Cabinet Prifddinas Ranbarth Caerdydd | Cardiff Capital Region Cabinet

12 SEPTEMBER 2019

2018/19 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, including the Annual Governance Statement, in respect of the Cardiff Capital Region City Deal Joint Committee for the financial year 2018/19, 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 2019.

Background

3. The Statement of Accounts presents the accounts for the Cardiff Capital Region City Deal Joint Committee for the financial year 2018/19. The Accounts and Audit (Wales) (Amendments) Regulations 2018 require the 'Responsible Finance Officer' to sign the accounts by the 15th June 2019, and that the Financial Statements are approved by the Joint Cabinet and published (with the signed audit certificate or an explanation for its absence) by 15th September 2019.

4. The unaudited accounts were approved by Regional Cabinet at its meeting of the 10th June and were formally submitted to Wales Audit Office (WAO) ahead of the statutory deadline of 15th June 2019.

5. In addition, the accounts were made available for public inspection for a period of 4 weeks from the 18th June to the 15th July, as required by the Public Audit (Wales) Act 2004 and the Accounts and Audit (Wales) Regulations, 2014.

Statement of Accounts

6. Following submission for audit on the 10th June, Wales Audit Office has undertaken a thorough review of the Joint Committee's draft 'Single Entity' Accounts and its 'Group' Accounts which include the consolidated balances of its subsidiary, CSC Foundry Ltd.

7. 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.

8. The audit report highlights a number of qualitative and quantitative findings, along with a recommendation, which are summarised below:

   i. WAO have no concerns about the qualitative aspects of the Joint Committee's accounting practices and financial reporting.

   ii. WAO did not encounter any significant difficulties during the audit.

   iii. There is one significant matter discussed and corresponded upon with management which need to be reported. This relates to an issue in respect of Registration of Members' Interests and is to be followed up in writing by WAO to the City Deal Director and the local authority concerned.

   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

9. Details of these are set-out at Appendix 3 of the audit report. In summary, these:

   - Impact the accounting treatment (and therefore the classification) of expenditure between Capital/Revenue;

   - Amend the accounting treatment of the Joint Committee's General and Earmarked Reserves, and;

   - Reflect adjustments made to the CSC Foundry Ltd Accounts as a result of their external audit.

10. A recommendation arising from WAO's financial audit work is set out in Appendix 4 of the audit report and relates to the timing of appropriate breakdowns being available to support expenditure.

Next Steps

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

Reasons for Recommendations

12. To advise Regional Cabinet of the conclusion and findings of the audit relating to the 2018/19 financial statements.

13. To comply with The Accounts and Audit (Wales) (Amendments) Regulations 2018.

Legal Implications

14. The JWA in relation to the delivery of the CCRCD 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.

15. It is important that consideration is given to the audit report which highlights a number of qualitative and quantitative findings, along with recommendations and that appropriate action is taken to implement the recommendations. .

16. **Future Generations and Wellbeing Considerations / Equalities Assessment**
Insert standard paragraphs

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

17. 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 2019 on or before 15th September 2019.

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 13 of Appendix A**, the Annual Governance Statement on **page 59 of Appendix A** and the Letter of Representation to the Wales Audit Office for 2018/19 **(Appendix C)**;

ii. Joint Committee Section 151 Officer to sign the Chief Financial Officer's Statement of Responsibilities on **page 14 of Appendix A**;

iii. Programme Director to also sign the Annual Governance Statement on **page 59 of Appendix A** and the Letter of Representation to the Wales Audit Office for 2017/18 **(Appendix C)**;and

iv. Accountable Body to publish the final, audited Statement of Accounts and to make arrangements for the necessary public notifications as soon as possible.

Chris Lee
Corporate Director Resources

12 September 2019

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 Assessment Evaluation

Appendix A

Cardiff Capital Region City Deal Joint Committee Audited Statement of Accounts 2018/19

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Appendix 1(i): AGS Assurance Rating – Strong

Appendix 1(ii): AGS Assurance Rating – Strong/Moderate

Appendix 1(iii): AGS Assurance Rating – Moderate

Appendix 1(iv): AGS Assurance Rating – Moderate/Limited

Appendix 1(v): AGS 2018/19 Action Plan

Appendix 1(vi): AGS Actions monitored via ABP Work Programme

Appendix 1(vii): 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 seeks to enable transformational economic change, through targeted investment in infrastructure, innovation and challenge-driven approaches to tackling industrial and societal issues. It is an investment in people and place 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, its liveability, its already substantial economic output and our unique sense of place. It seeks to enrich in other ways, improving public services, strengthening engagement with civic society and enabling our workforce to adapt to the skills and capabilities required to drive the industries of the future. Our City Deal is built on partnership and instils democratic legitimacy through balancing strong local leadership with penetrative industrial and business engagement.

Our City Deal is adaptive and responsive to the continual changes we see around us and with enhancements to our evidence base, a new Industrial Growth Strategy and an Investment Framework to deploy our investments in targeted and effective ways – we are poised to deliver a City Deal that creates wealth, prosperity and inclusion benefits region-wide."

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.

The Joint Committee is supported by the City Deal Office (CDO) headed-up by the Director of the City Deal. In addition, 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 CDO 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 totals £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.

Annual Review, Future Plans and Developments

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.

Significant progress has been made in 2018/19, both in respect of developing and embedding strong foundations for process, governance and accountability and programme and project inception and delivery. Particularly important developments have been:

- The development of an evidence base and good data through the 'State of the Region' sectoral analysis, performed by Cardiff University. This is important in developing self-awareness and ensuring that Cardiff Capital Region has its own mechanisms in place to develop economic baselines and will demonstrate the points of comparison and progress which are vital to the Gateway Review

- This has been converted into a business-led approach to shaping and publishing an Industrial and Economic Growth Plan which clearly sets out the key priorities and sectors that will enable sustainable and resilient growth in line with the City Deal's core objectives and targets.

- In turn, this has supported the development of a crucial aspect of the Assurance Framework, the Investment and Intervention Framework, a clear, rigorous and robust approach to the in-depth assessment and appraisal of investment propositions. This new framework will enhance and clarify governance arrangements, including the establishment of a new Investment Panel, investment guidelines and manual and the inclusion of experts from both the public and private sectors.

- In addition to these key governance enhancements and developments, project delivery has been accelerated in line and in keeping with the new principles and ways of working established in the above frameworks, plans and projects. This has included:

    - continued effective delivery of the CSC Foundry Project;
    - an award of seed funding for Strength in Places Fund;
    - development and operationalisation of the CCR Graduate Scheme;
    - inception of Metro Plus and:
    - a successful first stage application to WEFO on the Public Services Testbed concept

This all represents the strengthening of foundations and ensuring that the Cardiff Capital Region City Deal is creating the right conditions for growth, development and inclusion.

Summary of Financial Performance

2018/19 Joint Committee Expenditure and Funding

Details of the Out-turn position against the 2018/19 approved budgets are shown below.

2018/19 Joint Committee Revenue Budget & Out-turn Position

Joint Committee Revenue Budget	2018/19 Budget £	2018/19 Out-turn £	2018/19 Variance £
Expenditure:			
City Deal Office	699,015	588,240	(110,775)
Accountable Body Support Services	350,985	252,766	(98,219)
Total	**1,050,000**	**841,006**	**(208,994)**
Funded by:			
Underspend brought forward	(41,846)	0	41,846
Partner Contributions	(1,008,154)	(841,006)	167,148
Total	**(1,050,000)**	**(841,006)**	**208,994**

2018/19 Wider Investment Fund 'Top-Slice' Budget & Out-turn Position

Wider Investment Fund Top-Slice	2018/19 Budget £	2018/19 Out-turn £	2018/19 Variance £
Gross Expenditure:			
Regional Bodies	274,386	164,202	(110,184)
Programme Development & Support	238,114	31,768	(206,346)
Projects	230,000	85,981	(144,019)
	742,500	281,951	(460,549)
Investment Income	0	(110,943)	(110,943)
Net Expenditure	**742,500**	**171,008**	**(571,492)**
Funded by:			
HMT Revenue Grant	(742,500)	(171,008)	571,492
Total	**(742,500)**	**(171,008)**	**571,492**

2018/19 Wider Investment Fund 'Balance of Funding' Budget & Out-turn

Wider Investment Fund 'Balance of Funding'	2018/19 Budget £	2018/19 Out-turn £	2018/19 Variance £
Capital Expenditure:			
CSC Foundry Investment	13,690,000	12,308,359	(1,381,641)
In Year Project Resources	4,015,000	0	(4,015,000)
Sub Total	17,705,000	12,308,359	(5,396,641)
Revenue Expenditure:			
CSC Foundry Project Delivery & Implementation	150,000	150,000	0
Graduate Pilot Scheme	31,450	7,034	(24,416)
In Year Project Resources	968,550	0	(968,550)
Sub Total	1,150,000	157,034	(992,966)
Total	**18,855,000**	**12,465,393**	**(6,389,607)**
Funded By			
HMT Revenue Grant	1,150,000	157,034	(992,966)
Council Contributions	17,705,000	12,308,359	(5,396,641)
Total	**18,855,000**	**12,465,393**	**(6,389,607)**

Financial Position as at 31st March 2019

The Joint Committee's Balance Sheet position is summarised below and provides details of its assets and liabilities as at 31st March 2019.

Summary of Balance Sheet	31st March 2019 £'000
Long Term Assets : Long Term Debtors, Revenue and Capital (CSC Foundry Project)	37,118,359
Current Assets & Liabilities: Short Term Debtors, Cash & Cash Equivalents, less Short Term Creditors	27,532,102
Long Term Liabilities	(27,923,108)
Net Assets	**36,727,353**
Financed by: Usable Reserves (£208,994) and Unusable Reserves (£36,518,359)	**36,727,353**

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 three years, with £37.12 million being invested during the period covering Financial Years 2017/18 and 2018/19 and the balance of £1.38 million to be drawn down in 2019/20.

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 2019, the Joint Committee held Usable Reserves of £208,994. This represents the net underspend against the Joint Committee Revenue budgets which is funded by contributions from the ten partnering authorities. These are carried forward as both Earmarked and General Reserves to supplement budget resources available in future years.

Prior Period Adjustments

A retrospective restatement has been made the Audited Statement of Accounts for the period ended 31st March 2018 which reduces the amount of the Capital Adjustment Account by £331,472 and reduces the Long Term Debtors – Capital and increases the Long Term Debtors – Revenue and Long Term Creditors by the same amount. This is for the purpose of disclosing the ratio in which the amounts will be received upon repayment and subsequently be available for re-use.

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 50 to 59 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 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom.

The Financial Statements

The financial statements, accompanied by a Statement of Responsibilities and the Auditor's Report, are set out on pages 13 to 25 and comprise:

Accounting Policies, Judgements and Assumptions (pages 18-21)

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 22)

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 23)

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 24)

This statement provides a 'snapshot' of the financial position at 31st March 2019, showing what the Joint Committee owns and owes.

Cash Flow Statement (page 25)

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 26 - 36)

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. This is the Corporate Director Resources and Section 151 Officer of Cardiff Council who holds 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 **Date**

Chair of Cardiff Capital Region Joint Committee

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 2018-19 (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 2019 and its income and expenditure for the year ended 31 March 2019.

_____ _____

Christopher Lee **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 2019 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 2018-19 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Cardiff Capital Region City Deal Joint Committee and Cardiff Capital Region City Deal Joint Committee Group as at 31 March 2019 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of Cardiff Capital Region City Deal 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 Cardiff Capital Region City Deal 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. The other information comprises the information included in the Narrative report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

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

Report on other requirements

Opinion on other matters

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19; and

- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

In the light of the knowledge and understanding of Cardiff Capital Region City Deal 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:

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

Certificate of completion of audit

I certify that I have completed the audit of the accounts of Cardiff 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 Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts of Cardiff Capital Region City Deal Joint Committee including Cardiff Capital Region City Deal Joint Committee's Group financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Anthony J Barrett

For and on behalf of the Auditor General for Wales

September 2019

24 Cathedral Road

Cardiff

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Accounting Policies used when formulating the accounts

In accordance with the Accounts and Audit (Wales) Regulations 2014, this Statement of Accounts summarises the Joint Committee's income and expenditure for the year ended 31st March 2019 and its financial position at 31st March 2019. The accounts are prepared in accordance with proper accounting practices as contained in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code).

1. Accounting Standards issued but not yet adopted

The main change to the Code will be the requirements of International Financial Reporting Standard 16 – Leases in 2020/21. This will remove the existing classification of operating and finance leases covering buildings, equipment etc. and their different accounting treatments. It will require all leases, with a term over a year, to be recorded as assets and liabilities unless the underlying asset is of low value.

Whilst this is expected to have no direct financial impact, work will need to be undertaken to ensure any lease type arrangements relating to the Joint Committee are identified, and accurately recorded. This will include a review of existing and the creation of new processes for managing and recording existing and new lease arrangements.

2. 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.

3. 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

- revenue from the provision of services/contracts is recognised when the Joint Committee can measure reliably the percentage of completion and it is probable that economic benefits or service potential will be achieved

- supplies are recorded as expenditure when they are consumed

- services received are recorded as expenditure when the services are received, rather than when the payments are made

- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract

- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debtors are not considered to be collectable the balance is reduced by a provision for doubtful debt.

4. 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.

5. Property, Plant, Equipment

These assets are those that have physical substance used in the production or supply of goods or services, those intended to be held indefinitely and those for the promotion of culture and knowledge and expected to be used during more than one financial year.

Assets carried on the Group Balance Sheet fall under the category of Assets under Construction and are shown at Historical Cost until such time as they become Operational.

6. 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.

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. Provisions

Provisions are charged as expenditure to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Joint Committee becomes aware of the obligation, measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision, which is held on the Balance Sheet. Provisions are reviewed at the end of each financial year and where no longer required are credited back to the relevant service line.

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.

11. Value Added Tax (VAT)

VAT payable is excluded from expenditure except where it is not recoverable from HMRC. VAT receivable is excluded from income.

2018/19 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.

2017/2018 £		Notes	2018/2019 £
	Cost of Services		
456,740	Staff Costs	1	435,935
19,044	Premises	2	15,738
2,614	Transport	3	24,380
323,954	Supplies & Services	4	416,206
329,016	Support Services	5	267,732
1,131,368	**Operating Expenditure**		**1,159,991**
(772,251)	Contributions from Local Authorities	6	(1,038,154)
(156,350)	Grant Income	6	(178,042)
(928,601)	**Operating Income**		**(1,216,196)**
202,767	**Net Cost of Services**		**(56,205)**
(16,864)	Interest & Investment Income	18	(110,943)
(16,864)	**Financing & Investment Income & Expenditure**		**(110,943)**
(24,210,000)	Recognised Capital Grants & Contributions	17	(12,308,359)
(24,210,000)	**Taxation and Non Specific Grant Income**		**(12,308,359)**
(24,024,097)	**(Surplus) / Deficit on Provision of Services**		**(12,475,507)**
0	Other Comprehensive Income & Expenditure		0
(24,024,097)	**Total Comprehensive Income & Expenditure**		**(12,475,507)**

2018/19 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.

