at 31 March 2018 and not a debt.
Comprehensive Income & Expenditure Account 2016-17 comparators: 'Contributions from Local Authorities' - £227,749 increase.	Disclosure of prior-year income omitted the unused balance of funding received and carried forward into 2017-18 Associated impact on Cashflow Statement and Note.	Correction to ensure disclosure of prior-year surplus equals the opening net assets per Joint Committee Balance Sheet.
Comprehensive Income & Expenditure Account Reclassification of expenditure costs between 'Staff Costs, 'Transport' and 'Supplies and Services', £17,216.	Analysis of ledger data used to collate account analysis identified incorrect classification of expenditure in various expenditure sub-headings.	Improves the accuracy and classification of the expenditure disclosed.

Value of correction	Nature of correction	Reason for correction
Cashflow Statement, Movement in Reserves Statement, Expenditure and Funding Analysis, Disclosure Notes and Annual Governance Statement	A number of amendments were made in relation to disclosures made in the Cashflow Statement, Movement in Reserves Statement, Expenditure and Funding Analysis, and disclosure notes within the Financial Statements and within the Annual Governance Statement	To ensure compliance with accounts and Annual Governance Statement disclosure requirements

Corrections arising from the audit of the Committee's subsidiary accounts

Exhibit 3: Impact on single-entity accounts

Value of correction	Nature of correction	Reason for correction
<p>Balance Sheet 'Long-Term Debtors - Revenue' balance - £334,137 decrease</p> <p>Balance Sheet 'Long-Term Debtors - Capital' balance - £334,137 increase</p> <p>Balance Sheet 'Long-Term Creditors' balance - £334,137 decrease</p> <p>Comprehensive Income & Expenditure Account 'Recognised Capital Gains + Contributions' - £334,137 decrease</p> <p>Balance Sheet Reserves 'Capital Adjustment Account' £334,137 increase</p>	The reclassification of revenue expenditure as capital expenditure on the group account consolidation has impacted on the amount of funding provided to the subsidiary and expended on revenue or capital purposes.	Amendments made during the audit of the subsidiary accounts altered the relative split of revenue and capital expenditure incurred. Material amendments were therefore required to the single-entity accounts to recognise the impact of increased funding of capital expenditure.

Exhibit 4: Impact on Group Accounts

Value of correction	Nature of correction	Reason for correction
<p>Balance Sheet 'Long-Term Debtors' balance - £1,976,165 increase</p> <p>Comprehensive Income & Expenditure Account 'Fees and Charges' - £1,976,165 increase</p>	<p>Following the final certification of the CSC Foundry Ltd subsidiary accounts, the accounting convention of income recognition spread across the full period of the lease contract has been applied to the 2017-18 rent-free period, with this income held as a debtor until such time as it is received later in the life of the lease.</p>	<p>Amendments made during the audit of the subsidiary accounts to ensure correct accounting treatment to recognise income due, material amendments subsequently needed on the group accounts.</p>
<p>Balance Sheet: 'Asset under Construction' balance - £767,338 increase</p> <p>Balance Sheet 'Short-Term Creditors' balance - £324,480 decrease</p> <p>Comprehensive Income & Expenditure Account, Various expenditure classifications within 'Operating Expenditure' - £442,958 decrease</p>	<p>Following the final certification of the CSC Foundry Ltd subsidiary accounts, an additional £767,338 of expenditure previously categorised as revenue was re-categorised as capital and added to the Asset under Construction on the Group Balance Sheet.</p>	<p>Amendments made during the audit of the subsidiary accounts to ensure correct accounting treatment of expenditure incurred, material amendments subsequently needed on the group accounts.</p>
<p>Balance Sheet 'Provisions' balance - £353,000 increase</p> <p>Comprehensive Income & Expenditure Account 'Corporation Tax' - £353,000 increase</p>	<p>Following the final certification of the CSC Foundry Ltd subsidiary accounts, a corporation tax liability was recognised on the surplus for the year and a matching provision was raised for its future payment.</p>	<p>Amendments made during the audit of the subsidiary accounts to ensure recognition of corporation tax liability, material amendments subsequently needed on the group accounts</p>

Value of correction	Nature of correction	Reason for correction
<p>Balance Sheet ‘Provisions’ balance - £1,800,172 decrease</p> <p>Balance Sheet ‘Long Term Creditors’ balance - £1,800,172 increase</p>	<p>Following the final certification of the CSC Foundry Ltd subsidiary accounts, the original provision balance representing the eventual potential settlement payment due if the tenant company did not exercise their option to purchase has been reclassified as a Creditor.</p>	<p>Amendments made during the audit of the subsidiary accounts to ensure correct classification of liability balances, material amendments subsequently needed on the group accounts.</p>
<p>Balance Sheet ‘Short Term Creditors’ balance - £536,396 decrease</p> <p>Balance Sheet ‘Long Term Creditors’ balance - £536,396 increase</p>	<p>Following the final certification of the CSC Foundry Ltd subsidiary accounts, reclassification made between categories of creditor liability to accurately recognise the timeframe for their clearance.</p>	<p>Amendments made during the audit of the subsidiary accounts to ensure correct classification of liability balances, material amendments subsequently needed on the group accounts.</p>

