Prifddinas Ranbarth Caerdydd | Cardiff Capital Region

Cardiff Capital Region City Deal Joint Committee
Draft Statement of Accounts

2019/20

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Cardiff Capital Region City Deal - Chair's Statement

"The Cardiff Capital Region City Deal is a unique programme of collaborative working which 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 the economy in relative hibernation as we contend with the Covid-19 crisis, it is more important than ever that our 20 year programme, enables a clear and measured approach which, whilst holding good to our evidence base, strategy and investment framework, is able to adapt and adjust and demonstrate that we are capable of responding in real-time. In reflecting on 2019/20 many new projects and programmes were set in train and resources committed, however, with the likely economic fallout of Covid-19, we must work harder than ever in 2020/21 and future years, to ensure we realise an impact that can be felt and experienced by as many parts of the CCR as possible. Handing over my term as Chair of CCR Cabinet to Cllr Anthony Hunt, who will preside over and authorise these accounts, I feel confident that we are able to move into this next stage with a strong sense of both adaptive and values-led leadership."

Councillor Andrew Morgan

Chair, Cardiff Capital Region City Deal

Narrative Report

Introduction

The Cardiff Capital Region (CCR) 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. It is home to some of the fastest growing and most economically competitive places in the UK, but alongside some of the least competitive and most disadvantaged.

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 in priority sectors to deliver up to 25,000 new jobs and bring forward at least £4 billion of additional investment by 2036.

However it is not just about economic growth in isolation, it is also about building sustainability and resilience into the economy of the region, about creation and dissemination of wealth amongst the most disadvantaged, but also about innovation, not only to business and technology, but also to public services and civic society.

Background

Ten partner authorities established the Cardiff Capital Region City Deal Joint Committee, by signing a Joint Working Agreement (JWA) in relation to the delivery of the City Deal on 1st March 2017. This sets out governance arrangements, an Assurance Framework as well as an implementation plan.

Each partnering authority has one elected member representative serving on the Joint Committee, which is also referred to as the Cardiff Capital Region 'Regional Cabinet'.

Operating costs as well as shares of contributions to a wider investment fund are provided by each authority, based on population:

Local Authority	**Proportion of Contribution**
Blaenau Gwent	4.6%
Bridgend	9.4%
Caerphilly	12.0%
Cardiff	23.8%
Merthyr Tydfil	3.9%

Monmouthshire	6.1%
Newport	9.8%
Rhondda Cynon Taff	15.8%
Torfaen	6.1%
Vale of Glamorgan	8.5%
Total	**100%**

The Joint Committee is supported by the City Deal Office (CDO) led by the Director of the City Deal, with Cardiff Council appointed as the Accountable Body, the legal entity responsible for discharging obligations in respect of the City Deal. 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.

Funding and Projects

The funding 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 is the responsibility of the Joint Committee and relates to what is called the 'Wider Investment Fund'. This is made up of:

- £375 million cash grant over 20 years, with £50 million revenue grant paid in years 1-5, followed by £325 million of capital grant between years 6-20;
- £120 million Council contributions in the form of capital funding, being drawn down as required.

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

The balance of the Wider Investment Fund (circa £480 million) is to be used to for investment in the regions key priorities, which it has identified as innovation, infrastructure and challenge. Proposals are brought forward for consideration and assessed as part of an Investment and Intervention Framework, prior to consideration by Regional Cabinet. In order to maximise the impact of funds available, investments will aim to be 'evergreen' and alternative structures considered such as partnerships and joint ventures.

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

These can be found in the following documents:

Cardiff Capital Region Cabinet 2019/20 Joint Committee Revenue Budget Final Outturn Position which sets out financial performance against the approved revenue budget for the financial year.

https://www.cardiffcapitalregion.wales/wp-content/uploads/2020/04/item-4-outturn-report.pdf

Cardiff Capital Region Cabinet 2019/20 Annual Business Plan – Quarter 4 Performance Report which reports actual expenditure against the approved Wider Investment Fund budgets as set out in the Annual Business Plan for the financial year.

https://www.cardiffcapitalregion.wales/wp-content/uploads/2020/04/item-5-quarter-4-excluding-exempt-app-5.pdf

Cardiff Capital Region Cabinet Wider Investment Fund – Annual Business Plan 2020/21 which, as a requirement of City Deal Joint Working Agreement outlines key priorities for the financial year and beyond, and the resources to be used to achieve them.

https://www.cardiffcapitalregion.wales/wp-content/uploads/2019/03/item-6-business-plan.pdf

Financial Performance 2019/20

The cost of operating the Joint Committee as well as how those costs are paid for are shown in the table below.

2019/20 Joint Committee Revenue Budget & Outturn Position

Joint Committee Revenue Budget	2019/20 Budget £	2019/20 Out-turn £	2019/20 Variance £
Expenditure:			
City Deal Office	1,378,416	1,155,801	(222,615)
Accountable Body Support Services	308,769	248,351	(60,418)
Total	**1,687,185**	**1,404,152**	**(283,033)**
Funded by:			
WIF 'Top-Slice' Contribution - In-year	(163,417)	(148,615)	14,802
WIF 'Top-Slice' Contribution - Reserve	(434,448)	(172,387)	262,061
Partner Contributions	(1,089,320)	(1,086,235)	3,085
Total	**(1,687,185)**	**(1,407,237)**	**279,948**
Net Position	**0**	**(3,085)**	**(3,085)**