Movements in Reserves	General Fund Balance £	General Fund Earmarked Reserves £	Total Usable Reserves £	Unusable Reserves £	Total Reserves £
Balance at 31st March 2018 Carried Forward	**41,846**	**0**	**41,846**	**24,210,000**	**24,251,846**
Movements in Reserves During 2018/19					
Surplus / (Deficit) on the Income and Expenditure Account (See Note 7)	12,475,507	0	12,475,507	0	**12,475,507**
Total Comprehensive Income and Expenditure	**12,475,507**	**0**	**12,475,507**	**0**	**12,475,507**
Adjustments between Accounting Basis and Funding Basis (See Note 8)	(12,308,359)		(12,308,359)	12,308,359	**0**
Net Increase/(Decrease) before Transfers to/(from) Earmarked Reserves	**167,148**	**0**	**167,148**	**12,308,359**	**12,475,507**
Transfers to/(from) Earmarked Reserves	**(85,495)**	**85,495**	**0**	**0**	**0**
Increase/(Decrease in Year)	**81,653**	**85,495**	**167,148**	**12,308,359**	**12,475,507**
Balance at 31st March 2019	**123,499**	**85,495**	**208,994**	**36,518,359**	**36,727,353**
Balance at 31st March 2017 Carried Forward	**227,749**	**0**	**227,749**	**0**	**227,749**
Movements in Reserves During 2017/18					
Surplus / (Deficit) on the Income and Expenditure Account	24,024,097	0	24,024,097	0	**24,024,097**
Total Comprehensive Income and Expenditure	**24,024,097**	**0**	**24,024,097**	**0**	**24,024,097**
Adjustments between Accounting Basis and Funding Basis	(24,210,000)		(24,210,000)	24,210,000	**0**
Net Increase/(Decrease) before Transfers to/(from) Earmarked Reserves	**(185,903)**	**0**	**(185,903)**	**24,210,000**	**24,024,097**
Transfers to/(from) Earmarked Reserves	**0**	**0**	**0**	**0**	**0**
Increase/(Decrease in Year)	**(185,903)**	**0**	**(185,903)**	**24,210,000**	**24,024,097**
Balance at 31st March 2018	**41,846**	**0**	**41,846**	**24,210,000**	**24,251,846**

Balance Sheet as at 31st March 2019

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

31st March 2018 £		Notes	31st March 2019 £
0	Assets Under Construction		0
450,000	Long Term Debtors - Revenue	13	600,000
24,210,000	Long Term Debtors - Capital	13	36,518,359
24,660,000	**Long Term Assets**		**37,118,359**
3,019	Short Term Debtors	11	33,114
19,667,536	Cash & Cash Equivalents	12	29,720,199
19,670,555	**Current Assets**		**29,753,313**
(2,127,559)	Short Term Creditors	14	(2,221,211)
(2,127,559)	**Current Liabilities**		**(2,221,211)**
(17,951,150)	Long Term Creditors	14	(27,923,108)
(17,951,150)	**Long Term Liabilities**		**(27,923,108)**
24,251,846	**Net Assets**		**37,727,353**
41,846	Usable Reserves	15	208,994
24,210,000	Capital Adjustment Account	17	36,518,359
24,251,846	**Total Reserves**		**37,727,353**

2018/19 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.

2017/2018 £		Notes	2018/2019 £
(24,024,097)	Net (Surplus) / Deficit on the provision of services		(12,457,507)
24,290,950	Adjust net surplus or deficit on the provision of services for non-cash movements	16	12,272,845
266,853	**Net cash flows from operating activities**		**(202,662)**
24,660,000	Investing activities	16	12,458,359
(44,210,000)	Financing activities	16	(22,308,359)
(19,283,147)	**Net (increase) / decrease in cash and cash equivalents**		**(10,052,662)**
(384,389)	Cash and cash equivalents at the beginning of the reporting period		(19,667,537)
(19,667,536)	**Cash balance as at 31st March**		**(29,720,199)**

Notes to the Core Financial Statements

1. Remuneration

2017/2018 £	Remuneration	2018/2019 £
456,740	Remuneration	435,935
456,740	**Total**	**435,935**

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	
£	2017/18	2018/19
70,000 – 74,999	0	1
95,000 - 99,999	1	0

2017/18 Total Remuneration including Pension Contributions £	Senior Employee Post Title	Salary, fees and allowances £	Employers Pension Contributions £	Total £	Notes
119,889	Programme Director	33,000	7,293	40,293	Post vacated July 2018. Annualised salary £99,000
0	City Deal Director	74,885	16,550	91,435	Post commenced August 2018. Annualised salary £111,447

2. Premises Costs

The following table analyses Premises expenditure for the year.

2017/2018 £	Premises Costs	2018/2019 £
13,274	Rents	12,430
5,611	National Non Domestic Rates	3,288
159	Other Premises Related Expenditure	20
19,044	**Total**	**15,738**

3. Transport Costs

The following table analyses Transport expenditure for the year.

2017/2018 £	Transport Costs	2018/2019 £
1,442	Car Allowances	2,004
1,172	Travel Expenses	22,376
2,614	**Total**	**24,380**

4. Supplies and Services

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

2017/2018 £	Supplies & Services	2018/2019 £
21,698	ICT, Telephones, Printing & Software	11,417
22,395	Meeting Room Hire & Other Meeting Costs	8,389
83,872	Marketing, Branding & Communications	93,368
190,921	Programme Development & Support *	249,790
5,068	Other Supplies & Services Costs	53,242
323,954	**Total**	**416,206**

* 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

2017/2018 £	Support Service Costs	2018/2019 £
28,524	HR People Services	14,540
120,735	Accountancy Support	134,137
2,050	Exchequer, Internal Audit & Insurance	3,070
75,038	Legal & Governance Support	75,213
9,834	ICT, Information & Governance	7,963
80,435	External Audit	32,809
12,400	External Advice & Support	0
329,016	**Total**	**267,732**

6. Income

The following table analyses Income accounted for during the year.

2017/2018 £	Income	2018/2019 £
(772,251)	Contributions from Local Authorities (See Note 10)	(1,038,154)
(156,350)	Grant Income	(178,042)
(928,601)	**Total**	**(1,216,196)**

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 £10 million was received during the year in respect of the third year of City Deal funding. The grant is passported through Welsh Government (the grant paying body) following acceptance of their grant terms & conditions.

The currently unused balance of the total £30 million HM Treasury grant received over the first three years is shown in short term (£1,742,500) and long term creditors (£27,588,971).

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 2018/19 £
Staff Costs	435,935	0	435,935
Premises	15,738	0	15,738
Transport	24,380	0	24,380
Supplies & Services	416,206	0	416,206
Support Services	267,732	0	267,732
Contributions from Local Authorities	(871,006)	(167,148)	(1,038,154)
Grant Income	(178,042)	0	(178,042)
Net Cost of Services	**110,943**	**(167,148)**	**(56,205)**
Interest & Investment Income	(110,943)	0	(110,943)
Recognised Capital Grants & Contributions	(12,308,359)	0	(12,308,359)
Other Income and Expenditure from the Funding Analysis	12,308,359	(12,308,359)	0
(Surplus) or Deficit	**0**	**(12,475,507)**	**(12,475,507)**
Opening Usable Reserves Balance 1st April 2018	(41,846)		
Surplus on Usable Reserves Balance in Year	(167,148)		
Closing Usable Reserves Balance 31st March 2019	**(208,994)**		

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	(167,148)	(167,148)
Grant Income	0	0	0
Net Cost of Services	**0**	**(167,148)**	**(167,148)**
Interest & Investment Income	0	0	0
Recognised Capital Grants & Contributions	0	0	0
Other Income and Expenditure from the Funding Analysis	(12,308,359)	0	(12,308,359)
(Surplus) or Deficit	**(12,308,359)**	**(167,148)**	**(12,475,507)**

For Comparison - Expenditure and Funding Analysis 2017/18	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	(24,210,000)	0	(24,210,000)
Other Income and Expenditure from the Funding Analysis	24,210,000	(24,210,000)	0
(Surplus) or Deficit	**(0)**	**(24,024,097)**	**(24,024,097)**
Opening Usable Reserves Balance 1st April 2017	(227,749)		
Less Deficit on Usable Reserves Balance in Year	185,904		
Closing Usable Reserves Balance 31 March 2018	**(41,846)**		

8. Adjustments between Accounting Basis and Funding Basis under Regulation

	Usable Reserves £	Unusable Reserves £	Total Reserves £
Capital Adjustment Account - Grants and Contributions	(12,308,359)	12,308,359	0
Total	**(12,308,359)**	**12,308,359**	**0**

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 2018/19 is detailed in note 6.

Related Party Transactions	Revenue	Capital	2018/2019 £
	£	£	
Blaenau Gwent CBC	(46,574)	(568,613)	(615,187)
Bridgend CBC	(95,160)	(1,161,789)	(1,256,948)
Caerphilly CBC	(120,657)	(1,473,077)	(1,593,734)
Cardiff Council	(239,192)	(2,920,254)	(3,159,446)
Merthyr Tydfil CBC	(39,730)	(485,052)	(524,781)
Monmouthshire County Council	(61,932)	(756,113)	(818,044)
Newport City Council	(98,962)	(1,208,206)	(1,307,167)
Rhondda Cynon Taf CBC	(158,996)	(1,941,147)	(2,100,142)
Torfaen CBC	(61,503)	(750,880)	(812,383)
Vale of Glamorgan Council	(85,449)	(1,043,232)	(1,128,681)
Total	**(1,008,154)**	**(12,308,359)**	**(13,316,513)**

For Comparison - Related Party Transactions 2017/18	Revenue	Capital	2017/2018
	£	£	£
Blaenau Gwent CBC	(35,524)	(1,118,438)	(1,153,962)
Bridgend CBC	(73,364)	(2,285,187)	(2,358,551)
Caerphilly CBC	(92,670)	(2,897,478)	(2,990,148)
Cardiff Council	(183,023)	(5,744,007)	(5,927,030)
Merthyr Tydfil CBC	(30,118)	(954,075)	(984,193)
Monmouthshire County Council	(47,107)	(1,487,240)	(1,534,347)
Newport City Council	(75,681)	(2,376,487)	(2,452,168)
Rhondda Cynon Taf CBC	(122,016)	(3,818,150)	(3,940,166)
Torfaen CBC	(47,107)	(1,476,948)	(1,524,055)
Vale of Glamorgan Council	(65,641)	(2,051,991)	(2,117,632)
Total	**(772,251)**	**(24,210,000)**	**(24,982,251)**

10. External Audit Costs

2017/2018 £	External Audit Costs	2018/2019 £
10,469	Joint Committee Financial Audit	12,110
55,000	2017/18 Review of Arrangements that supported the CSC Foundry Ltd Investment Decision	0
14,966	Joint Committee Performance Audit	14,791
80,435	**Total**	**26,901**

11. Debtors

31st March 2018 £	Debtors	31st March 2019 £
0	Other Local Authorities	33,114
3,019	Other Entities and Individuals	0
3,019	**Total**	**33,114**

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.

While the balances held by Cardiff Council generate interest income which is recognised in the Comprehensive Income and Expenditure Statement, investment decisions are made by Cardiff Council in-line with its treasury management strategy and are Cardiff Council investments and as such are accounted for within Cardiff Council's Statement of Accounts

Therefore, in practical terms, the amount of £29,720,199 shown as Cash and Cash Equivalents in the Balance Sheet contains all monies held with Cardiff Council including investments made using these monies and represents the inter-authority cash held by the Accountable Body on behalf of the Joint Committee and immediately available for the Joint Committee's use.

31st March 2018 £	Cash and Cash Equivalents	31st March 2019 £
19,667,536	Cardiff Council Inter-Co Cash	29,720,199
19,667,536	**Total**	**29,720,199**

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 funds 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 and £12.46 million 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.

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, with this position being unchanged following the implementation of the requirements of IFRS 9 Financial Instruments.

31st March 2018		Financial Instruments	31st March 2019	
Carrying Amount £	Fair Value £		Carrying Amount £	Fair Value £
19,667,536	19,667,536	Cash and Cash Equivalents	29,720,199	29,720,199
24,660,000	24,660,000	Loan to CSC Foundry Ltd	37,118,359	37,118,359
44,327,536	**44,327,536**	**Total**	**66,838,558**	**66,838,558**

Financial Instrument Gains/Losses

Interest amounting to £110,943 (2017/18: £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 2018/19, 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 City Deal 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

Short Term £	Long Term £	31st March 2018 £	Creditors	Short Term £	Long Term £	31st March 2019 £
1,889,835	17,951,150	19,840,985	Central Government Bodies	1,751,181	27,923,108	29,674,289
74,979	0	74,979	Other Local Authorities	221,715	0	221,715
0	0	0	Public Corporations and Trading Funds	196	0	196
162,744	0	162,744	Other Entities and Individuals	248,119	0	248,119
2,127,558	**17,951,150**	**20,078,709**	**Total**	**2,221,211**	**27,923,108**	**30,144,319**

15. Usable Reserves

2017/2018 £	Usable Reserves	2018/2019 £
227,749	**Balance as at 1 April**	41,846
	Movements during year:	
0	Surplus on Provision of Services	167,148
(185,903)	Financing of Expenditure	0
41,846	**Balance as at 31st March**	**208,994**

The Usable Reserves Balance of £208,994 held as at 31st March 2019 is comprised of £123,499 in 'General Reserves' and £85,495 in specific 'Earmarked Reserves'.

16. Notes to the Cash Flow Statement

2017/2018 £	Operating Activities	2018/2019 £
78,419	Increase / (Decrease) in Creditors	243,652
(3,019)	(Increase) / Decrease in Debtors	(30,096)
(24,210,000)	Capital grants / contributions recognised in I&E	(12,308,359)
(156,350)	Revenue grants / contributions recognised in I&E	(178,042)
(24,290,950)	**Adjustments to net surplus or deficit on the provision of services for non-cash movements**	**(12,272,845)**

2017/2018 £	Investing Activities	2018/2019 £
24,210,000	Capital Loan	12,308,359
450,000	Revenue Loan	150,000
24,660,000	**Adjustments to net surplus or deficit on the provision of services for investing activities**	**12,458,359**

2017/2018 £	Financing Activities	2018/2019 £
(20,000,000)	HMT Grant received	(10,000,000)
(24,210,000)	Capital contribution received	(12,308,359)
(44,210,000)	**Adjustments to net surplus or deficit on the provision of services for financing activities**	**(22,308,359)**

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.

2017/2018 £	Capital Adjustment Account	2018/2019 £
0	**Balance as at 1st April**	**24,210,000**
	Capital financing applied in the year:	
24,210,000	Grants and contributions	12,308,359
24,210,00	**Balance as at 31st March**	**36,518,359**

18. Interest

Interest amounting to £110,943 (2017/18: £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 2018/19 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).

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 Tredomen Innovation & Technology Centre, Tredomen Park, Ystrad Mynach, Hengoed, Wales CF82 7FN. 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 9.1.2.6 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 18 to 21.