Appendix 4

Recommendation arising from our 2017-18 financial audit work

We set out the recommendation arising from our audit with management's response to it. We will follow up this next year and include any outstanding issues in next year's audit report:

Exhibit 5: recommendations arising from our 2017-18 financial audit work

Matter arising 1 – Timely receipt of audited certified accounts of Joint Committee subsidiaries	
Findings	<p>We were unable to complete our audit of the Joint Committee's 2017-18 financial statements in line with the statutory deadline. This was due to the fact that, as at 30 September 2018, a number of technical accounting issues were still to be resolved in respect of the Joint Committee's special purpose vehicle CSC Foundry Ltd.</p> <p>The nature of the matters that were to be resolved indicated that they were likely to lead to material changes to the Joint Committee's draft financial statements prior to the Wales Audit Office being in a position to provide an opinion on the truth and fairness of the Groups financial statements.</p>
Priority	High
Recommendation	<p>Given the delays experienced in certifying the Joint Committee's 2017-18 financial statements and the earlier statutory deadlines for future years, we recommend that the Joint Committee reviews and agrees a revised timetable with Monmouthshire County Council for the completion and audit of CSC Foundry Ltd's 2018-19 financial statements.</p> <p>The revised timetable should ensure that it provides sufficient time to allow staff working for the accountable body within Cardiff Council to make the necessary consolidation adjustments within the Joint Committee's draft financial statements.</p>

Matter arising 1 – Timely receipt of audited certified accounts of Joint Committee subsidiaries

Management response	<p>The delays experienced in finalising the CSC Foundry Ltd Accounts for 2017/18 were due to specific issues relating to Corporation Tax Liability and Capital Allowances, which made it necessary for significant legal and technical work to be undertaken by the CSC Foundry's Auditors in order to report both. As this work is now complete, the risk of such complications elongating the process of finalising CSC Foundry Ltd's accounts in future years is reduced.</p> <p>However, officers of Cardiff and Monmouthshire Councils are working together to put arrangements in place to ensure that all reasonable steps are taken in order to meet the deadlines for compiling the Single Entity Accounts, the CSC Foundry Ltd Accounts and therefore the Consolidated Group Accounts for 2018/19.</p>
Implementation date	31 March 2019

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Final Letter of Representation

Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

17th December 2018

Representations regarding the 2017-18 financial statements

This letter is provided in connection with your audit of the financial statements of the Cardiff Capital Region City Deal Joint Committee (the Joint Committee) for the year ended 31 March 2018 for the purpose of expressing an opinion on their truth and fairness.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- The preparation of the financial statements in accordance with legislative requirements and the Code of Practice; in particular the financial statements give a true and fair view in accordance therewith.
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- Full access to:

- all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects the Committee and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. There are no uncorrected misstatements

Representations by those charged with governance

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for ensuring that the Joint Committee maintains adequate accounting records.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Committee on 17th December 2018.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Signed by:

Kellie Beirne
Programme Director, on behalf of management

Cllr Andrew Morgan
Chair, on behalf of those charged with
governance

Date: 17th December 2018

Date: 17th December 2018

Future Generations Assessment Evaluation






Name of the Officer completing the evaluation: Kellie Beirne Phone no: 07826 9219286 E-mail: kellie.beirne@cardiff.gov.uk	Please give a brief description of the aims of the proposal To present the final, audited Joint Committee Statement of Accounts for 2017/18.
Proposal: Joint Committee to approve the final, audit accounts	Date Future Generations Evaluation form completed: 05 Dec 2018

- 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?
A prosperous Wales Efficient use of resources, skilled, educated people, generates wealth, provides jobs	The report presents the final, audited Statement of Accounts and Wales Audit Office Report. 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
A resilient Wales 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.	
A healthier Wales	Not direct applicable	

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?
People's physical and mental wellbeing is maximized and health impacts are understood		
A Wales of cohesive communities Communities are attractive, viable, safe and well connected	Not directly applicable	
A globally responsible Wales Taking account of impact on global well-being when considering local social, economic and environmental wellbeing	Not directly applicable	
A Wales of vibrant culture and thriving Welsh language Culture, heritage and Welsh language are promoted and protected. People are encouraged to do sport, art and recreation	Not directly applicable	
A more equal Wales 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 a final 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 to present the Statement of Accounts and Wales Audit Office Report. 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?

	Describe any positive impacts your proposal has on safeguarding and corporate parenting	Describe any negative impacts your proposal has on safeguarding and corporate parenting	What will you do/ have you done to mitigate any negative impacts or better contribute to positive impacts?
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?

<ul style="list-style-type: none"> • Annual Governance Statement • CSC Foundry Ltd reporting
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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 report discharges the Joint Committee’s statutory obligation to produce an audited Statement of Accounts for the financial year

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.

The impacts of this proposal will be evaluated on:	N/a – The audit for 2017/18 is now complete
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