2019/20 Wider Investment Fund 'Top-Slice' Budget & Outturn Position

Wider Investment Fund Top-Slice	2019/20 Budget £	2019/20 Outturn £	2019/20 Variance £
Gross Expenditure:			
Regional Bodies	106,000	34,686	(71,314)
Programme Development & Support	393,083	296,329	(96,754)
Projects (Prior to in-year approvals)	80,000	328,255	248,255
Contribution to CDO Budget	163,417	148,615	(14,802)
	742,500	807,885	65,385
Investment Income	0	(264,236)	(264,236)
Net Expenditure	**742,500**	**543,649**	**(198,851)**
Funded by:			
HMT Revenue Grant	(742,500)	(543,649)	198,851
Total	**(742,500)**	**(543,649)**	**198,851**

2019/20 Wider Investment Fund 'Balance of Funding' Budget & Out-turn

Wider Investment Fund 'Balance of Funding'	2019/20 Budget £	2019/20 Out-turn £	2019/20 Variance £
Capital Expenditure:			
CSC Foundry Investment	1,381,641	0	(1,381,641)
In Year Project Resources	26,110,000	0	(26,110,000)
Sub Total	27,491,641	0	(27,491,641)
Revenue Expenditure:			
Graduate Pilot Scheme	143,550	110,355	(33,195)
In Year Project Resources	856,450	0	(856,450)
Sub Total	1,000,000	110,355	(889,645)
Total	**28,491,641**	**110,355**	**(28,381,286)**
Funded By			
HMT Revenue Grant	(1,000,000)	(110,355)	889,645
Temporary Borrowing 'Cost of Carry'	(6,417,800)	0	6,417,800
Council Contributions	(21,073,841)	0	21,073,841
Total	**(28,491,641)**	**(110,355)**	**28,381,286**

Financial Position as at 31 March 2020

The Joint Committee's Balance Sheet position is summarised below and provides details of its assets and liabilities as at 31 March 2020.

Summary of Balance Sheet	31 March 2019 £	31 March 2020 £
Long Term Assets : Long Term Debtors, Revenue and Capital (CSC Foundry Project)	37,118,359	37,118,359
Current Assets & Liabilities: Short Term Debtors, Cash & Cash Equivalents, less Short Term Creditors	27,532,102	41,708,791
Long Term Liabilities	(27,923,108)	(42,096,711)
Net Assets	**36,727,353**	**36,730,439**
Usable Reserves	(208,994)	(212,080)
Unusable Reserves	(36,518,359)	(36,518,359)
Financed by	**(36,727,353)**	**(36,730,439)**

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. The employing body is responsible for all current and future pension liabilities that may arise from these arrangements. The Joint Committee reimburses all salary related costs, including employer related pension contributions and accounts for these in its Income & Expenditure Account. Therefore, no liability for future pension payments or benefits is recognised in the Joint Committee's Balance Sheet at present.

Balances and Reserves

As at 31 March 2020, the Joint Committee held Usable Reserves of £212,080. These are carried forward as a General Reserve to supplement budget resources available in future years.

Annual Governance Statement

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 2019/20 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 Joint Committee's separately published Annual Governance Statement summarises the assessment of governance in place for the Joint Committee.

COVID-19 Impact

There has been no impact on the 2019/20 accounts, however, Regional Cabinet considered a report at its meeting of 18th May 2020 in respect of its priorities for addressing the economic impact of Covid-19 and beyond seeking to establish a guide to set out the ways in which CCR is best able to make a difference and help mitigate some of the worst effects on the economy and businesses in the region as a result of the crisis and its ongoing impact.

The Financial Statements

The Statement of Accounts for the Cardiff Capital Region City Deal Joint Committee are set out in this document, accompanied by a Statement of Responsibilities for the Statement of Accounts and the Audit Report.

The core statements of the Joint Committee are:

- Comprehensive Income and Expenditure Statement which provides information on how it 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 which shows the changes to its Reserves over the course of the year.
- Balance Sheet which provides a 'snapshot' of its assets, liabilities, cash balances and reserves at the year-end date.
- Cash Flow Statement shows the reason for changes in cash balances during the reporting period.

Notes to the Core Financial Statements accompany the main financial statements and provide an additional tier of information and context.

Group Accounts combine the Joint Committees own financial statements with its material interests in subsidiaries, associates and/or joint ventures, in this case CSC Foundry Limited.

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 Anthony Hunt **Date:** **2020**

Chair of Cardiff Capital Region Joint Committee

Responsibilities of the Section 151 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 2019/20 (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.

<u>The Section 151 Officer Certificate</u>

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 2020 and its income and expenditure for the year ended 31 March 2020.

Christopher Lee **Date 15 June 2020**

Section 151 Officer

Audit of Financial Statements Report – Cardiff Capital Region City Deal

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Accounting Policies used when formulating the accounts

The Statement of Accounts summarises the Joint Committee's income and expenditure for the year ended 31 March 2020 and its financial position at that date. 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 2019/20 (the Code).

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

1. Accounting Standards issued but not yet adopted

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. 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.

3. Cash and Cash Equivalents

The Joint Committee does not operate its own Bank Account, instead all cash transactions are administered by Cardiff Council in its role as Accountable Body.

An approved Treasury Management strategy is in place to manage the Joint Committee's cash balances, short-term investments and borrowing requirements.

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

4. Contingent assets and liabilities

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

5. Grants and Contributions

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

Grants and other contributions are accounted for on an accruals basis and recognised when:

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

Revenue

Grants, for which conditions have not yet been satisfied, are carried in the Balance Sheet as Revenue Grants Receipts in Advance. When conditions have been satisfied, the grant or contribution is credited to the relevant service line (specific revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-specific revenue grants) in the Comprehensive Income and Expenditure Statement. Where there is no longer any reasonable assurance that the conditions will be met, sums received will not be recognised as a receipt of grant but as a repayment due to the awarding body and held on the Balance Sheet as a liability if it remains unpaid.