Group Comprehensive Income and Expenditure Statement for the year ended 31st March 2019

2017/2018 £		Notes	2018/2019 £
	Cost of Services		
501,879	Staff Costs	19	481,708
19,044	Premises	20	15,738
2,614	Transport	21	24,380
373,053	Supplies & Services	22	442,795
354,016	Support Services	23	289,482
1,250,606	**Operating Expenditure**		**1,254,103**
(772,251)	Contributions from Local Authorities	25	(1,038,154)
(156,350)	Grant Income	25	(178,042)
(1,976,165)	Fees and Charges	25	(2,992,947)
(2,904,766)	**Operating Income**		**(4,209,143)**
(1,654,160)	**Net Cost of Services**		**(2,995,040)**
(17,574)	Interest & Investment Income	35	(112,211)
(17,574)	**Financing & Investment Income & Expenditure**		**(112,211)**
(24,210,000)	Recognised Capital Grants & Contributions	34	(12,308,359)
353,000	Corporation Tax	24	551,020
(23,857,000)	**Taxation and Non Specific Grant Income**		**(11,757,339)**
(25,528,734)	**(Surplus) / Deficit on Provision of Services**		**(14,824,590)**
0	Other Comprehensive Income & Expenditure		0
(25,528,734)	**Total Comprehensive Income & Expenditure**		**(14,824,590)**

Group Movement in Reserves Statement 2018/19

Movements in Reserves	General Fund Balance £	General Fund Earmarked Reserves £	Total Usable Reserves £	Unusable Reserves £	Total Reserves £
Balance at 31st March 2018 Carried Forward	**1,546,483**	**0**	**1,546,483**	**24,210,010**	**25,756,493**
Movements in Reserves During 2018/19					
Surplus / (Deficit) on the Income and Expenditure Account	14,824,592	0	14,824,592	0	**14,824,592**
Total Comprehensive Income and Expenditure	**14,824,592**	**0**	**14,824,592**	**0**	**14,824,592**
Adjustments between Accounting Basis and Funding Basis	(12,308,359)		(12,308,359)	12,308,359	**0**
Called up Share Capital	0	0	0	0	**0**
Net Increase/(Decrease) before Transfers to/(from) Earmarked Reserves	**2,516,233**	**0**	**2,516,233**	**12,308,359**	**14,824,592**
Transfers to/(from) Earmarked Reserves	**(85,495)**	**85,495**	**0**	**0**	**0**
Increase/(Decrease in Year)	**2,430,738**	**85,495**	**2,516,233**	**12,308,359**	**14,824,592**
Balance at 31st March 2019	**3,977,221**	**85,495**	**4,062,716**	**36,518,369**	**40,581,085**
Balance at 31st March 2017 Carried Forward	**227,749**	**0**	**227,749**	**0**	**227,749**
Movements in Reserves During 2017/18					
Surplus / (Deficit) on the Income and Expenditure Account	25,528,734	0	25,528,734	0	**25,528,734**
Total Comprehensive Income and Expenditure	**25,528,734**	**0**	**25,528,734**	**0**	**25,528,734**
Adjustments between Accounting Basis and Funding Basis	(24,210,000)	0	(24,210,000)	24,210,000	**0**
Called up Share Capital	0	0	0	10	**10**
Net Increase/(Decrease) before Transfers to/(from) Earmarked Reserves	**1,318,734**	**0**	**1,318,734**	**24,210,010**	**25,528,744**
Transfers to/(from) Earmarked Reserves	**0**	**0**	**0**	**0**	**0**
Increase/(Decrease in Year)	**1,318,734**	**0**	**1,318,734**	**24,210,010**	**25,528,744**
Balance at 31st March 2018	**1,546,483**	**0**	**1,546,483**	**24,210,010**	**25,756,493**

Group Balance Sheet as at 31st March 2019

31st March 2018 £		Notes	31st March 2019 £
20,388,315	Assets Under Construction		35,535,812
1,976,165	Long Term Debtors - Revenue	28	4,969,112
0	Long Term Debtors - Capital		0
22,364,480	**Long Term Assets**		**40,504,924**
1,564,868	Short Term Debtors	28	408,330
25,205,099	Cash & Cash Equivalents	29	33,349,522
26,769,967	**Current Assets**		**33,757,852**
(2,737,236)	Short Term Creditors	31	(2,337,692)
(2,737,236)	**Current Liabilities**		**(2,337,692)**
(20,287,718)	Long Term Creditors	31	(30,439,979)
(353,000)	Provision for Liabilities	24	(904,020)
(20,640,718)	**Long Term Liabilities**		**(31,343,999)**
25,756,493	**Net Assets**		**40,581,085**
41,846	Usable Reserves	32	208,994
10	Called up Share Capital		10
1,504,637	Profit and Loss Account		3,853,722
24,210,000	Capital Adjustment Account	34	36,518,359
25,756,493	**Total Reserves**		**40,581,085**

Group Cash Flow Statement 2018/19

2017/2018 £		Notes	2018/2019 £
(25,860,206)	Net (Surplus) / Deficit on the provision of services		(14,824,591)
24,861,191	Adjust net surplus or deficit on the provision of services for non-cash movements	33	13,841,031
(999,015)	**Net cash flows from operating activities**		**(983,560)**
20,388,315	Investing activities	33	15,147,497
(44,210,010)	Financing activities	33	(22,308,359)
(24,820,710)	**Net (increase) / decrease in cash and cash equivalents**		**(8,144,422)**
(384,389)	Cash and cash equivalents at the beginning of the reporting period		(25,205,100)
(25,205,099)	**Cash balance as at 31st March**		**(33,349,522)**

Notes to the Core Group Financial Statements

19. Remuneration

2017/2018 £	Remuneration	Joint Committee £	CSC Foundry Ltd £	2018/2019 £
501,879	Remuneration	435,935	45,773	481,708
501,879	**Total**	**435,935**	**45,773**	**481,708**

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	
£	2017/18	2018/19
70,000 – 74,999	0	1
95,000 - 99,999	1	0

2017/18 Total Remuneration including Pension Contributions £	Senior Employee Post Title	Salary, fees and allowances £	Employers Pension Contributions £	Total £	Notes
119,889	Programme Director	33,000	7,293	40,293	Post vacated July 2018. Annualised salary £99,000
0	City Deal Director	74,885	16,550	91,435	Post commenced August 2018. Annualised salary £111,447

20. Premises Costs

The following table analyses Premises expenditure for the year.

2017/2018 £	Premises Costs	Joint Committee £	CSC Foundry Ltd £	2018/2019 £
13,274	Rents	12,430	0	12,430
5,611	National Non Domestic Rates	3,288	0	3,288
159	Other Premises Related Expenditure	20	0	20
19,044	**Total**	**15,738**	**0**	**15,738**

21. Transport Costs

The following table analyses Transport expenditure for the year.

2017/2018 £	Transport Costs	Joint Committee £	CSC Foundry Ltd £	2018/2019 £
1,442	Car Allowances	2,004	0	2,004
1,172	Travel Expenses	22,376	0	22,376
2,614	**Total**	**24,380**	**0**	**24,380**

22. Supplies and Services

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

2017/2018 £	Supplies and Services	Joint Committee £	CSC Foundry Ltd £	2018/2019 £
21,804	ICT, Telephones, Printing & Software	11,417	0	11,417
22,395	Meeting Room Hire & Other Meeting Costs	8,389	0	8,389
83,872	Marketing, Branding & Communications	93,368	0	93,368
238,225	* Programme Development & Support	249,790	0	249,790
6,757	Other Supplies & Services Costs	53,242	26,589	79,831
373,053	**Total**	**416,206**	**26,589**	**442,795**

* 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.

2017/2018 £	Support Service Costs	Joint Committee £	CSC Foundry Ltd £	2018/2019 £
28,524	HR People Services	14,540	0	14,540
142,735	Accountancy Support	134,137	15,000	149,137
2,050	Exchequer, Internal Audit & Insurance	3,070	0	3,070
75,038	Legal & Governance Support	75,213	0	75,213
9,834	ICT, Information & Governance	7,963	0	7,963
83,435	External Audit (Inc. Technical Advice)	32,809	6,750	39,559
12,400	External Advice & Support	0	0	0
354,016	**Total**	**267,732**	**21,750**	**289,482**

24. Corporation Tax

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.

2017/2018 £	Provisions	Joint Committee £	CSC Foundry Ltd £	2018/2019 £
353,000	Deferred Tax – Accelerated Capital Allowances	0	904,020	904,020
353,000	**Total**	**0**	**904,020**	**904,020**

25. Income

The following table analyses Income accounted for during the year.

2017/2018 £	Income	Joint Committee £	CSC Foundry Ltd £	2018/2019 £
(772,251)	Contributions from Local Authorities	(1,038,154)	0	(1,038,154)
(156,350)	Grant Income	(178,042)	0	(178,042)
(1,976,165)	Fees and Charges	0	(2,992,947)	(2,992,947)
(2,904,766)	**Total**	**(1,258,042)**	**(2,992,947)**	**(4,209,143)**

26. Related Parties

2017/2018 £	Related Party Transactions	Joint Committee £	CSC Foundry Ltd £	2018/2019 £
(1,153,961)	Blaenau Gwent CBC	(615,187)	0	(615,187)
(2,358,551)	Bridgend CBC	(1,256,948)	0	(1,256,948)
(2,990,148)	Caerphilly CBC	(1,593,734)	0	(1,593,734)
(5,927,029)	Cardiff Council	(3,159,444)	0	(3,159,444)
(984,193)	Merthyr Tydfil CBC	(524,781)	0	(524,781)
(1,534,348)	Monmouthshire County Council	(818,044)	0	(818,044)
(2,452,168)	Newport City Council	(1,307,167)	0	(1,307,167)
(3,940,165)	Rhondda Cynon Taf CBC	(2,130,142)	0	(2,130,142)
(1,524,055)	Torfaen CBC	(812,383)	0	(812,383)
(2,117,633)	Vale of Glamorgan Council	(1,128,681)	0	(1,128,681)
(24,982,251)	**Total**	**(13,346,511)**	**0**	**(13,346,511)**

27. External Audit Costs

2017/2018 £	External Audit Costs	Joint Committee £	CSC Foundry Ltd £	2018/2019 £
10,469	Joint Committee Financial Audit	12,110	0	12,110
14,966	Joint Committee Performance Audit	14,791	0	14,791
55,000	2017/18 Review of Arrangements that supported the CSC Foundry Ltd Investment Decision	0	0	0
3,000	CSC Foundry Ltd Audit of Accounts	0	6,750	6,750
83,435	**Total**	**26,901**	**6,750**	**33,651**

28. Debtors

31st March 2018 £	Debtors	Joint Committee £	CSC Foundry Ltd £	Total 31st March 2019 £
0	Other Local Authorities	33,114	0	33,114
3,541,033	Other Entities and Individuals	0	5,344,328	5,344,328
3,541,033	**Total**	**33,114**	**5,344,328**	**5,377,442**

Debtors – Long and Short Term	Short Term £	Long Term £	Total 31st March 2019 £
Central Government Bodies	0	0	0
Other Local Authorities	33,114	0	33,114
Other Entities and Individuals	375,216	4,969,112	5,344,328
Total	**408,330**	**4,969,112**	**5,377,442**

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 £33,349,522 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.

31st March 2018 £	Cash and Cash Equivalents	Joint Committee £	CSC Foundry Ltd £	Total 31st March 2019 £
5,537,363	Bank	0	3,629,323	3,629,323
19,667,536	Cardiff Council Inter-Co Cash	29,720,199	0	29,720,199
25,205,099	**Total**	**29,720,199**	**3,629,323**	**33,349,522**

30. Financial Instruments

In addition to the Financial Assets of the Joint Committee, CSC Foundry Ltd. holds Cash and Cash Equivalents amounting to £3,629,323. 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.

31st March 2018		Financial Instruments	31st March 2019	
Carrying Amount £	Fair Value £		Carrying Amount £	Fair Value £
25,205,099	25,205,099	Cash and Cash Equivalents	33,349,522	33,349,522
0	0	Loan to CSC Foundry Ltd	0	0
25,205,099	**25,205,099**	**Total**	**33,349,522**	**33,349,522**

Financial Instrument Gains/Losses

Net interest of £112,211 (2017/18: £17,574).has been earned on balances held as stated in Note 35, 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

31st March 2018 £	Creditors	Joint Committee £	CSC Foundry Ltd £	Total 31st March 2019 £
19,509,513	Central Government Bodies	29,674,289	0	29,674,289
71,960	Other Local Authorities	221,715	0	221,715
0	Public Corporations and Trading Funds	196	0	196
3,112,009	Other Entities and Individuals	248,119	2,633,352	2,881,471
22,693,482	**Total**	**30,144,319**	**2,633,352**	**32,777,671**

Creditors – Long and Short Term	Short Term £	Long Term £	Total 31st March 2019 £
Central Government Bodies	1,751,181	27,923,108	29,674,289
Other Local Authorities	221,715	0	221,715
Public Corporations and Trading Funds	196	0	196
Other Entities and Individuals	364,600	2,516,871	2,881,471
Total	**2,337,692**	**30,439,979**	**32,777,671**

32. Usable Reserves

2017/2018 £	Usable Reserves	2018/2019 £
227,749	**Balance as at 1 April**	1,546,483
	Movements during year:	
(185,903)	Financing of Expenditure	0
1,504,637	Surplus on Provision of Services	2,516,233
1,546,483	**Balance as at 31st March**	**4,062,716**

33. Notes to the Cash Flow Statement

2017/2018 £	Operating Activities	2018/2019 £
3,380,683	Increase / (Decrease) in Creditors	478,760
(3,544,052)	(Increase) / Decrease in Debtors	(1,833,390)
(24,210,000)	Capital grants / contributions recognised in I&E	(12,308,359)
(450,000)	Revenue grants / contributions recognised in I&E	(178,042)
(24,861,191)	**Adjustments to net surplus or deficit on the provision of services for non-cash movements**	**(13,841,031)**

2017/2018 £	Investing Activities	2018/2019 £
0	Capital Loan	0
0	Revenue Loan	0
20,388,315	Purchases of property, plant and equipment	15,147,497
20,388,315	**Adjustments to net surplus or deficit on the provision of services for investing activities**	**15,147,497**

2017/2018 £	Financing Activities	2018/2019 £
(20,000,000)	HMT Grant received	(10,000,000)
(24,210,010)	Capital contribution received	(12,308,359)
(44,210,010)	**Adjustments to net surplus or deficit on the provision of services for financing activities**	**(22,308,359)**

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.

2017/2018 £	Capital Adjustment Account	2018/2019 £
0	**Balance as at 1st April**	**24,210,000**
	Capital financing applied in the year:	
24,210,000	Grants and contributions	12,308,359
24,210,000	**Balance as at 31st March**	**36,518,359**

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 2018/19 this amounted to £112,211 (Joint Committee £110,943 and CSC Foundry Ltd, £1,268). In 2017/18 this was £17,574 (Joint Committee £16,864 and CSC Foundry Ltd, net £710).

2018/19 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 which comprises one elected member representative from each of 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 £495 million 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, Background and Developments

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.

<u>Background</u>

As set-out above, 2017-18 represented CCRCD's first full year of operation and therefore, some of the governance arrangements referred to within the inaugural Annual Governance Statement (AGS) were developed and introduced at various points during that year.

The AGS concluded that, whilst arrangements that were in place as at 31st March 2018 generally provided strong assurance that the principles of CIPFA's Delivering Good Governance Framework are being met, it was acknowledged that not all of these arrangements had been in place throughout the year.

It was also recognised that as future investment decisions are made and as the operating arrangements of CCRCD embed, the effectiveness of these arrangements would need to be closely monitored and reviewed. The City Deal Director made the following statement to provide the appropriate context to the work completed as part of the inaugural AGS:

"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."

Key Developments during 2018-19

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

The approval of the Annual Business Plan (ABP) translates the 5yr JWA Business Plan into a tangible Work Programme for each financial year. A new format has been adopted in 2018/19 for quarterly performance reporting against the ABP, which provides the mechanism for monitoring progress against the agreed Work Programme throughout the year.

The approval of the Regional Industrial & Economic Plan during the year represents a major step forward, allowing the City Deal vision and its intended outcomes to be communicated to citizens and services users in the Region. The plan offers a clear sense of direction, has been shaped by industry and business and is underpinned by an up-to-date evidence base - Sectoral Analysis, commissioned in 2018/19.

The approval and launch of the Investment & Intervention Framework (IIF) and accompanying Prospectus will build on the work done to-date, in terms of planning, evaluating and delivering future projects. This will assist with designing outcomes with service users and the wider business community in mind. A key aspect of this work will be the need to undertake further work around addressing 'Economic Inclusion' in the region and assessing how to evaluate this against purely commercial targets to ensure that it meets Joint Committee members' political aspirations for their communities.

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 CCRCD 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. 2018-19 AGS Assessment Process

It was important that the starting point for the 2018-19 AGS assessment recognised and built on the work completed as part last year's AGS. In this regard, the Quarter 4 Performance Report outlines the status of the Action Plan agreed in 2017-18, including the actions arising from the 'Status Review' exercise completed at the half-way point in 2018-19.

Another central component to the AGS assessment is the inclusion and recognition of 'Other Cardiff Capital Region City Deal Governance Related Work', as detailed in section 5 below.

1. The following officers with key governance responsibilities reported the extent of assurance they could provide in their capacity against the 20 good practice assurance statements.

- Chair of the Chief Executive Group;
- City Deal Director;
- Joint Committee Section 151 Officer;
- Joint Committee Monitoring Officer.

2. Each officer was provided with details of 2017-18 AGS and the positon against the Action Plan as at Qtr 4. Officers documented the extent of assurance that could be provided against the 20 statements outlined in CIPFA's 'Delivering Good Governance Framework', recognising that the Joint Committee was still in a relatively early stage of its development. Furthermore, officers considered the key developments (outlined above), recognising that some of these were in a state of transition.

3. The responses aimed to identify the level of assurance that could be provided, using an updated RAG system, which has been expanded to allow 5 categories of ratings to be applied, as opposed to the 3 used in the previous year. The ratings can be summarised as follows:

   - **GREEN** - Indicates a STRONG level of assurance;

   - **GREEN/AMBER** – Indicates STRONG/MODERATE level of assurance, but indicates the need to consider whether further controls could be put in place to strengthen the level of assurance;

   - **AMBER** – Indicates a MODERATE level of assurance, which is considered to be satisfactory, but recognises that further controls need to be put into place to strengthen the level of assurance and identifies the required action/s that need be taken;

   - **AMBER/RED** - Indicates MODERATE/LIMITED level of assurance and could become a 'significant governance issue', unless it is addressed as a matter of priority through an agreed action/s.

   - **RED** - Indicates a LIMITED level of assurance i.e. 'significant governance issue identified', which needs to be formally recognised and addressed through an agreed action as a matter of priority.

4. 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.

5. To ensure ownership, the Action Plan identifies the following details in respect of each action:

   - Action owner;
   - Target date for completion;
   - Mechanisms and frequency to review progress.

6. Prior to its inclusion in the unaudited Statement of Accounts, the timetable allowed the opportunity for the draft Annual Governance Statement process and outputs to be discussed with the Joint Committee (Regional Cabinet), with all appropriate comments reflected within the final unaudited statement.

5. Other Cardiff Capital Region City Deal Governance Related Work

In addition to the specific governance assessment process outlined above, a number of other governance related reviews have been undertaken since the Joint Committee's inception. This work and its findings serve to supplement and strengthen overall AGS assessment.

Internal Audit

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 rolling audit plan has been prepared, initially 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. Therefore, 2018/19 represents the second year of internal audit work, with the following audit being undertaken:

Report 1. CCRCD Internal Audit Report 2018/19

Commenced: February 2019
Report Issued: March 2019

Audit Objectives:

1. Provide assurance that there is adequate reporting of project's performance arrangements in place as part of the governance structure;
2. Verify financial management provisions for the evaluation and approval of funds released to projects;
3. Review internal controls and processes surrounding income collection and debt management process.

An audit opinion of 'Effective' was issued and no recommendations were identified.

External Audit

The Auditor General for Wales (supported by staff of the Wales Audit Office), as the Accountable Body's auditor, is responsible for the external audit of the CCRCD Joint Committee.

An Annual Audit Plan is prepared and agreed with the Joint Committee, with 2018/19 also representing the second year of external audit work. In addition to financial audit work, the following performance audits were also undertaken:

Report 1. 'Review of Arrangements that supported the CCRCD's First Investment Decision'

Commenced: February 2018
Report Issued: December 2018

The Joint Committee formally considered the report at its meeting of the 18th February 2019 and in the spirit of openness and transparency, the full WAO report has been placed, un-redacted within the public domain and can be accessed via the hyperlink below.

https://www.cardiffcapitalregion.wales/wp-content/uploads/2019/01/item-11-welsh-audit-review.pdf

The AGS assessment process (Assurance Statements 2, 3, 7, 8 & 16), seeks to provide an initial response to the '8 lessons arising', which are outlined in the report. The 2019/20 Work Programme captures the requirement to formally address the findings of the report and will be the mechanism used to ensure that any residual matters are covered off in full.

Report 2. 'Review of Governance Arrangements CCRCD'

Commenced: August 2018
Report Issued: May 2019

This report was the result of a review undertaken to determine whether the City Deal's governance and accountability arrangements support robust, transparent and effective decision making. It found that these are at a formative stage and the indications are that they will support robust and effective decision making, but scope remains to improve transparency.

The AGS assessment process also seeks to recognise the findings of the second WAO report and outline measures for improvement going forward. This second report was finalised in May 2019 and the AGS and appendices have been updated to capture the findings, Proposal for Improvements (PFI) and the Joint Committee's formal response to these matters. The Joint Committee and WAO reports can be accessed via the hyperlink below.

https://www.cardiffcapitalregion.wales/wp-content/uploads/2019/07/item-5-wao-audit-report-all-papers.pdf

6. Assurance Summary

The AGS 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.

Building on the comments included in the inaugural AGS, the City Deal Director has provided the following statement in respect of the work completed during 2018/19:

"Significant progress has been made in 2018/19, both in respect of developing and embedding strong foundations for process, governance and accountability and programme and project inception and delivery. Much of this has already been referenced in the AGS, but I would particularly draw attention to the following important developments:

- *The development of an evidence base and good data through the 'State of the Region' sectoral analysis, performed by Cardiff University. This work continues with a deeper insight into place and economic inclusion issues and will be supported by securing PhD KESS studentships in data science. This is important in developing self-awareness and ensuring that City Deal has its own mechanisms in place to develop economic baselines and demonstrates points of comparison and progress – so key to the Gateway Review*

- *This has converted into a business-led approach to shaping and publishing an Industrial and Economic Growth Plan which sets out clearly, the key priorities and sectors that will enable sustainable and resilient growth in line with core objectives and targets.*

- *In turn, this has supported the development of a key aspect of the Assurance Framework – the Investment and Intervention Framework – a clear, rigorous and robust approach to the in-depth assessment and appraisal of investment propositions. This new framework will enhance and clarify governance arrangements, including the establishment of a new Investment Panel, investment guidelines and manual and the inclusion of experts from both the public and private sectors.*

- *New principles have been developed, supported and embedded into this framework in order to ensure the City Deal evolves and adapts to the changes in the wider policy, economic and environmental landscape. These include ensuring our investment fund remains 'evergreen', can lever co-investment, be more focussed on complex problem solving (challenge-led) and place-sensitive. These principles have informed criteria for investment assessment and feed directly into the high level targets and goals set by UK Government in respect of leverage, GVA uplift and jobs creation.*

- *This work has been captured by SQW [Ltd], the UK Government's consultants on the Gateway Review. It has informed all baseline reports and economic forecasts. In December 2018 the Cardiff Capital Region (CCR) was the first region in Cohort 2 approved City Regions/ Deals to have an agreed local evaluation framework.*

- *In addition to these key governance enhancements and developments, project delivery has been accelerated in line and in keeping with the new principles and ways of working established in the above frameworks, plans and projects. This has included continued effective delivery of the CSC*

Foundry Project; an award of seed funding for Strength in Places Fund; development and operationalisation of the CCR Graduate Scheme; inception of Metro Plus and a successful first stage application to WEFO on the Public Services Testbed concept.

- *Joint Scrutiny arrangements were implemented in 2018/19, with 3 meetings taking place during the year. A work programme has been developed (which was a matter for the Joint Scrutiny committee to determine) and the City Deal Office worked with the Lead Authority (Bridgend County Borough Council) to reach a common understanding in respect of 'Roles and Responsibilities' and to manage expectations on all sides.*

  To facilitate scrutiny, the City Deal Office has provided Joint Scrutiny members with information on City Deal projects and City Deal arrangements, as requested. The CCR Joint Cabinet Chair, Vice Chair and Director have attended meetings to answer queries and questions, where requested to do so. The Joint Scrutiny committee sets its own training programme.

This all represents the strengthening of foundations and ensuring we are creating the right conditions for growth, development and inclusion. I fully expect to see these further embedded as progress continues to be made and to ensuring we take care to translate strong process, to even better outcomes."

7. Summary of Findings

As a result of the assessment process undertaken, it has been concluded that Strong to Strong/Moderate assurance can be provided against 15 of the 20 good practice assurance statements. 4 assurance statements were categorised as providing Moderate assurance, whilst Assurance Statement 4 has been categorised as Moderate/Limited assurance.

There were no 'significant governance issues identified' in respect of the 20 good practice assurance statements.

The details of each of the 20 good practice assurance statements are summarised in Table 1 below, with the full consolidated responses set-out within Appendices 1(i) to 1(iv).

Table 1. - Summary of 2018/19 Assurance Ratings

Rating	Total	Assurance Statement No.	Full Details
Strong	**9**	**5, 6, 10, 11, 12, 15, 17, 18 & 19**	**Appendix 1(i)**
Strong/Moderate	**6**	**3, 7, 8, 9, 16 & 20**	**Appendix 1(ii)**
Moderate	**4**	**1, 2, 13 & 14**	**Appendix 1(iii)**
Moderate/Limited	**1**	**4**	**Appendix 1(iv)**
Limited	**0**	**n/a**	**n/a**

8. Conclusions & Next Steps

a) The assessment process identified that Strong assurance can be provided for 9 of the 20 good practice assurance statements. These areas will be subject to 'ongoing review' by officers to ensure that the high standards continue to remain in place going forward.

b) Assurance Statement 16 (Strong/Moderate), does not have a specific action against it at this time. However, in-line with the above, the Joint Scrutiny arrangements that have been put in place will also be subject to an 'ongoing review' in order to gain 'Strong' assurance over time that arrangements are effective.

c) The AGS assessment process identified actions in respect of the remaining 10 good practice statements in order to further strengthen the level of assurance that can be provided going forward.

The actions have been captured as part of two separate (but related) processes going forward.

The AGS Action Plan (Appendix 1(v), captures 3 of the 10 actions, with a responsible officer, review period and mechanism for review being identified in respect of each action.

In respect of the remaining 7 actions, it is noted that these have already been captured as part of the 2019/20 Annual Business Plan Work Programme. Therefore, to avoid duplication, progress against these actions will be monitored through the existing

quarterly performance reporting arrangements. For completeness, these 7 actions are detailed at Appendix 1(vi).

d) Finally, 'Other Governance Related Work' has been undertaken during the year and reports have been issued. The Joint Committee has formally considered and responded to the findings contained within these reports, and any actions arising have been documented.

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

_____ _____

Cllr Andrew Morgan **Date**

_____ _____

Kellie Beirne **Date**

Appendix 1(i): AGS Assurance Rating - Strong

	STRONG ASSURANCE		
	Assurance Statement	**Consolidated Response**	**Suggested Action**
5	**We have developed and communicated a vision, which specifies intended outcomes for citizens and service users, which is used as a basis for planning.**	*5 yr Joint Working Agreement (JWA) Business Plan agreed by Regional Cabinet and adopted by all 10 Councils in March 2018 and sets vision, aims & objectives.* *The approval of the Annual Business Plan translates the 5yr JWA Business Plan into a tangible Work Programme each financial year. New format adopted in 2018/19 for Quarterly Performance Reporting against the Annual Work Programme which provides the mechanism for monitoring progress against the agreed Work Programme throughout the year.* *The approved Regional Industrial & Economic Plan is one example of how the City Deal vision and its intended outcomes have been communicated to citizens and services users. The plan offers a clear sense of direction, has been shaped by industry and business and is underpinned by an up-to-date evidence base (Sectoral Analysis commissioned at the end of 2018).* *The approval and launch of the Investment & Intervention Framework and accompanying Prospectus will build on the work done to-date, in terms of planning future projects. This will assist with designing outcomes with service users and the wider business community in mind. A key aspect of this work will be the need to understand how 'Economic Inclusion' will be weighted against purely commercial targets to ensure that it meets Regional Cabinet members' political aspirations for their communities.*	**Subject to ongoing review**
6	**We have translated the vision into courses of action for our function, its partnerships and collaborations.**	*The approval of the Annual Business Plan translates the 5yr JWA Business Plan into a tangible Work Programme for each financial year. A new format has been adopted in 2018/19 for Quarterly Performance Reporting against the annual Work Programme which also provides the mechanism for monitoring progress against the agreed deliverables throughout the year.* *As outlined in Statement 5 - the Regional Industrial & Economic Plan translates the City Deal vision into courses of action for the Joint Committee, its sub-committees, partnerships and advisory boards. The plan offers a clear sense of direction, has been shaped by industry and business and is underpinned by an up-to-date evidence base (Sectoral Analysis commissioned at the end of 2018).*	**Subject to ongoing review**