Where the conditions of a revenue grant or contribution have been complied with but it is yet to be used to fund expenditure for the purpose stipulated in the grant agreement, it is set aside in an Earmarked Reserve.

Capital

Grants and contributions that are applied in the year to fund capital schemes that are Revenue Expenditure Funded by Capital under Statute (REFCUS) are treated as revenue income and credited to the Comprehensive Income and Expenditure Statement to the relevant service line.

Capital Grants and Contributions applied in paying for other capital works are credited to the Taxation and Non-Specific Grant Income line in the Comprehensive Income and Expenditure Statement. Where a specific capital grant or contribution has been received but remains unapplied, this is deemed to represent a condition and is shown as a creditor, as the unused element could be returned to the funder. Where a non-specific grant such as the General Capital Grant or Major Repair Allowance were to remain unapplied, it would be held as Capital Grants Unapplied Reserve.

6. 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.

7. 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.

8. Provisions

Provisions are charged as expenditure to 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.

9. Reserves

The Joint Committee sets aside amounts as usable reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Movement in Reserves Statement. Certain reserves are maintained to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits. These do not represent usable resources for the Joint Committee.

10. Value Added Tax (VAT)

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

2019/20 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.

2018/2019 £		Notes	2019/2020 £
	Cost of Services		
435,935	Staff Costs		922,560
15,738	Premises	2	17,404
24,380	Transport	3	29,975
416,206	Supplies & Services	4	1,094,249
267,732	Support Services	5	279,961
1,159,991	**Operating Expenditure**		**2,344,149**
(1,038,154)	Contributions from Local Authorities	6/9	(1,089,317)
(178,042)	Grant Income	6	(826,397)
0	Fees and Charges	6	(167,284)
(1,216,196)	**Operating Income**		**(2,082,998)**
(56,205)	**Net Cost of Services**		**261,151**
(110,943)	Interest & Investment Income	13	(264,236)
(110,943)	**Financing & Investment Income & Expenditure**		**(264,236)**
(12,308,359)	Recognised Capital Grants & Contributions	8	0
(12,308,359)	**Taxation and Non Specific Grant Income**		**0**
(12,475,507)	**(Surplus) / Deficit on Provision of Services**		**(3,085)**
0	Other Comprehensive Income & Expenditure		0
(12,475,507)	**Total Comprehensive Income & Expenditure**		**(3,085)**

2019/20 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 31 March 2019 Carried Forward	**208,995**	**0**	**208,995**	**36,518,359**	**36,727,354**
Movements in Reserves During 2019/20					
Surplus / (Deficit) on the Income and Expenditure Account	3,085	0	3,085	0	**3,085**
Total Comprehensive Income and Expenditure	**3,085**	**0**	**3,085**	**0**	**3,085**
Adjustments between Accounting Basis and Funding Basis	0		0	0	**0**
Net Increase/(Decrease) before Transfers to/(from) Earmarked Reserves	**3,085**	**0**	**3,085**	**0**	**3,085**
Transfers to/(from) Earmarked Reserves	**0**	**0**	**0**	**0**	**0**
Increase/(Decrease in Year)	**3,085**	**0**	**3,085**	**0**	**3,085**
Balance at 31 March 2020	**212,080**	**0**	**212,080**	**36,518,359**	**36,730,439**
Balance at 31 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	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	(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 31 March 2019	**123,499**	**85,495**	**208,994**	**36,518,359**	**36,727,353**

Balance Sheet as at 31 March 2020

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

31 March 2019 £		Notes	31 March 2020 £
0	Assets Under Construction		0
600,000	Long Term Debtors - Revenue		600,000
36,518,359	Long Term Debtors - Capital		36,518,359
37,118,359	**Long Term Assets**		**37,118,359**
33,114	Short Term Debtors	11	244,636
29,720,199	Cash & Cash Equivalents	12	44,029,702
29,753,313	**Current Assets**		**44,274,338**
(2,221,211)	Short Term Creditors	14	(2,565,547)
(2,221,211)	**Current Liabilities**		**(2,565,547)**
(27,923,108)	Long Term Creditors	14	(42,096,711)
(27,923,108)	**Long Term Liabilities**		**(42,096,711)**
36,727,353	**Net Assets**		**36,730,439**
208,994	Usable Reserves	15	212,080
36,518,359	Capital Adjustment Account	17	36,518,359
36,727,353	**Total Reserves**		**36,730,439**

2019/20 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.

31 March 2019 £		Notes	31 March 2020 £
(12,475,507)	Net (Surplus) / Deficit on the provision of services		(3,085)
12,272,845	Adjust net surplus or deficit on the provision of services for non-cash movements	16	693,582
(202,662)	**Net cash flows from operating activities**		**690,497**
12,458,359	Investing activities	16	0
(22,308,359)	Financing activities	16	(15,000,000)
(10,052,662)	**Net (increase) / decrease in cash and cash equivalents**		**(14,309,503)**
(19,667,537)	Cash and cash equivalents at the beginning of the reporting period		(29,720,199)
(29,720,199)	**Cash balance as at 31 March**		**(44,029,702)**

Notes to the Core Financial Statements

1. Remuneration

Officers supporting the activities of the Joint Committee are contractually employed through one of the partnering authorities or other public sector organisations.

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).