		The approval and launch of the Investment & Intervention Framework (IIF) and accompanying Prospectus will build on the work done to-date, in terms of planning future projects. The IIF is programmed for approval in Qtr 1 and is to be launched in Qtr 2, therefore, the Green/Amber rating reflects that clear actions have been identified, but are in the process of being implemented. This will be executed with the operationalisation of the IIF and the new governance arrangements that will emerge as a result.	
10	**Our financial management arrangements conform to all relevant legislative and best practice requirements.**	*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 Regional Cabinet at appropriate intervals. Formal financial advice provided on all reports to Regional Cabinet and relevant Sub-Committees. A range of SLAs are in place which outline the financial management support and services that will be provided throughout the year.* *Lead officers provided comment that in their view 'financial management arrangements in respect of CCRCD are strong'.* *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. Issues identified in respect of the timely consolidation of CSC Foundry Ltd's accounts within the Joint Committee's Statement of Accounts for 2017/18 have been addressed by:* 1. *Convening a timely 3 way discussion between Accountable Body, Monmouthshire CC and Wales Audit Office to agree the 2018/19 Closing Timetable;* 2. *Monmouthshire CC agreement to much earlier dates for submitting CSC Foundry's Unaudited and Audited accounts and putting in place the necessary arrangements to allow those dates to be achieved;* 3. *Joint Committee Chair requesting regular updates on actual performance against the agreed Closing Timetable, which provides a timely escalation process in the event there is slippage against the agreed dates.*	**Subject to ongoing review**

11	**We have effective arrangements in place to discharge the monitoring officer function.**	*A Monitoring Officer representative is at all Joint Committee meetings and is able to contact senior staff and raise any concerns. A formal SLA is in place which outlines the support that will be provided to the City Deal Joint Committee, its sub-committees and any advisory partnerships and/or boards.*	**Subject to ongoing review**
12	**We have effective arrangements in place to discharge the head of paid service function.**	*No head of paid service function as the Joint Committee is not a statutory body in its own right. Employees that are seconded from other Local Authorities are subject to their respective Head of Paid Service arrangements. The appointed City Deal Director has overall responsibility for HR/staffing issues in respect of the City Deal Office.*	**Subject to ongoing review**
15	**We ensure effective counter fraud and anti-corruption arrangements are developed and maintained.**	*SLA in place with the Accountable Body's Internal Audit section, which incorporates a 5 year rolling audit plan, based on a risk assessment. As the City Deal activity ramps up the Audit Plan will be developed and updated accordingly. The second City Deal Internal Audit was completed in March 2019, the objectives of which were to:* *1. provide assurance that there is adequate reporting of project's performance arrangements in place as part of the governance structure;* *2. verify financial management provisions for the evaluation and approval of funds released to projects;* *3. review internal controls and processes surrounding income collection and debt management process.* *An audit opinion of 'Effective' was issued and no recommendations were identified.* *The purchasing of goods & services must follow the Accountable Body's policies and procedures and City Deal Office staff, have undergone training and have access to the relevant financial and administrative systems. Clearly identified financial authorisation limits are in place, along with segregation of duties.* *The Accountable Body is introducing mandatory e-learning for Cardiff staff and members on 'effective counter fraud and anti-corruption arrangements'. As City Deal is required to follow the Accountable Body's policies and procedures, the City Deal Director has undertaken to extend this the e-learning to City Deal.*	**City Deal Office to arrange for the completion of Cardiff Council's e-learning on 'effective counter fraud and anti-corruption arrangements'** **(Action 1 – AGS Action Pan)**

		The accounts of CSC Foundry Ltd are externally audited to provide independent assurance and review.	
17	**Our internal audit assurance arrangements conform to Public Sector Internal Audit Standards and relevant best practice.**	*SLA in place with the Accountable Body's Internal Audit section, which incorporates a 5 year rolling audit plan, which is based on an assessment of risk. As the City Deal activity ramps up, the Audit Plan will be developed and updated accordingly as part of the annual SLA process.* *The second Internal Audit was completed in March 2019, with an 'Effective' rating being achieved. The Audit Report did not identify the need for any recommendations at that time.* *The Internal Audit section conforms to Public Sector Internal Audit Standards and relevant best practice. The Accountable Body's Audit Committee meeting of the 27th March 2018 noted the successful completion and endorsement of its 5yr Peer Review by RCT Council*	**Subject to ongoing review**
18	**We have arrangements in place for the delivery of the core functions of an audit committee**.	*There is no statutory requirement for a Joint Committee to have its own audit committee. Regional Cabinet 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 Regional Cabinet 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 a SLA with the Accountable Body's Internal Audit section and through the annual external audit plan.* *No further updates or actions proposed at this time, but a 'watching brief' will be maintained on this matter, particularly as the level of City Deal activity increases. In addition to the points outlined above, this conclusion is further supported in view of:* *1. Quarterly Performance Reports prepared and considered by Regional Cabinet;* *2. Full external audit undertaken on the Joint Committee's accounts and those of its subsidiary;* *3. Joint Scrutiny arrangements in place and operating.*	**Subject to ongoing review**
19	**We provide timely support, information and responses to external auditors and properly**	*An open two-way relationship is maintained with Wales Audit Office (WAO), with regular update meetings taking place throughout the year. WAO have made available a Technical Manager to observe the work of the City Deal Technical Sub-group and to assist with resolving issues as they arise.*	**Subject to ongoing review**

	consider audit findings and recommendations.	*In respect of the 2017/18 accounts, a full ISA260 compliant audit was completed and there were no mis-statements identified in the financial statements that remained uncorrected. The report of the external auditor on the 2017/18 Statement of Accounts acknowledges that timely support, information and responses were provided to its auditors, as part of the audit. Findings and Recommendations relating to the 2017/18 external audit have either been fully implemented or are in the process of being implemented.* *In addition to their financial audit work, WAO published their report on the 'Review of Arrangements that supported the CCR City Deal's First Investment Decision' in December 2018. The report outlines '8 lessons arising' from this first investment.* *The 2019/20 Work Programme (included within the Annual Business Plan) under section 2 (Finance, Governance and Assurance), deliverable 16 states:* *"Identify and act upon any outstanding 'lessons' in the WAO review on Compound Semi-Conductors"* *The target date is Qtr 2 and this AGS seeks to provide an initial response to those outstanding lessons under Assurance Statements 2, 3, 7, 8 & 16. In addition, Regional Cabinet formally considered the report at its meeting of the 18th February 2019. In the spirit of openness and transparency, the full WAO report has been published on the City Deal website and therefore is in the public domain.* *This AGS also seeks to incorporate the findings of WAO's second report – 'Review of Governance Arrangements CCRCD', which was finalised in May 2019.*	

Appendix 1(ii): AGS Assurance Rating – Strong/Moderate

	STRONG/MODERATE ASSURANCE		
	Assurance Statement	**Consolidated Response**	**Suggested Action**
3	**We are committed to openness and acting in the public interest**.	*We comply with Local Government legislation on public meetings and aim is to ensure that decision making meetings are held in compliance with legislation and open to public. Where information is deemed to be confidential, the appropriate tests are applied and suitable disclosures are made on published agendas within the prescribed timescales.* *CCRCD follows the Accountable Body's policies for cabinet papers and related procedures. Minutes of the meetings are recorded and approved at the following meeting, with full publication and availability on the CCRCD website.* *Cabinet agendas and minutes are produced in Welsh as standard and all other reports and items are available in Welsh upon request. This protocol is applied to all policies, strategies, plans and consultation papers etc. as mandated by the regulations. Policies and procedures will be constantly updated to reflect the latest guidance and to ensure there is clarity regarding the services that are available in Welsh and accessibility is clearly visible to all.* *Actions arising from the 2017/18 AGS have been progressed during the year, for example the CCRCD website has been updated and refreshed to provide up to date and relevant information specifically aimed at the public and other key stakeholders.* *The action in respect of the 'Register of Members' Interests' has also been progressed by:* *(1) declaration of interests is a standard item on every agenda and declared interests are recorded;* *(2) the Register of Members' Interests is managed through the 'home' Council for each of the Leaders and as such we are reliant upon the Register being maintained by individual LAs. The Local Government Act 2000 provides at s81 (1) The monitoring officer of each relevant authority must establish and maintain a register of interests of the members and co-opted members of the authority.* *These arrangements extend to the Regional Transport Authority (RTA) as a sub-committee. The view of Cardiff Internal Audit is that they are content with arrangements put in place in covering off their*	**Subject to ongoing review** **To be monitored against Action 9 (Develop Work Programme and Forward Planner) of 2019/20 ABP Work Programme**

		previous recommendation. The Q3 Performance Report provided a comprehensive update on these arrangements. *The pending completion and upcoming launch of the Investment & Intervention Framework and in-light of new projects and proposals coming forward, the City Deal Office (CDO) will be clarifying arrangements about declarations and conflict of interest for elected members and officers. The advisory and consultative bodies (Regional Economic Growth Partnership and the Regional Business Council) are being written to, to seek compliance with the Nolan principles (as expanded in the modal code of conduct) and propose that we maintain an open and published Register of Interests. This is clearly predicated on a voluntary arrangement.* *The 'Upcoming Events' are now fully updated on the website and the intention is to develop a Forward Plan for publication (see Assurance Statement 2).* *As outlined above, actions from the 2017/18 AGS are substantially complete, but it is acknowledged that further consideration is needed in respect of:* *(1) Rotation of meeting locations to assist with accessibility across the region and* *(2) Live webcasting of Regional Cabinet meetings.* *Having considered the above, it was concluded that the trade-off is finding a suitable venue with web cast facilities – as balanced with a location that is publicly accessible. This requirement will be kept under continual review.* *Joint Scrutiny is now in place and operating with an agreed work programme for 2019/20. This role and function is discharged by Bridgend CBC and in future the CDO will ensure replication of all reports and information on the City Deal website.* *WAO published their report on the CSC Foundry investment decision and Regional Cabinet has formally considered the findings and published its response. The 2019/20 Work Programme includes relevant actions in respect of the 8 Lessons Arising from that report, whilst this AGS also seeks to incorporate the findings of WAO's second report – 'Review of Governance Arrangements CCRCD', which was finalised in May 2019.*	

		City Deal will continue to action proposals for improvements. We are committed to openness and acting in the public interest. *Dates of scheduled briefings have been circulated for WAO to consider and initial discussions have taken place as part of the regular liaison meetings between the City Deal Office, Accountable Body and WAO.* *<u>WAO 'Review of Governance Arrangements' Report</u>* *Proposal for Improvement (PFI) 1 states: The CCRCD needs to improve its transparency.* *For example:* • *Ensure agendas, related papers, reports and minutes are published in a timely manner on the CCRCD website for Regional Cabinet, Regional Transport Authority and Joint Scrutiny Committee meetings, subject to the proper withholding of confidential or exempt information;* • *Signpost forthcoming meetings of the Regional Transport Authority and the Joint Scrutiny Committee on the CCRCD website in accordance with them being public meetings;* • *Regional Cabinet needs to ensure there is open challenge and debate in a public domain; and* • *Consider how it can improve public access to its public meetings.* *CCRCD response to PFI 1:* • *Forward work planner now in place with all dates and times of meeting established and set.* • *Action established to ensure all CCRCD Regional Transport Authority & Scrutiny Reports and Agendas are published and available on CCR Website* • *Regional Cabinet holds bi-monthly briefings to facilitate discussion, learning and development on key topics and issues.* • *The City Deal Office has moved to Tredomen and all Cabinet meetings now take place at Tŷ Penallta. This is accessible by public transport and provides a fixed and known location, in order to improve accessibility. Meeting content and decisions are now live-tweeted. Live-steaming arrangements will be put in place in 2019/20.* • *Website is updated and a review of publication processes has been undertaken with a procedure in place for report compilation, sharing and release. A second phase of this process will commence with appointment of a Communications Lead who will further review web operations.*	

		<u>Actions taken to-date / to be taken in respect of PFI 1</u> *For details of actions taken in respect of PFI 1, please see responses provided to* ***Assurance Statement 4.*** *Proposal for Improvement (PFI) 4 states: Clarify arrangements about declarations and conflicts of interests for both members and officers.* *CCRCD response to PFI 4: This PFI has been actioned but will be the subject of ongoing review. The report submitted to Regional Cabinet on the Investment & Intervention (IIF) Cabinet Report (10th June 2019) set out the approach to this issue.* *<u>Actions taken to-date in respect of PFI 4</u>* *PFI 4 has been actioned (as per the three actions listed below), but will be the subject of ongoing review.* *1. The report submitted to Regional Cabinet on the Investment & Intervention (IIF) Cabinet Report (10th June 2019) set out the approach to this issue:* ***<u>"Declarations of Interest</u>*** *39. The development and implementation of the IIF offers a timely opportunity to review and refresh process and practice around Declarations of Interest. In respect of Regional Cabinet, individual members are subject to their authority's respective Code of Conduct for members and declarations of interests are made via the policies and procedures in place with individual Councils. Advice on Declarations of Interest is to be sought from the individual Council's Monitoring Officer. At the start of every Regional Cabinet Meeting, provision is made to declare any interest held in relation to matters that are on the agenda for that meeting and to not take part (leave the meeting) where interests are 'prejudicial'. These same procedures also apply to the Regional Transport Authority as a sub-group of the Regional Cabinet.* *40. For all partnerships that sit within the City Deal governance structure, particularly the Economic Growth Partnership, Declarations of Interest is one of the first items on every agenda with a paragraph to denote the responsibility placed upon the individual to make the necessary disclosures and what this involves – similar to the above process for Regional Cabinet.*	