In line with the Accounts and Audit (Wales) Regulations 2014, the Joint Committee also discloses, on a voluntary basis:

- the number of employees whose remuneration is over £60,000 per annum be disclosed within bands of £5,000.
- the remuneration and job title of senior employees who form part of the senior management team and whose salary is £60,000 or more per annum.

These are shown in the tables below.

Remuneration Band	Number of Employees	
£	2018/19	2019/20
110,000 - 114,999	1	1
85,000 - 89,999	0	1
65,000 - 69,999	0	1
60,000 - 64,999	0	1
Total	**1**	**4**

2018/19 Total Remuneration including Pension Contributions £	Post Title	Salary, fees and allowances £	Employers Pension Contributions £	Total £	Notes
91,435	City Deal Director	128,758	26,259	155,017	Post commenced August 2018. Annualised salary £113,676
0	Chief Operating Officer	63,828	6,338	70,166	Post commenced August 2019. Annualised Salary £86,603
0	Head of Finance, Risk and Assurance	51,089	4,995	56,084	Post commenced August 2019. Annualised Salary £69,317
0	Head of Inclusive Growth & Business Development	66,143	13,821	79,964	Post commenced July 2019. Annualised Salary £60,041

2. Premises

The following table analyses premises expenditure for the year.

2018/19 £	Premises	2019/20 £
15,718	Rents	15,000
20	Other Premises Related Expenditure	2,404
15,738	**Total**	**17,404**

3. Transport

The following table analyses transport expenditure for the year.

2018/19 £	Transport	2019/20 £
2,004	Car Allowances	7,383
22,376	Travel Expenses	22,592
24,380	**Total**	**29,975**

4. Supplies and Services

The following table analyses supplies and services expenditure for the year.

2018/19 £	Supplies & Services	2019/20 £
11,417	ICT, Telephones, Printing & Software	33,265
8,389	Meeting Room Hire & Other Meeting Costs	95,284
93,368	Marketing, Branding & Communications	133,761
249,791	Programme Development & Support *	688,400
53,242	Other Supplies & Services Costs	143,539
416,207	**Total**	**1,094,249**

* 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 Services

The following table analyses support service expenditure for the year

2018/19 £	Support Services	2019/20 £
14,540	HR People Services	16,806
134,138	Accountancy Support	112,618
3,070	Exchequer, Internal Audit & Insurance	3,100
75,213	Legal & Governance Support	79,996
7,963	ICT, Information & Governance	11,695
0	Commissioning & Procurement Support	10,034
32,809	External Audit	42,162
0	Other Support	3,550
267,733	**Total**	**279,961**

6. Income

The following table analyses income accounted for during the year.

2018/19 £	Income	2019/20 £
(1,038,154)	Contributions from Local Authorities	(1,099,317)
0	Fees and Charges	(157,285)
(178,042)	Grant Income	(826,396)
(1,216,196)	**Total**	**(2,082,998)**

Contributions from Local Authorities are in respect of the Joint Committee Revenue Budget from the ten partnering authorities.

HM Treasury revenue grant totalling £10 million was received during the year in respect of the fourth year of City Deal funding. The grant is passported through Welsh Government (the grant paying body) following acceptance of their grant terms & conditions. A grant of £5 million was also provided by Cardiff Council, in accordance with an agreement with Welsh Government to support the Housing Investment Fund Project and in particular the viability gap fund element.

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.

2018/19 £	Grants and Contributions Credited to Operating Income	2019/20 £
(178,042)	WIF HM Treasury Revenue Grant	(826,396)
(178,042)	**Total**	**(826,396)**

2018/19 £	Grants and Contributions Receipts in Advance	2019/20 £
(1,742,500)	WIF HM Treasury Revenue Grant - Short Term Creditor	(1,742,500)
(1,742,500)	**Sub Total**	**(1,742,500)**
(27,923,108)	WIF HM Treasury Revenue Grant - Long Term Creditor	(37,096,711)
0	Housing Viability Gap Funding - Long Term Creditor	(5,000,000)
(27,923,108)	**Sub Total**	**(42,096,711)**
(29,665,608)	**Total**	**(43,839,211)**

Classification of Creditor balances between those to be utilised on a short or long term basis is undertaken on the basis of resources set out to be available for use in the next financial year (short term) or thereafter (long term) in the published Annual Business Plan for the relevant period. This is subject to the approval and timing of expenditure on projects and is reported as part of the Quarterly updates provided to the Joint Committee.

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 2019/20	Net Expenditure Chargeable to General Fund Balances £	Adjustments between accounting and funding basis - Capital £	Adjustments between accounting and funding basis - Other £	Comprehensive Income & Expenditure 2019/20 £
Staff Costs	922,560	0	0	922,560
Premises	17,404	0	0	17,404
Transport	29,975	0	0	29,975
Supplies & Services	1,094,248	0	0	1,094,248
Support Services	279,961	0	0	279,961
Contributions from Local Authorities	(1,086,231)	0	(3,085)	(1,089,316)
Grant Income	(826,397)	0	0	(826,397)
Fees and Charges	(167,284)	0	0	(167,284)
Net Cost of Services	**264,236**	**0**	**(3,085)**	**261,151**
Interest & Investment Income	(264,236)	0	0	(264,236)
Recognised Capital Grants & Contributions	0	0	0	0
Other Income and Expenditure from the Funding Analysis	0	0	0	0
(Surplus) or Deficit	**0**	**0**	**(3,085)**	**(3,085)**
Opening Usable Reserves Balance 1st April 2018	(208,995)			
Plus Surplus on Usable Reserves Balance in Year	(3,085)			
Closing Usable Reserves Balance 31 March 2019	**(212,080)**			

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

8. Adjustments between Accounting Basis and Funding Basis under Regulation

2019/20	Usable Reserves £	Unusable Reserves £	Total Reserves £
Capital Adjustment Account - Grants & Contributions	0	0	0
Total	**0**	**0**	**0**

2018/19	Usable Reserves £	Unusable Reserves £	Total Reserves £
Capital Adjustment Account - Grants & 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. Grants received in 2019/20 are detailed in note 6.

Such transactions are detailed below.

Related Party Transactions	Revenue £	Capital £	2019/20 £
Blaenau Gwent CBC	(50,324)	0	(50,324)
Bridgend CBC	(102,821)	0	(102,821)
Caerphilly CBC	(130,371)	0	(130,371)
Cardiff Council	(258,447)	0	(258,447)
Merthyr Tydfil CBC	(42,928)	0	(42,928)
Monmouthshire County Council	(66,918)	0	(66,918)
Newport City Council	(106,929)	0	(106,929)
Rhondda Cynon Taf CBC	(171,796)	0	(171,796)
Torfaen CBC	(66,455)	0	(66,455)
Vale of Glamorgan Council	(92,328)	0	(92,328)
Sub Total	**(1,089,317)**	**0**	**(1,089,317)**
HMT Revenue Grant Funding	(10,000,000)	0	(10,000,000)
Housing Viability Gap Funding	0	(5,000,000)	(5,000,000)
Total	**(11,089,317)**	**(5,000,000)**	**(16,089,317)**

For Comparison - Related Party Transactions 2018/19	Revenue £	Capital £	2018/19 £
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)	(2,920,249)	(3,159,441)
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)
Sub Total	**(1,008,155)**	**(12,308,359)**	**(13,316,513)**
HMT Revenue Grant Funding	(10,000,000)	0	(10,000,000)
Housing Viability Gap Funding	0	0	0
Total	**(11,008,155)**	**(12,308,359)**	**(23,316,513)**

10. External Audit Costs

2018/19 £	External Audit Costs	2019/20 £
21,510	Joint Committee Financial Audit	18,118
14,791	Joint Committee Performance Audit	14,819
36,301	**Total**	**32,937**

11. Debtors

31 March 2019 £	Debtors	31 March 2020 £
33,114	Other Local Authorities	158,629
0	Other Entities and Individuals	86,007
33,114	**Total**	**244,636**

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 in-line with its treasury management strategy. Interest received is recognised in the Comprehensive Income and Expenditure Statement.

The amount of £44,029,702 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.

31 March 2019 £	Cash and Cash Equivalents	31 March 2020 £
29,720,199	Cardiff Council Inter-Co Cash	44,029,702
29,720,199	**Total**	**44,029,702**

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 funded 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 projects.

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

31 March 2019			31 March 2020	
Carrying Amount £	Fair Value £		Carrying Amount £	Fair Value £
29,720,199	29,720,199	Cash and Cash Equivalents	44,029,702	44,029,702
37,118,359	37,118,359	Loan to CSC Foundry Ltd	37,118,359	37,118,359
66,838,558	**66,838,558**	**Total**	**81,148,061**	**81,148,061**

Financial Instrument Gains/Losses

Interest amounting to £264,236 (2018/19: £110,943) was earned on the Joint Committee's Cash balances held by the Accountable Body during the year.

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 2019/20, it has been determined that no provisions for expected credit losses are required.

The recoverability 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. This range of measures provide the framework for the ongoing review of the loan value, accordingly, no impairment is considered to be required in respect of the outstanding loan value.

14. Creditors

Short Term £	Long Term £	31 March 2019 £	Creditors	Short Term £	Long Term £	31 March 2020 £
1,751,181	27,923,108	29,674,289	Central Government Bodies	1,742,500	42,096,711	43,839,211
221,715	0	221,715	Other Local Authorities	35,197	0	35,197
248,315	0	248,315	Other Entities and Individuals (Inc. Pub. Corp.)	787,850	0	787,850
2,221,211	**27,923,108**	**30,144,319**	**Total**	**2,565,547**	**42,096,711**	**44,662,258**

15. Usable Reserves

2018/19 £	Usable Reserves	2019/20 £
41,846	**Balance as at 1 April**	208,994
	Movements during year:	
167,148	Surplus on Provision of Services	3,086
0	Financing of Expenditure	0
208,994	**Balance as at 31 March**	**212,080**

16. Notes to the Cash Flow Statement

2018/19 £	Operating Activities	2019/20 £
243,652	Increase / (Decrease) in Creditors	344,336
(30,096)	(Increase) / Decrease in Debtors	(211,521)
(12,308,359)	Capital grants / contributions recognised in I&E	0
(178,042)	Revenue grants / contributions recognised in I&E	(826,397)
(12,272,845)	**Adjustments to net surplus or deficit on the provision of services for non-cash movements**	**(693,582)**

2018/19 £	Investing Activities	2019/20 £
12,308,359	Capital Loan	0
150,000	Revenue Loan	0
12,458,359	**Adjustments to net surplus or deficit on the provision of services for investing activities**	**0**

2018/19 £	Financing Activities	2019/20 £
(10,000,000)	HMT Grant received	(10,000,000)
0	Housing Viability Gap Funding received	(5,000,000)
(12,308,359)	Capital contribution received	0
(22,308,359)	**Adjustments to net surplus or deficit on the provision of services for financing activities**	**(15,000,000)**

17. Capital Adjustment Account

The Capital Adjustment Account reflects differences between normal accounting practice and statutory requirements. This includes treatment of depreciation, gains or losses on the value of investments and it is credited with the amounts used as finance for capital expenditure.