		41. The City Deal Director will undertake a review of current processes *in conjunction with advice from the Accountable Body Monitoring Officer and will recommend enhancements and reinforcements as and where they are deemed necessary. Beyond proposing that disclosures are up-to-date and published in accordance with individual Council's own guidelines, this will also include re-issuing to members and partnerships alike, guidance from the Public Services Ombudsman for Wales and the enhanced Nolan Principles."* *2. Formal correspondence to Members and Advisory Groups* *On the 5th June 2019, the City Deal Director emailed all Cabinet Members reminding of their duty to comply with their respective authority's code of conduct. At its meeting of 15th July 2019, the REGP agreed that an open digital register of member interests would be published on the CCRCD website. The Terms of Reference for the newly created Investment Panel includes a section, which covers Declarations of Interest.* *3. City Deal Website* *The City Deal website has been updated and now includes links member declarations of interest covering Regional Cabinet, Regional Transport Authority and Joint Scrutiny.* *Further actions will be considered going forward, including the need to put in place the appropriate arrangements in respect of officer interests and other City Deal advisory bodies. In addition, it is noted that consideration be given to updating the JWA to remove the contradiction highlighted and to reflect recent changes.*	
7	**We have mechanisms in place to review the effectiveness of the decision-making framework, including delegation arrangements, decision-making in partnerships, information provided to**	*Completion of the AGS proforma by those responsible for and supporting governance matters, coupled with the process of consulting with the wider Chief Executives' (CEX) group and the resulting Action Plan, demonstrates that a mechanism for reviewing effectiveness is in place.* *Assurance Framework has been accepted by UK & Welsh Government and all investment proposals must comply with the Assurance Framework, whilst the 5yr Gateway Reviews act as a mechanism for challenge and review of decisions made and outcomes achieved. Quarterly liaison meetings with UK and Welsh Government are in place.*	**Subject to ongoing review** **To be monitored against Actions 4 (Investment & Intervention Framework) & 10 (Scheme of Delegations) of the**

	decision makers and robustness of data quality.	*The new Investment and Intervention Framework (IIF) will ensure that there is a clear read-across from the priorities set out in the Industrial Growth Plan and the projects that get selected to enter the IIF. The IIF will firstly perform a filtering or sift process and if deemed 'passable', proposals will be notified to Regional Cabinet as they 'enter' the formal investment assessment process.* *The process for assessment is robust, independent and comprises due diligence and the proportionate application of the five case model. There will be a clear line of sight and reporting into an Investment Panel who can test, challenge and scrutinise progress. Final recommendations on investment proposals will all go to Regional Cabinet for decision making. This report and framework (which has been recognised and highlighted as significant by SQW [Ltd - the UK Government's consultants on the Gateway Review] in our baseline reports and local evaluation framework) was considered by Regional Cabinet at its meeting of the 10th June 2019.* *Work is being progressed to establish a series of measures on the economic and social make-up and performance of the region, as well as a baseline against which future performance can be assessed. This sectoral analysis data will inform the Gateway Review process and facilitate more effective decision making, through a better understanding of the region's strengths, and the opportunities which exist to make strategic interventions that are likely to have the greatest impact. The first draft of the sectoral analysis report was received in January 2019.* *First 'State of the Region' report was published in early 2019/20 and brings together the sectoral analysis work undertaken during the second half of 2018/19 to inform the economic baseline against which future performance can be measured and assessed. REGP to formally consider the report during Qtr 1 of 2019/20. It will be important to ensure continuity of this workstream and provide regular update reports going forward. Bid submitted to pan-Wales programme KESS for PhD student support to assist with continuing this work over the medium term.* *The JWA contains provisions for further delegation of Joint Committee functions to a sub-committee or named officer. Consideration as to whether further delegations are required will be considered as part of the annual Work Programme and will be subject to Regional Cabinet's approval. Senior officers representing the Accountable Body attend key meetings, briefings, workshops etc. in preparation for formal cabinet decision making reports.* *Wales Audit Office report received during 2018/19 in respect of 'Review of Arrangements that Supported the CCRCD First Investment Decision'. The 8 lessons identified are noted and the 2019/20*	**2019/20 ABP Work Programme**

		Work Programme seeks to address any outstanding matters. In this regard, the approval and implementation of the IIF is aimed at making a stepped change in improving further the City Deal decision making framework and associated matters in relation to this Statement. *The WAO report on the CSC Foundry Investment decision has been shared with Internal Audit so they can consider as part of their Audit Plan going forward. The 8 lessons identified in the report are covered as part of this AGS under the appropriate Statements.* *Finally, the Introduction of the Joint Scrutiny function during 18/19 will introduce a further mechanism of decision making review and challenge (see Statement 16).* *Approve IIF and launch and activate and review all relevant delegations. This will include a clear role and input for the REGP, Investment Panel and Programme Board. It also provides the key decision-making gateways for Regional Cabinet. The effectiveness of the IIF will be monitored as it is established and launched during 2019/20, using the following mechanisms:* • *Assessment of how IIF is assisting in meeting the City Deal Targets of Jobs, Leverage, GVA and wider City Deal outcomes;* • *SQW reviews and assessments;* • *Gateway Review (WG and HMT endorsement);* • *Internal and External audit reports* *It is noted that consideration be given to updating the JWA to reflect changes since the document was approved.* *<u>WAO 'Review of Governance Arrangements' Report</u>* *Proposal for Improvement (PFI) 2 states: "CCRCD to consider whether a scheme of delegation will improve existing arrangements to facilitate decision-making."* *CCRCD response to PFI 2: "Target for scheme of delegation changes contained in Annual Business Plan 19/20, implementation by Qtr 3 with early changes brought forward within the approved report on the Investment and Intervention Framework."* *<u>Actions taken to-date / to be taken in respect of PFI 2</u>*	

		This will be addressed as a part of Work Programme Action 10 (see Appendix 1(vi).	
8	**We measure the performance of services and related projects and ensure that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money.**	*City Deal is still in its infancy with only one project fully approved and in delivery stage at this time. As set-out in Statement 7 above, the Intervention & Investment Framework (IIF) requires all projects to go through a formal business case development process and the financial assessment done as part of that process will consider matters such as deliverability, value for money and compliance with funding terms and conditions.* *For example it is understood that business case development will assist by clearly articulating each proposal's 'benefits' and the management case will then clearly set-out the benefits realisation strategy, whilst the monitoring & evaluation arrangements will measure and assess each projects defined outputs and outcomes.* *An appropriate level of resources (capacity and capability) have been identified to support these activities. Regular bi-monthly meetings with UK and Welsh Government, supplemented by the 5 year Gateway Review process adds appropriate challenge and review mechanisms. In that regard, the Regional Industrial & Economic Plan and draft IIF have been recognised and highlighted as significant by SQW in CCRCD's baseline reports and local evaluation framework.* *As stated in Statement 7 above, CCRCD are clear on what needs to be done and have plans in place to deliver against those requirements. Green/Amber rating reflects current transition status.* *Quarterly Performance Reports are presented to Regional Cabinet with provide an update on progress against the Annual Business Plan and Work Programme. In particular, the report covers the position against the:* *1. Balance Scorecard;* *2. City Deal Logic Model agreed with SQW;* *3. AGS Action Plan;* *4. Wider Investment Fund financial position.* *The City Deal Office continually monitors and evaluates the format, relevance and usefulness of the information provided to Regional Cabinet and other stakeholders and seeks to continually develop its reporting mechanisms, where appropriate to do so.*	**Subject to ongoing review** **To be monitored against Action 12 (Complete Wave 1 of the Local Evaluation Framework process and locality review) of the 2019/20 ABP Work Programme**

		<u>WAO 'Review of Arrangements that supported the CCRCD's First Investment Decision' Report</u> *Lesson 7 recommends: A thorough assessment against HMT guidance and adherence to the Assurance Framework and related to matters such as:* *1.14 The City Deal's Assurance Framework is designed to reflect 'Green Book' requirements.* *1.32 As the agreed Assurance Framework was not fully in place, the Programme Board undertook a high-level assessment of the foundry project proposal against the HM Treasury's Five Case Business Model.* *1.37 The Assurance Framework anticipated, and the HM Treasury Green Book advises, separation between project sponsorship and appraisal processes, to safeguard independence.* *<u>Actions taken to-date in respect of Lesson 7:</u>* *Issues in respect of Business Case development for the first Investment decision are addressed through the approval of the IIF, and its subsequent assessment as detailed in responses to Assurance Statement 7 above.*	
9	**We have defined and documented the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the authority and partnership arrangements.**	*The JWA sets out the roles and responsibilities of members and officers including S151 Officer and Monitoring Officer roles. This is supplemented by a range of SLAs which clearly set-out the level of support that will be provided. A governance protocol is also in place as approved by Regional Cabinet.* *The roles and memberships of Theme Leads, Programme Board and the Chief Executive (CEX) groups are changing to reflect the new City Deal direction, so the need for a clear communication protocol is paramount. This is to ensure that those no longer attending meetings are kept informed of discussions and decisions at Leader and CEX level. In addition, as per Statement 4, further work is needed to establish effective communications in respect of the partner Authority and wider partnership arrangements. An internal communication plan has now been agreed and implementation is in progress.* *Other 'Governance Related Work', primarily the work of the Internal Audit function will seek to assess the effectiveness of the current arrangements in place and outline any opportunities for improvement going forward. In addition, dialogue with External Audit will be maintained through regular liaison meetings.*	**Subject to ongoing review** **To be monitored against Action 30 (Develop and deliver the City Deal Communications Plan (internally-facing)) of the 2019/20 ABP Work Programme**

16	**We have an effective scrutiny function in place.**	*Proposals for Regional Joint Scrutiny were accepted by Regional Cabinet in November 2017 with Bridgend CBC undertaking the role of Lead Authority.* *Joint Scrutiny arrangements were implemented in 2018/19, with 3 meetings taking place during the year. A work programme has been developed (which was a matter for the Joint Scrutiny committee to determine) and the City Deal Office worked with the Lead Authority (Bridgend County Borough Council) to reach a common understanding in respect of 'Roles and Responsibilities' and to manage expectations on all sides.* *To facilitate scrutiny, the City Deal Office has provided Joint Scrutiny members with information on City Deal projects and City Deal arrangements, as requested. The CCR Joint Cabinet Chair, Vice Chair and Director have attended meetings to answer queries and questions, where requested to do so.* *The Joint Scrutiny committee sets its own training programme* *<u>WAO 'Review of Governance Arrangements' Report</u>* *Proposal for Improvement (PFI) 5 states: Although we recognise that the Joint Scrutiny Committee is still relatively new, the CCRCD must ensure it fully embraces the important role scrutiny plays in ensuring effective accountability and challenge.* *CCRCD response to PFI 5: Four meetings of the Scrutiny Committee have now been held. A full work programme is in place with focussed themes and priorities.* *<u>Actions taken to-date / to be taken in respect of PFI 5</u>* *See comments above. In addition:*	**Subject to ongoing review**

		1. 'Upcoming Events' section of the City Deal website to include details of all City Deal related activity including Joint Scrutiny meetings, which will be in addition to any existing arrangements put in place by the lead authority (Bridgend CBC). *2. The above arrangements will be extended to cover the publication of Agendas, Minutes, report etc.* *Further actions will be considered going forward, including the appropriateness of the location where meetings are held and suggestions in respect of live webcasting.*	
20	**We incorporate good governance arrangements in our partnerships and other joint working arrangements.**	*Joint Committee governance arrangements are set-out in the JWA and have been approved by all ten partnering Authorities. Depending on the nature of the partnerships and other joint working arrangements, different governance structures are required, but in the main their Terms of Reference are agreed by Cabinet.* *Working arrangements (including good governance) with partnerships and other joint working have been strengthened during 2018/19 as the City Deal begins to mature.* *In particular, partnership working (and mutual understanding of each other's objectives) with the Regional Economic Growth Partnership (REGP), Future Generations Commissioner and the Valleys Task Force have improved during 2018/19. As appropriate, Cabinet reports include an assessment against the Wellbeing of Future Generations requirements and the Investment & Intervention Framework (IIF) also requires all proposals to set-out that they have considered the requirements and how they will contribute to the objectives of the Act.* *Arrangements exist with both Welsh and UK Governments as well as with SQW (HM Treasury's appointed consultants that are leading the work on the Gateway Review).* *Good governance requires clear channels of communication to be established with partnerships and other joint working arrangements and it is recognised that further work is required to build on the work done to-date and respond to any feedback that is received:* *1. A key channel of communication employed by the Cardiff Capital Region is its dedicated website. This has been recently relaunched to improve accessibility and navigation to ensure that the required information can be found quickly. New Marketing & Communications post (once in place) will*	**Subject to ongoing review** **To be monitored against Actions 22 (Regional Business Council support) & 23 (Regional Skills Partnership support) of the 2019/20 ABP Work Programme**

		undertake an audit of the new website to assess the impact of the changes made to to-date and recommend any further areas for improvement. *2. Work ongoing to further develop working relationships and understanding with the Skills Partnership Board and the Regional Business Council (RBC).* *Cross learning between REGP, RBC and Regional Skills Partnership through co-optee arrangements is now in place and operating.* *<u>WAO 'Review of Governance Arrangements' Report</u>* *Proposal for Improvement (PFI) 3 states: "To further consider how the Regional Transport Authority, the Regional Business Council, the Regional Economic Growth Partnership, the Regional Skills Partnership and the Joint Scrutiny Committee collaborate and share information."* *CCRCD response to PFI 3: Informal 'partnership meetings' are currently held. These will now be formalised into a schedule to better facilitate flow and information-sharing. The development of the 'SharePoint' portal will assist with this further.* *<u>Actions to taken to-date / to be taken in respect of PFI 3</u>* *Actions 22 & 23 of the 2019/20 ABP Work Programme establish targets for the Regional Business Council and Regional Skills Partnership, progress against which will be monitored as part of the quarterly performance monitoring process.* *Proposal for Improvement (PFI) 6 states: "Although the CCRCD is not a 'public body' within the meaning of section 6 of the Well-Being of Future Generations (Wales) Act 2015, the CCRCD should give thorough consideration as to how it helps its constituent public bodies meet the sustainable development and well-being duties of that Act."* *CCRCD response to PFI 6: There is now a separate framework in place (from October 2018) that accompanies every cabinet report on assessment of implications for Future Generations. In addition, a system of routine monitoring will be put in place for the impact assessment of all major projects on Future Generations as part of the new Investment and Intervention Framework.*	

		Actions to taken to-date / to be taken in respect of PFI 6 *As outlined above.*	

Appendix 1(iii): AGS Assurance Rating - Moderate

	MODERATE ASSURANCE		
	Assurance Statement	**Consolidated Response**	**Suggested Action**
1	**We have and effectively communicate codes of conduct to define standards of behaviour for members and staff, and we have policies for dealing with whistleblowing and conflicts of interest.**	*Specific reference within the JWA to Codes of Conduct. Induction sessions were organised for the Joint Committee (Leaders) on the JWA given its significance. Should instances arise between officers (or members) across the 10 Local Authorities regarding conduct then each officer (or member) is subject to their employing authority's code of conduct. The Accountable Body would always seek to assist in finding a resolution, and would be willing to mediate where this would assist. The Action arising from the 2017/18 AGS on this matter was completed by the Accountable Body in 2018/19 (Qtr 1).* *For the reasons outlined above, it is important that the employment status of all officers supporting City Deal is clear, including the clear identification of the employing authority where staff transfers/secondments are agreed. The need to formally document the arrangements in a timely manner is paramount. The Action arising from the 2017/18 AGS on this matter was completed by the Accountable Body in 2018/19 (Qtr 1).* *Member and staff Codes of Conduct, whistleblowing and conflicts of interest policies are in place (see Assurance Statement 3).* *<u>WAO 'Review of Governance Arrangements' Report</u>* *Proposal for Improvement (PFI) 4 states: "Clarify arrangements about declarations and conflicts of interests for both members and officers."* *CCRCD response to PFI 4: This PFI has been actioned but will be the subject of ongoing review. The report submitted to Regional Cabinet on the Investment & Intervention (IIF) Cabinet Report (June 2019) set out the approach to this issue.* *<u>Actions to taken to-date in respect of PFI 4</u>* *1. Information included in IIF Cabinet Report (10th June 2019)*	**Subject to ongoing review** **Review arrangements in respect of Declarations of Interest for Officers and Other City Deal advisory bodies and put in place further arrangements if deemed appropriate** **(Action 2 – AGS Action Plan)**