2018/19 £	Capital Adjustment Account	2019/20 £
24,210,000	**Balance as at 1 April**	**36,518,359**
	Capital financing applied in the year:	
12,308,359	Grants and contributions	0
36,518,359	**Balance as at 31 March**	**36,518,359**

Group Accounts

Introduction

The group accounts that follow comply with the requirement of the 2019/20 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).

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

Accounting Policies Applicable to the Group Accounts

Basis of Consolidation

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

Accounting policies

CSC Foundry Ltd is a private company, limited by shares, domiciled in England and Wales, registration number 10888081. The registered office is 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.

Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2020

2018/19 £		Notes	2019/20 £
	Cost of Services		
481,708	Staff Costs		972,265
15,738	Premises	18	17,404
24,380	Transport	19	29,975
442,795	Supplies & Services	20	1,121,601
289,482	Support Services	21	298,461
1,254,103	**Operating Expenditure**		**2,439,706**
(1,038,154)	Contributions from Local Authorities	23/24	(1,089,317)
(178,042)	Grant Income	23	(826,397)
(2,992,947)	Fees and Charges	23	(3,101,139)
(4,209,143)	**Operating Income**		**(5,016,853)**
(2,955,040)	**Net Cost of Services**		**(2,577,147)**
(112,211)	Interest & Investment Income	28	(282,733)
(112,211)	**Financing & Investment Income & Expenditure**		**(282,733)**
(12,308,359)	Recognised Capital Grants & Contributions		0
551,020	Corporation Tax		542,791
(11,757,339)	**Taxation and Non Specific Grant Income**		**542,791**
(14,824,590)	**(Surplus) / Deficit on Provision of Services**		**(2,317,089)**
0	Other Comprehensive Income & Expenditure		0
(14,824,590)	**Total Comprehensive Income & Expenditure**		**(2,317,089)**

Group Movement in Reserves Statement 2019/20

Movements in Reserves	General Fund Balance £	General Fund Earmarked Reserves £	Total Usable Reserves £	Unusable Reserves £	Total Reserves £
Balance at 31 March 2019 Carried Forward	**4,062,727**	**0**	**4,062,727**	**36,518,359**	**40,581,086**
Movements in Reserves During 2019/20					
Surplus / (Deficit) on the Income and Expenditure Account	2,317,089	0	2,317,089	0	**2,317,089**
Total Comprehensive Income and Expenditure	**2,317,089**	**0**	**2,317,089**	**0**	**2,317,089**
Adjustments between Accounting Basis and Funding Basis	0		0	0	**0**
Called up Share Capital	0	0	0	0	**0**
Net Increase/(Decrease) before Transfers to/(from) Earmarked Reserves	**2,317,089**	**0**	**2,317,089**	**0**	**2,317,089**
Transfers to/(from) Earmarked Reserves	**0**	**0**	**0**	**0**	**0**
Increase/(Decrease in Year)	**2,317,089**	**0**	**2,317,089**	**0**	**2,317,089**
Balance at 31 March 2020	**6,379,816**	**0**	**6,379,816**	**36,518,359**	**42,898,175**
Balance at 31 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 31 March 2019	**3,977,221**	**85,495**	**4,062,716**	**36,518,369**	**40,581,085**

Group Balance Sheet as at 31 March 2020

31 March 2019 £		Notes	31 March 2020 £
0	Land and Buildings		35,308,786
35,535,812	Assets Under Construction		0
4,969,112	Long Term Debtors - Revenue		1,133,855
0	Long Term Debtors - Capital		0
40,504,924	**Long Term Assets**		**36,442,641**
408,330	Short Term Debtors	26	7,406,550
33,349,522	Cash & Cash Equivalents	27	47,599,710
33,757,852	**Current Assets**		**55,006,260**
(2,337,692)	Short Term Creditors	29	(2,599,883)
(2,337,692)	**Current Liabilities**		**(2,599,883)**
(30,439,979)	Long Term Creditors	29	(44,504,034)
(904,020)	Provision for Liabilities	22	(1,446,810)
(31,343,999)	**Long Term Liabilities**		**(45,950,844)**
40,581,085	**Net Assets**		**42,898,174**
208,994	Usable Reserves	30	212,080
10	Called up Share Capital		10
3,853,722	Profit and Loss Account	30	6,167,726
36,518,359	Capital Adjustment Account	32	36,518,359
40,581,085	**Total Reserves**		**42,898,175**

Group Cash Flow Statement 2019/20

31 March 2019 £		Notes	31 March 2020 £
(14,824,591)	Net (Surplus) / Deficit on the provision of services		(2,317,090)
13,841,031	Adjust net surplus or deficit on the provision of services for non-cash movements	31	3,293,928
(983,560)	**Net cash flows from operating activities**		**976,838**
15,147,497	Investing activities	31	(227,026)
(22,308,359)	Financing activities	31	(15,000,000)
(8,144,422)	**Net (increase) / decrease in cash and cash equivalents**		**(14,250,187)**
(25,205,100)	Cash and cash equivalents at the beginning of the reporting period		(33,349,522)
(33,349,522)	**Cash balance as at 31 March**		**(47,599,709)**

Notes to the Core Group Financial Statements

18. Premises Costs

The following table analyses Premises expenditure for the year.

2018/19 £	Premises Costs	Joint Committee £	CSC Foundry Ltd £	2019/20 £
15,718	Rents	15,000	0	15,000
20	Other Premises Related Expenditure	2,404	0	2,404
15,738	**Total**	**17,404**	**0**	**17,404**

19. Transport Costs

The following table analyses Transport expenditure for the year.