		"The development and implementation of the IIF offers a timely opportunity to review and refresh process and practice around Declarations of Interest. In respect of Regional Cabinet, individual members are subject to their authority's respective Code of Conduct for members and declarations of interests are made via the policies and procedures in place with individual Councils. Advice on Declarations of Interest is to be sought from the individual Council's Monitoring Officer. At the start of every Regional Cabinet meeting, provision is made to declare any interest held in relation to matters that are on the agenda for that meeting and to not take part (leave the meeting) where interests are 'prejudicial'. These same procedures also apply to the Regional Transport Authority as a sub-group of the Regional Cabinet. *For all partnerships that sit within the City Deal governance structure, particularly the Economic Growth Partnership, Declarations of Interest is one of the first items on every agenda with a paragraph to denote the responsibility placed upon the individual to make the necessary disclosures and what this involves – similar to the above process for Regional Cabinet.* *The City Deal Director will undertake a review of current processes in conjunction with advice from the Accountable Body Monitoring Officer and will recommend enhancements and reinforcements as and where they are deemed necessary. Beyond proposing that disclosures are up-to-date and published in accordance with individual Council's own guidelines, this will also include re-issuing to members and partnerships alike, guidance from the Public Services Ombudsman for Wales and the enhanced Nolan Principles."* *2. Formal correspondence to Members and Advisory Groups* *On the 5th June 2019, the City Deal Director emailed all Cabinet Members reminding of their duty to comply with their respective authority's code of conduct. At its meeting of 15th July 2019, the Regional Economic Growth Partnership agreed that an open digital register of member interests would be published on the CCRCD website. The Terms of Reference for the newly created Investment Panel includes a section, which covers Declarations of Interest.* *3. City Deal Website* *The City Deal website has been updated and now includes links to member declarations of interest covering Regional Cabinet, Regional Transport Authority and Joint Scrutiny.* *Further actions will be considered going forward, including the need to put in place the appropriate arrangements in respect of officer interests and other City Deal advisory bodies. In addition, it is noted that*	

		consideration be given to updating the JWA to remove the contradiction highlighted and to reflect recent changes.	
2	**We ensure:** **• Compliance with relevant laws and regulations,** **• Compliance with internal policies and procedures,** **• that expenditure is lawful.**	*A 'governance protocol' has been approved by the Joint Committee and is in place to ensure compliance with relevant laws and regulations, whilst due diligence work aims to ensure expenditure is lawful. Monitoring Officer and S151 Officer (or nominated deputies) are present at every Joint Committee meeting and are comfortable that existing controls minimise the risk of unlawful expenditure being incurred.* *In the main, 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 take place throughout the year and are formally reported to the Joint Committee at appropriate intervals.* *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. There is concern regarding timescales and compliance with agreed governance protocol and it is important that responsibility and deadline for implementing (and complying with) the Forward Plan is identified and prioritised. However, legal and financial advice is available at all Joint Committee meetings and can be sought or given as required.* *Cabinet briefing and meeting dates for 2019/20 are agreed and in place, however, there is a need to remind report authors of the approved 'governance protocol' in relation to the decision making framework. In addition, further work is required on developing the Regional Cabinet 'Forward Plan' and communicating this to relevant officers and stakeholders to ensure that draft reports are developed and circulated for advice and comment in a timely manner, allowing sufficient time for officer consideration and input.* *In addition, 2018/19 saw the completion of the second City Deal Internal Audit, the objectives of which were to:* *a) Provide assurance that there is adequate reporting of projects' performance arrangements in place as part of the governance structure;* *b) Verify financial management provisions for the evaluation and approval of funds released to projects;* *c) Review internal controls and processes surrounding income collection and debt management process.* *An audit opinion of 'Effective' was issued and no recommendations were identified.*	**Subject to ongoing review** **To be monitored against Action 9 (Develop Work Programme and Forward Planner) of the 2019/20 ABP Work Programme**

		Action 9 of the 2019/20 Work Programme outlines the need to develop the Work Programme and Forward Planner, both of which have been progressed. In terms of the latter, the new City Deal Office team will be responsible for communicating the importance of 'embedding and complying' with the Forward Planner as a mechanism for managing some of the current issues. The availability of resources during the transition phase of the City Deal Office are acknowledged and interims arrangements have been put in place. *Approval and implementation of the Investment & Intervention Framework and supporting work will provide additional assurance against this Statement and therefore confidence that expenditure complies with relevant laws, regulations, internal policies & procedures and that expenditure is lawful.* *See Statement 8 for further details. The following documents have now been approved and published: (1) Investment & Intervention Framework and Toolkit, (2) Sift Questionnaire, (3) Overarching Funding Agreement and (4) CCR Industrial & Economic Plan. Compliance with the documents will assist the City Deal in providing assurance around this Statement.*	
13	**We provide relevant induction training and have mechanisms in place to identify the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.**	*Member induction training is provided following each Local Government election process and each Local Authority leader has the benefit of their own Local Authority training. Annual review of Member Induction and Development requirements undertaken following the AGM and there is a rolling programme for new Member inductions and training for new City Deal Office (CDO) staff.* *Training for CDO (and wider) staff has been undertaken and provision for training has been allocated within the budget. Training provided to CDO staff on financial matters including budget matters e.g. chart of accounts, purchasing, ordering and payment of invoices. As part of the in year monitoring meetings, experienced Accountable Body staff meet with CDO to offer advice and guidance on financial management matters as well as dealing with any recurring issues. Staff are unable to access financial systems or secure a licence until all necessary training has been completed.* *The need to put in place arrangements for Personal Performance Development Reviews (PPDRs) for all City Deal Office staff (including for the Director) has been identified. This will contribute to the development of a CDO Training Plan and be in place once the new CDO structure has been implemented.*	**Subject to ongoing review** **To be monitored against Action 39 (Training, development and investment plan for the City Deal Office, members and partners) of the 2019/20 ABP Work Programme**
14	**We have mechanisms to review the effectiveness of**	*A 'Risk Register' has been in place since the latter part of 2018/19 and work is now needed to develop the wider Risk Management Strategy, including an assessment of the risk environment, appetite, monitoring and escalation processes. The City Deal Director is in the process of implementing the City Deal Office*	**Develop wider Risk Management Strategy to build on Risk work completed to-date**

	our framework for identifying and managing risks and performance and for demonstrating clear accountability.	*restructure which has been approved by Cabinet. Once in place, this will provide additional capacity and allow the next stage of the Risk Management Strategy to be developed during 2019/2020.* *A comprehensive review of the Risk Register is underway, which will incorporate key developments planned for 2019/20. In preparation for the above, the Director is engendering a risk/performance culture to ensure risks are managed effectively and reported accordingly. This will be achieved through regular performance /risk management reviews taking into account the Investment & Intervention Framework and wider strategic risks that the City Deal programme of delivery may be exposed to.* *Quarterly Performance Reports provide Regional Cabinet with regular updates on progress against outstanding actions.*	**(Action 3 – AGS Action Plan)**

Appendix 1(iv): AGS Assurance Rating – Moderate/Limited

	MODERATE/LIMITED ASSURANCE		
	Assurance Statement	**Consolidated Response**	**Suggested Action**
4	**We have established clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.**	*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, Chief Executives 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 Ltd.* *Initial meeting with all Monitoring Officers held to discuss original JWA and subsequent contact has been managed via email.* *CCR has established its communication reach through a variety of measures aimed at establishing 'clear channels of communication' and 'encouraging open consultation'. These include:* • *Regular press coverage managed through an arrangement with an external communications company;* • *Relaunched website with key stats being measured, monitored and reported on;* • *Attendance and presence at Wales in London Week, with associated press and media coverage;* • *Attendance and presence at MIPIM event with the Regional Business Council and a range of companies that operate within the region.* *Launch of the Challenge Fund will represent a further communication channel with all sections of the community and other stakeholders.* *However, consideration needed as to the effectiveness of communications within the 10 partnering Authorities to-date and in-turn how well local authorities are communicating 'City Deal' to their local communities and other stakeholders (including fire, health, 3rd sector etc.), ensuring accountability and encouraging open consultation. A Strategic Communications Plan is needed to address the current gaps and strengthen arrangements. This will assist in providing the required level of assurance against this Statement.*	**Subject to ongoing review** **To be monitored against Action 30 (Develop and deliver the City Deal Communications Plan (externally-facing)) of the 2019/20 ABP Work Programme**

		Website developed and recently relaunched to improve accessibility and navigation and to assist with information being located quickly. New Marketing & Communications post (once in place) will undertake an audit of the new website to assess the impact of the changes made to to-date. *Advisory groups / bodies have now been set-up and are consulted on relevant matters. Further work needed to develop the working relationships and understanding with the Skills Partnership Board and the Regional Business Council. Further work on developing the working relationship with these bodies can be found under Statement 20 in this document.* *<u>WAO 'Review of Governance Arrangements' Report</u>* *Proposal for Improvement (PFI) 1 states: The CCRCD needs to improve its transparency.* *For example:* • *Ensure agendas, related papers, reports and minutes are published in a timely manner on the CCRCD website for Regional Cabinet, Regional Transport Authority and Joint Scrutiny Committee meetings, subject to the proper withholding of confidential or exempt information;* • *Signpost forthcoming meetings of the Regional Transport Authority and the Joint Scrutiny Committee on the CCRCD website in accordance with them being public meetings;* • *Regional Cabinet needs to ensure there is open challenge and debate in a public domain; and* • *Consider how it can improve public access to its public meetings.* *CCRCD response to PFI 1:* • *Forward work planner now in place with all dates and times of meeting established and set.* • *Action established to ensure all CCRCD Regional Transport Authority & Scrutiny Reports and Agendas are published and available on CCR Website* • *Regional Cabinet holds bi-monthly briefings to facilitate discussion, learning and development on key topics and issues.* • *The City Deal Office has moved to Tredomen and all Cabinet meetings now take place at Tŷ Penallta. This is accessible by public transport and provides a fixed and known location, in order to improve accessibility. Meeting content and decisions are now live-tweeted. Live-steaming arrangements will be put in place in 2019/20.*	

		• *Website is updated and a review of publication processes has been undertaken with a procedure in place for report compilation, sharing and release. A second phase of this process will commence with appointment of a Communications Lead who will further review web operations.* *<u>Actions taken to-date / to be taken in respect of PFI 1</u>* *Progress against the above actions will be monitored and consideration given to any further action that may be necessary.*	

Appendix 1(v): AGS 2018/19 Action Plan

The table below outlines the actions captured as part of a formal 2018/19 Action Plan, with a responsible officer and review period identified in respect of each action. The quarterly performance reports to Regional Cabinet will be used as the mechanism for updates and review.

Table 1. AGS 2018/19 Action Plan

Action No	Assurance Statement	Suggested Action	Responsible Officer/s	Review Period	Mechanism for Review
1	15 – We ensure effective counter-fraud and anti-corruption arrangements are developed and maintained.	City Deal Office to arrange for the completion of Cardiff Council's e-learning on 'effective counter fraud and anti-corruption arrangements' when rolled out during the year.	City Deal Director	Quarterly (to be completed by Qtr 4)	Progress against action monitored and reported on a quarterly basis.
2	1 - We have and effectively communicate codes of conduct to define standards of behaviour for members and staff, and we have policies for dealing with whistleblowing and conflicts of interest.	Review arrangements in respect of Declarations of Interest for Officers and Other City Deal advisory bodies and put in place further arrangements if deemed appropriate	City Deal Director	Quarterly (to be completed by Qtr 3)	Progress against action monitored and reported on a quarterly basis.
3	14 - We have mechanisms to review the effectiveness of our framework for identifying and managing risks and performance.	Develop wider Risk Management Strategy to build on Risk work completed to-date.	City Deal Director	Quarterly (to be completed by Qtr 4)	Progress against action monitored and reported on a quarterly basis.

Appendix 1(vi): AGS Actions Monitored via ABP Work Programme

Table 2 outlines the remaining actions identified as part of the 2018/19 AGS assessment process. However, it has been identified that these actions have already been captured as part of the 2019/20 Annual Business Plan (ABP) Work Programme. Therefore, to avoid duplication, progress against these actions will be captured and reported on as part of the wider monitoring arrangements put in place for the 2019/20 ABP Work Programme.

Table 2. Actions covered by the ABP 2019/20 Work Programme

Reference to Assurance Statement No.	Suggested Action (taken from ABP 2019/20 Work Programme)	Responsible Officer	Review Period	Mechanism for Review
7 - We have mechanisms in place to review the effectiveness of the decision-making framework, including delegation arrangements, decision-making in partnerships, information provided to decision makers and robustness of data quality.	Action 4 - Establish the Investment And Intervention Framework & Toolkit, and develop & launch the Three Funds Action 10 - Develop scheme of delegation	City Deal Director Accountable Body	Quarterly (to be completed by Qtr 2/3) Quarterly (to be completed by Qtr 3)	Progress against action monitored and reported on a quarterly basis.
8 - We measure the performance of services and related projects and ensure that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money.	Action 12 - Complete Wave 1 of Local Evaluation Framework process and locality review	City Deal Director	Quarterly (to be completed by Qtr 4)	Progress against action monitored and reported on a quarterly basis.
9 - We have defined and documented the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the authority and partnership arrangements.	Action 30 - Develop and deliver the City Deal Communications Plan (internally – facing)	City Deal Director	Quarterly (to be completed by Qtr 2)	Progress against action monitored and reported on a quarterly basis.

20 - We incorporate good governance arrangements in our partnerships and other joint working arrangements.	Action 22 - Regional Business Council Support for Council to: • Review progress in 18/19 • Foster alignment structures for greater synergy with REGP • Business Plan 2019/20 • Constitute and become membership body • Plan of activity with Innovate UK • Marketing Plan • Post-MIPIM appraisal Action 23 - Regional Skills Partnership Support for Partnership to: • Influence and shape Skills for Future • Enable effective administration of partnership via support for Newport City Council • Monitor the progress of operational schemes such as Skills for the Future • Input into proposals for TERCW and Innovation and Research Wales • Development of Social Clauses/ Targeted Recruitment and Training programme	Regional Cabinet RSP Chair, Leader of Newport and WG	Ongoing programme of work – dates tied in with broader programme milestones and quarterly programme monitoring Ongoing programme of work – dates tied in with broader programme milestones and quarterly performance monitoring	Progress against action monitored and reported on a quarterly basis. Progress against action monitored and reported on a quarterly basis.
2 - We ensure: • Compliance with relevant laws and regulations, • Compliance with internal policies and procedures, • that expenditure is lawful.	Action 9 - Develop Work Programme and Forward Planner for 2019/20	City Deal Director	Quarterly (to be completed by Qtr 2)	Progress against action monitored and reported on a quarterly basis.
13 - We provide relevant induction training and have mechanisms in place to identify the development needs of members and senior officers in relation	Action 39 - Training, development and investment plan for City Deal Office, members and partners	City Deal Director	Quarterly (to be completed by Qtr 2)	Progress against action monitored and reported on a quarterly basis.

to their strategic roles, supported by appropriate training.				
4 - We have established clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.	Action 30 - Develop and deliver the City Deal Communications Plan (externally – facing)	City Deal Director	Quarterly (to be completed by Qtr 2)	Progress against action monitored and reported on a quarterly basis.