2018/19 £	Transport Costs	Joint Committee £	CSC Foundry Ltd £	2019/20 £
2,004	Car Allowances	7,383	0	7,383
22,376	Travel Expenses	22,592	0	22,592
24,380	**Total**	**29,975**	**0**	**29,975**

20. Supplies and Services

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

2018/19 £	Supplies and Services	Joint Committee £	CSC Foundry Ltd £	2019/20 £
11,417	ICT, Telephones, Printing & Software	33,265	0	33,265
8,389	Meeting Room Hire & Other Meeting Costs	95,284	0	95,284
93,368	Marketing, Branding & Communications	133,761	0	133,761
249,790	Programme Development & Support	688,400	0	688,400
79,831	Other Supplies & Services Costs	143,539	27,352	170,891
442,795	**Total**	**1,094,249**	**27,352**	**1,121,601**

* 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.

21. Support Service Costs

The following table analyses Support Service expenditure for the year.

2018/19 £	Support Service Costs	Joint Committee £	CSC Foundry Ltd £	2019/20 £
14,540	HR People Services	16,806	0	16,806
149,137	Accountancy Support	112,618	14,500	127,118
3,070	Exchequer, Internal Audit & Insurance	3,100	0	3,100
75,213	Legal & Governance Support	79,996	0	79,996
7,963	ICT, Information & Governance	11,695	0	11,695
0	Commissioning & Procurement Support	10,034	0	10,034
39,559	External Audit	42,162	4,000	42,162
0	Other Support	3,550	0	3,550
289,482	**Total**	**279,961**	**18,500**	**298,461**

22. 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.

2018/19 £	Provisions	Joint Committee £	CSC Foundry Ltd £	2019/20 £
904,020	Deferred Tax - Accelerated Capital Allowances	0	1,446,810	1,446,810
904,020	**Total**	**0**	**1,446,810**	**1,446,810**

23. Income

The following table analyses Income accounted for during the year.

2018/19 £	Income	Joint Committee £	CSC Foundry Ltd £	2019/20 £
(1,038,154)	Contributions from Local Authorities	(1,099,317)	0	(1,099,317)
(178,042)	Grant Income	(826,396)	0	(826,396)
(2,992,947)	Fees and Charges	(157,285)	(2,933,855)	(3,091,140)
(4,209,143)	**Total**	**(2,082,998)**	**(2,933,855)**	**(5,016,853)**

24. Related Parties

2018/19 £	Related Party Transactions	Joint Committee £	CSC Foundry Ltd £	2019/20 £
(615,187)	Blaenau Gwent CBC	(50,324)	0	(50,324)
(1,256,948)	Bridgend CBC	(102,821)	0	(102,821)
(1,593,734)	Caerphilly CBC	(130,371)	0	(130,371)
(3,159,444)	City of Cardiff Council	(258,447)	0	(258,447)
(524,781)	Merthyr Tydfil CBC	(42,928)	0	(42,928)
(818,044)	Monmouthshire County Council	(66,918)	0	(66,918)
(1,307,167)	Newport City Council	(106,929)	0	(106,929)
(2,130,142)	Rhondda Cynon Taf CBC	(171,796)	0	(171,796)
(812,383)	Torfaen CBC	(66,455)	0	(66,455)
(1,128,681)	Vale of Glamorgan Council	(92,328)	0	(92,328)
(13,346,511)	**Sub Total**	**(1,089,317)**	**0**	**(1,089,317)**
(10,000,000)	HMT Revenue Grant Funding	(10,000,000)	0	(10,000,000)
0	Housing Viability Gap Funding	(5,000,000)	0	(5,000,000)
(23,346,511)	**Total**	**(16,089,317)**	**0**	**(16,089,317)**

25. External Audit Costs

2018/19 £	External Audit Costs	Joint Committee £	CSC Foundry Ltd £	2019/20 £
21,510	Joint Committee Financial Audit	18,118	0	18,118
14,791	Joint Committee Performance Audit	14,819	0	14,819
6,750	Audit of Accounts	0	4,000	4,000
43,051	**Total**	**32,937**	**4,000**	**36,937**

26. Debtors

Total 31 March 2019 £	Debtors	Joint Committee £	CSC Foundry Ltd £	Total 31 March 2020 £
33,114	Other Local Authorities	158,628	0	158,628
5,344,328	Other Entities and Individuals	86,007	8,295,770	8,381,777
5,377,442	**Total**	**244,635**	**8,295,770**	**8,540,405**

Debtors - Long and Short Term	Short Term £	Long Term £	Total 31 March 2020 £
Other Local Authorities	158,628	0	158,628
Other Entities and Individuals	7,247,922	1,133,855	8,381,777
Total	**7,406,550**	**1,133,855**	**8,540,405**

27. 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 £47,559,710 shown as cash in the balance sheet represents the inter-authority cash held by the Accountable Body on behalf of the Joint Committee along with balances held by CSC Foundry Ltd.

31 March 2019 £	Cash and Cash Equivalents	Joint Committee £	CSC Foundry Ltd £	31 March 2020 £
3,629,323	Bank	0	3,570,008	3,570,008
29,720,199	Cardiff CC Inter-Co Cash	44,029,702	0	44,029,702
33,349,522	**Total**	**44,029,702**	**3,570,008**	**47,599,710**

28. Financial Instruments

In addition to the Financial Assets of the Joint Committee, CSC Foundry Ltd. holds Cash and Cash Equivalents amounting to £3,570,008. All balances are shown at their fair value, which is equal to their carrying value.