Appendix 1(vii): 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 and 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**

Audit year: 2019-20

Date issued: August 2019

Document reference: **1485A2019-20**

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

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

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

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Summary report

Introduction

1 The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Cardiff Capital Region City Deal Joint Committee (the Committee) at 31 March 2019 and its income and expenditure for the year then ended. The financial statements consolidate the operating results and balances of the Committee and its subsidiary, Compound Semi-Conductor Foundry Ltd (CSC Foundry Ltd). The financial statements 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 £371,000. 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 the Committee, for 2018-19, that require reporting under ISA 260.

Status of the audit

6 The financial statements 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 2019. The financial statements for CSC Foundry Ltd are prepared by officers of Monmouthshire County Council and are independently audited by a private sector accountancy practice.

7 We received the draft financial statements of the Committee for the year ended 31 March 2019 on 10 June 2019, following their approval by the Joint Cabinet. This was in line with the agreed deadline.

8 We have now substantially completed our audit and we are reporting to you the more significant issues arising from the audit to date, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with the Corporate Director of 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.

13 A number of these amendments relate to the manner in which the transactions/ balances were initially accounted for in the draft financial statements. Given the large number of technical amendments required in certain areas at a late stage in the audit process (for example, Income and Expenditure, Reserves and the Movement in Reserves Statement), we recommend that any technical accounting issues identified by the finance team during the accounts production process are discussed with the audit team prior to the draft accounts being submitted for audit.

14 In addition, a few key matters were identified by the audit team during the latter stage of the audit in relation to the disclosure of potential contingent liabilities and the declaration of members interests, which the audit team had not been made aware of previously. Earlier engagement on these matters with the audit team would have been beneficial. It is acknowledged that the Accountable Body (S151 Officer and Monitoring Officer) and City Deal Office did not appreciate the expectation that such matters should have been brought to the audit team's attention and there is no suggestion that material was deliberately withheld. The Accountable Body and City Deal Office has expressed willingness to liaise more closely with the audit team so that there is a clearer and better understanding of the audit team's expectations going forward.

Other significant issues arising from the audit

15 In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were some issues arising in these areas this year:

We have no concerns about the qualitative aspects of your accounting practices and financial reporting

16 This was the second year that the Joint Committee's financial statements have been produced. The draft financial statements were of a reasonable quality but contained a number of errors and presentational issues that could have been identified by a more robust quality assurance review prior to them being provided for audit.

17 Generally, we found the information provided to be relevant, reliable, comparable, material and easy to understand. However, following our review of the draft financial statements additional accounting policies have been included in respect of Assets Under Construction, Financial Instruments and Prior Year Amendments.

18 We concluded that estimates are appropriate and that financial statement disclosures are unbiased, fair and clear.

We did not encounter any significant difficulties during the audit

19 We agreed an 'Audit Deliverables' schedule with management in March 2019. The purpose of this was to facilitate the achievement of the accounts' preparation and certification deadlines and to set out the initial information and working papers required by the audit team. This schedule included details of when the draft and audited versions of CSC Foundry Ltd were required.

20 It is pleasing to note that the required working papers, including the draft CSC Foundry Ltd financial statements were provided in line with the agreed Audit Deliverables timescales and allowed us to commence our audit work as planned in mid-June.

21 It is also evident that improvements to aspects of the accounts' preparation process identified in 2017-18 had been acted upon (eg a mapped trial balance was available at the outset of our audit).

22 This year, however, we did experience some delays in receiving additional information or explanations for the accounting treatment adopted within the financial statements and responses to requests for information to support our transaction testing. We acknowledge that this was as a result of competing demands and availability of staff involved with the production of the financial statements, but it meant that we were not able to complete our work on some account areas as efficiently as might have been the case.

23 The 2020-21 statutory deadline for the preparation and certification of the financial statements for local authority bodies is 31 May and 31 July 2021 respectively.

Consequently, the accountable body still faces some challenges in bringing forward the accounts closure process to meet these deadlines. If possible, the accountable body should look to bring forward the production of its 2019-20 draft financial statements to 31 May 2020 so that it has one attempt at achieving the revised timetable prior to the statutory deadlines coming in to effect.

24 The accountable body also needs to be mindful that, although it is for each constituent authority to determine whether or not to consolidate their proportion of the results of the Joint Committee within their own financial statements, the constituent authorities' accounts are also required to be prepared and certified within the same statutory deadlines. Consequently, the Joint Committee will need to build in sufficient time within its accounts closure and certification timetable to allow the constituent bodies to make any required amendments.

25 We will continue to liaise with the Accountable Body going forward with a view to identifying aspects of the accounts production and audit processes that can be improved and brought forward.

There is one significant matter discussed and corresponded upon with management which we need to report to you

26 Our May 2019 report 'Review of governance arrangements – Cardiff Capital Region City Deal' sought to determine whether the CCRCD's governance and accountability arrangements support robust, transparent and effective decision making. One of the issues highlighted in our report is that the City Deal can have significant involvement with private sector organisations and third parties, and it is therefore important that there is a clear and robust process for declaring and managing conflicts of interest.

27 Our report made a 'Proposal for Improvement' which was that the Committee clarifies its 'arrangements about declarations of interest for both members and officers'.

28 Our Audit Plan issued in June 2019, also referred to an Internal Audit Report issued in 2018 which included a recommendation for CCRCD to 'Establish and maintain a register of declared interests' covering both annual declarations made by each Regional Cabinet member and also any additional declarations made in Regional Cabinet meetings.

29 Our Plan specified that our audit of the 2018-19 financial statements would assess the collation of Related Party disclosures to confirm that sufficient review of all declarations made had been undertaken and that all disclosures had been made.

Final Accounts Audit Work

30 Our audit work has confirmed that the Related Party disclosures contained within Note 9 of the financial statements is appropriate. However, our work has identified an issue in respect of the Registration of Members' Interests within one authority and the processes and procedures in place to notify CCRCD's Director and Monitoring Officer of those interests. Consequently, we intend to write to CCRCD's Director, and the local authority concerned, in relation to this matter in the near future.

There are no other matters significant to the oversight of the financial reporting process that we need to report to you

31 We have not identified any other matters significant to the oversight of the financial reporting process that we need to report to you.

We did not identify any material weaknesses in your internal controls but we have identified some areas for improvement

32 We have not identified any matters, which are material to the accuracy and completeness of the financial statements, or any matters which are significant enough to be brought to your attention. We have however identified some areas for improvement which we will include in our Accounts Memorandum with a view to improving the accounts closure process. We plan to issue our memorandum shortly after the financial statements have been certified. We will discuss and agree the content of the memorandum with management and will include its response to the issues raised within the final document.

There are no other matters specifically required by auditing standards to be communicated to those charged with governance

33 There are no other matters relating to fraud, compliance with laws and regulations or subsequent events that we need to report to you.

Independence and objectivity

34 As part of the finalisation process, we are required to provide you with representations concerning our independence.

35 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 Accountable Body and its 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. We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised.

Appendix 1

Final letter of representation

[Audited body's letterhead]

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

3 September 2019

Representations regarding the 2018-19 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 2019 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

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

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19; in particular the financial statements give a true and fair view in accordance therewith; and
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

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

  - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects the Joint 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 Joint Committee on 3 September 2019.

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

Signed by:	Signed by:
[Officer who signs on behalf of management]	[Officer or Member who signs on behalf of those charged with governance (director only for companies)]
Date: 12 September 2019	Date: 12 September 2019

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 2019 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 2018-19 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Cardiff Capital Region City Deal Joint Committee and Cardiff Capital Region City Deal Joint Committee Group as at 31 March 2019 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of Cardiff Capital Region City Deal 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 Cardiff Capital Region City Deal 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. The other information comprises the information included in the Narrative report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

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

Report on other requirements

Opinion on other matters

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

In the light of the knowledge and understanding of Cardiff Capital Region City Deal 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:

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

Certificate of completion of audit

I certify that I have completed the audit of the accounts of Cardiff 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 Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts of Cardiff Capital Region City Deal Joint Committee including Cardiff Capital Region City Deal Joint Committee's Group financial statements, which give a true and fair view, and for such internal control as the responsible financial officer

determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Anthony J Barrett
For and on behalf of the Auditor General for Wales
13 September 2019

24 Cathedral Road
Cardiff
CF11 9LJ

Appendix 3

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

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

Exhibit 1: summary of corrections made to the draft financial statements

Value of correction	Nature of correction	Reason for correction
Single Entity Accounts		
Balance Sheet 31-3-19 Note 14 Financial Instruments Long Term Debtors (Revenue) increases by £150,000 (2017-18 increases by £331,472) Long Term Debtors (Capital) decreases by £150,000 (2017-18 decreases by £331,472)	A new accounting policy has been included within the financial statements which reflects that the long-term debtor balances recognise the loan repayable by the subsidiary company CSC Foundry in line with the revenue or capital nature of the funding provided. This impacts on a number of other statements and disclosures (eg Capital Grants and Contributions; Capital Adjustment Account and Long Term Creditors)	To ensure the balance sheet records the correct revenue and capital debtors owed by CSC Foundry. This ensures other balances record the correct capital funding provided and the correct balance of unspent HMT grant repayable.
CIES Net Cost of Services **Drawdown from Reserves, Note 6 Income & Note 16 Usable Reserves** £41,846 removed	£41,846 was incorrectly accounted for as a drawdown from reserves and as income within the draft financial statements. This was also incorrectly included as a draw from Usable Reserves in Note 16. This also necessitated amendments to the Movement in Reserves, Cashflow and EFA for this amount.	For correction of accounting treatment.

Value of correction	Nature of correction	Reason for correction
CIES Net Cost of Services **Note 4 Supplies and Services and Note 5 Support Service Costs** Expenditure overstated by £85,495		For correction of accounting treatment.
Note 11 **External Audit Costs** – reduced by £5,908	The external audit costs included within Note 11 were different to the proposed audit fee.	To ensure external audit costs are in line with the proposed fee reported to the Joint Committee.
Group Accounts		
Group Balance Sheet **Short term debtors** £2,992,947 decrease	Error on the draft group balance sheet, as an adjustment made to reclassify an amount of £2,992,947 as Long- Term Debtors had not been reflected with a corresponding decrease in the Short Term Debtor balance. Consequently, the total Debtor balance was overstated. Further adjustments also arose as a result of amendments made during the audit of the CSC Foundry Ltd accounts, which were subsequently amended in the revised Group accounts.	To correctly disclose the group debtor balances at 31 March 2019.
Group Balance Sheet **Short term creditors** £296,976 increase	The draft group account balance sheet included the balances as stated within the CSC Foundry Ltd draft accounts where the creditor balance was understated. Further adjustments were also made during the audit of CSC Foundry Ltd accounts which were subsequently amended in the revised Group accounts.	To correctly disclose the group creditor balances at 31 March 2019.

Value of correction	Nature of correction	Reason for correction
Group Balance Sheet Assets Under Construction £311,415 increase **Group Balance Sheet Long Term Debtors Revenue** £1,976,165 increase **Group Balance Sheet Long Term Creditors** £61,699 increase Group Balance Sheet Long-term Provision £61,828 increase	Adjustments made as a result of the audit of CSC Foundry Ltd accounts which were subsequently amended in the revised Group accounts.	To correctly disclose group balances at 31 March 2019.

Appendix 4

Recommendations arising from our 2019-20 financial audit work

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

Exhibit 2: recommendation arising from 2019-20 financial audit work

Matter arising 1 – there was a lack of evidence initially retained to support some expenditure recorded within Transport Costs within Note 3.1	
Findings	Our testing of expenditure transactions in respect of Transport costs within note 3.1 identified that the expenditure related to costs recharged in respect of the MIPIM event. The expenditure was recharged via a journal entry but initially, other than the journal amount, there was no further evidence to support the validity of the amount recharged which totalled approximately £11,000.
Priority	Medium
Recommendation	Where expenditure is incurred as a result of amounts being recharged to the Joint Committee, an appropriate breakdown to support the expenditure should be retained to support the journal entry when it is posted.
Accepted in full by management	Yes
Management response	The value of the initial transaction to be reimbursed to Cardiff Council from City Deal resources was confirmed to be in line with pre-agreed costs and has not changed as a result of the audit. However, it is acknowledged that these were not supported by detailed invoices at the time the transaction was actioned. On request, supporting evidence in respect of validity was provided within appropriate timescales to the satisfaction of the Wales Audit Office. It is accepted that it is important that transactions are supported with appropriate evidence or reasonable estimates.
Implementation date	1 April 2019

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Appendix C

Final Letter of Representation

Auditor General for Wales
Wales Audit Office
24 Cathedral Road
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3 September 2019

Representations regarding the 2018-19 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 2019 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

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

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19; in particular the financial statements give a true and fair view in accordance therewith; and
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

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

  - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects the Joint 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 Joint Committee on 3 September 2019.

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

Signed by:

Kellie Beirne

Programme Director, on behalf of management

Date: 12th September 2019

Signed by:

Cllr Andrew Morgan

Chair, on behalf of those charged with governance

Date: 12th September 2019

Appendix **D**

Future Generations Assessment Evaluation

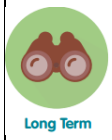
Name of the Officer completing the evaluation: **Kellie Beirne** **Phone no: 07826 919286** **E-mail: kellie.beirne@cardiff.gov.uk**	**Please give a brief description of the aims of the proposal** To present the final, audited Joint Committee Statement of Accounts for 2019/20
Proposal: Joint Committee to appove the final, audited Accounts	**Date Future Generations Evaluation form completed:** 03 Sep 2019

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. Whist this is not directly relevant – it sets out a picture of wider City Deal progress relating goverenance 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 People's physical and mental wellbeing is maximized and health impacts are understood	Not directly 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?**
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 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?
 Balancing short term need with long term and planning for the future	Relates to a draft final position and must be seen in the context of the wider 5 year business plan.	
Working together with other partners to deliver objectives	As above, albeit the assessment does refer to opinions and areas for improvement.	
Involving those with an interest and seeking their views	Communications and engagement remain a feature of our work.	
Putting resources into preventing problems occurring or getting worse	Demonstrated in the report through detailed funding allocations and and investment cases.	
Considering impact on all wellbeing goals together and on other bodies	City Deal seeks to make a contribution on place and to improving the life chances of people in the region.	

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 final, audited Statement of Accounts. There are no specific proposals which will affect any Protected Characteristics.	None.	
Disability	As above.	As above.	
Gender reassignment	As above.	As above.	
Marriage or civil partnership	As above.	As above.	
Pregnancy or maternity	As above.	As above.	
Race	As above.	As above.	
Religion or Belief	As above.	As above.	
Sex	As above.	As above.	.
Sexual Orientation	As above.	As above.	
Welsh Language	As above.	As above.	

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 hace a profoundly positive impact on ability to safeguard the future of our residents.	None.	
Corporate Parenting	Not directly relevant, however building strength on the economy should create opportunities for all the young people entrusted in our care.	None	

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

- Annual Governance Statement
- Joint Committee Revenue Budget Montioring Reports
- Quarterly Performance Reports
- CSC Foundry Ltd Financial Reports

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 approve a final, audited Statement of Accounts for the previous 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