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

31 March 2019		Financial Instruments	31 March 2020	
Carrying Amount £	Fair Value £		Carrying Amount £	Fair Value £
33,349,522	33,349,522	Cash and Cash Equivalents	47,599,710	47,599,710
0	0	Loan to CSC Foundry Ltd	0	0
33,349,522	**33,349,522**	**Total**	**47,599,710**	**47,599,710**

Financial Instrument Gains/Losses

Net interest of £282,733 (2018/19: £112,211) has been earned on balances held, 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.

29. Creditors

31 March 2019 £	Creditors	Joint Committee £	CSC Foundry Ltd £	31 March 2020 £
29,674,289	Central Government Bodies	43,839,211	0	43,839,211
221,715	Other Local Authorities	35,197	0	35,197
2,881,667	Other Entities and Individuals (Inc. Pub. Corp.)	787,850	2,441,659	3,229,509
32,777,671	**Total**	**44,662,258**	**2,441,659**	**47,103,917**

Creditors	Short Term £	Long Term £	31 March 2020 £
Central Government Bodies	1,742,500	42,096,711	43,839,211
Other Local Authorities	35,197	0	35,197
Public Corporations and Trading funds	0	0	0
Other Entities and Individuals	822,186	2,407,323	3,229,509
Total	**2,599,883**	**44,504,034**	**47,103,917**

30. Usable Reserves

2018/19 £	Usable Reserves	2019/20 £
1,546,483	**Balance as at 1st April**	4,062,716
	Movements during year:	
0	Financing of Expenditure	0
2,516,233	Surplus on Provision of Services	2,317,090
4,062,716	**Balance as at 31 March**	**6,379,806**

31. Notes to the Cash Flow Statement

2018/19 £	Operating Activities	2019/20 £
478,760	Increase / (Decrease) in Creditors	716,748
(1,833,390)	(Increase) / Decrease in Debtors	(3,184,279)
(12,308,359)	Capital grants / contributions recognised in I&E	0
(178,042)	Revenue grants / contributions recognised in I&E	(826,397)
(13,841,031)	**Adjustments to net surplus or deficit on the provision of services for non-cash movements**	**(3,293,928)**

2018/19 £	Investing Activities	2019/20 £
0	Capital Loan	0
0	Revenue Loan	0
15,147,497	Purchases of property, plant and equipment	(227,026)
15,147,497	**Adjustments to net surplus or deficit on the provision of services for investing activities**	**(227,026)**

2018/19 £	Financing Activities	2019/20 £
(10,000,000)	HMT Grant received	(10,000,000)
0	Housing Viability Gap Funding received	(5,000,000)
(12,308,359)	Capital contribution received	0
(22,308,359)	**Adjustments to net surplus or deficit on the provision of services for financing activities**	**(15,000,000)**

32. Capital Adjustment Account

The Capital Adjustment Account reflects differences between normal accounting practice and statutory requirements. This includes treatment of depreciation, gains or losses on the value of investments and it is credited with the amounts used as finance for capital expenditure.

2018/19 £	Capital Adjustment Account	2019/20 £
24,210,000	**Balance as at 1 April**	**36,518,359**
	Capital financing applied in the year:	
12,308,359	Grants and contributions	0
36,518,359	**Balance as at 31 March**	**36,518,359**

Glossary of Relevant Local Government Accountancy Terms

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

Accruals Basis

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

Asset Under Construction

An asset that is not yet complete.

Borrowing

Loans taken out by the Council to pay for capital expenditure or for the prudent management of the Council's financial affairs.

Capital Adjustment Account

The Account accumulates (on the debit side) the write-down of the historical cost of non-current assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (revenue expenditure funded by capital under statute). The balance on the account thus represents timing differences between the amount of the historical cost of non-current assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

Capital Expenditure

Capital expenditure pays for improvements to existing and new assets used in the delivery of Council services as well as other items determined by Regulation. Capital resources are scarce, costly and also have long term revenue implications over many years and even generations where capital expenditure is funded by borrowing. Hence the requirement of the Prudential Code to ensure what is charged as Capital Expenditure is Prudent, Sustainable and Affordable.

The statutory definition of capital expenditure is given in the Local Government Act 2003, the Local Authorities (Capital Finance) Regulations 2003 and 2004 amended. Statute relies on the accounting measurement of cost in IAS 16 to determine whether expenditure is eligible to be capitalised or whether it should be treated as revenue expenditure. Key to what is eligible as capital spend are the following words in IAS 16 - 'Costs directly attributable to bringing the specific asset into working condition for its intended use'.

Carrying Amount

The Balance Sheet value recorded of either an asset or a liability.

Cash and Cash Equivalents

Sums of money available for immediate use and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Chartered Institute of Public Finance & Accountancy (CIPFA)

CIPFA is the leading professional accountancy body which determines accounting standards and reporting standards to be followed by Local Government.

Creditors

Amounts owed by the Council for work done, goods received or services rendered, for which payment has not been made at the date of the balance sheet.

Current Value

The current value of an asset reflects the economic environment prevailing for the service or function the asset is supporting at the reporting date.

Debtors

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

Earmarked Reserves

Amounts set aside to be used to meet specific, known or predicted future expenditure.

External Audit

The independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Council has made proper arrangements to secure value for money in its use of resources.

Fair Value

Fair Value is the price that would be received to sell 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 organisation must maintain as a matter of prudence.

Treasury Management
The process by which the Joint Committee controls its cash flow and lending activities.