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## AGENDA

<b>Committee</b>	GOVERNANCE AND AUDIT COMMITTEE
<b>Date and Time of Meeting</b>	TUESDAY, 15 NOVEMBER 2022, 1.00 PM
<b>Venue</b>	COMMITTEE ROOM 4, COUNTY HALL – MULTI LOCATION
<b>Membership</b>	Hugh Thomas (Chairperson) Gavin McArthur, David Price, Dr. Janet Wademan,  Councillors Ahmed, Carr, Goodway, Lewis, Moultrie, Palmer, Waldron and Williams

*Time approx.*

### 1 **Apologies for Absence**

To receive apologies for absence.

### 2 **Declarations of Interest**

To be made at the start of the agenda item in question, in accordance with the Members' Code of Conduct.

### 3 **Minutes** (*Pages 5 - 12*)

To approve as a correct record the minutes of the meeting held on 27 September 2022.

### 4 **Draft Audited Statement of Accounts - Cardiff and Vale of Glamorgan Pension Fund** (*Pages 13 - 68*)

1.05 pm

ISA 260 and Audited Statement of Accounts 2021/22 for the Cardiff & Vale of Glamorgan Pension Fund

### 5 **Finance**

1.20 pm

#### 5.1 **Financial Update Including Resilience Issues** (*Pages 69 - 76*)

- |            |   |         |
|------------|---|---------|
| <b>6</b>   | <b>Treasury Management</b>  | 1.35 pm |
| <b>6.1</b> | Half Year Report <i>(Pages 77 - 106)</i>  |         |
| <b>7</b>   | <b>Update on Childrens Services Directorate Control Environment</b><br><i>(Pages 107 - 138)</i> | 1.45 pm |
| <b>8</b>   | <b>Outstanding Actions and Recommendations</b> <i>(Pages 139 - 140)</i>                         | 2.20 pm |
| <b>9</b>   | <b>Correspondence</b> <i>(Pages 141 - 142)</i>  |         |
| <b>10</b>  | <b>Work Programme Update</b> <i>(Pages 143 - 144)</i>   |         |
| <b>11</b>  | <b>Urgent Items (if any)</b>  |         |
| <b>12</b>  | <b>Date of next meeting</b>   |         |

The next meeting is scheduled for 29 November 2022

**Davina Fiore**

**Director Governance & Legal Services**

Date: Wednesday, 9 November 2022

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

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GOVERNANCE AND AUDIT COMMITTEE

27 SEPTEMBER 2022

Present: Independent Members:

Gavin McArthur, David Price, Dr. Janet Wademan,

Councillors Carr, Goodway, Lewis, Palmer, Waldron and Williams

23 : APOLOGIES FOR ABSENCE

Apologies were received from Hugh Thomas.

24 : DECLARATIONS OF INTEREST

No declarations of interest were received.

25 : MINUTES

The minutes of the meeting held on 19 July 2022 were approved as a correct record, subject to the following amendments:

Item 10 – 2<sup>nd</sup> paragraph – replace ‘tacking’ with ‘tackling’

Item 13 – final paragraph – delete

‘provide a split out audit report and include on the work programme. The Chairperson asked the Audit Manager to pick out some areas for the Committee to focus on for the next meeting.’

And replace with:

‘receive reports on the wider areas namely social services and schools.’

26 : DRAFT YEAR-END SELF-ASSESSMENT REPORT 2021/22 & UPDATE ON THE COUNCIL'S CONTROL ENVIRONMENT

The Committee received a report providing the Council’s draft Well-being (Self-Assessment) Report 2021/22 and the Chief Executive’s views on the Council’s Control Environment.

The Chairperson welcomed Paul Orders, Chief Executive, accompanied by Gareth Newell, Head of Performance and Partnerships, to the meeting. Following a brief statement, the Chairperson invited the Chief Executive to deliver a presentation.

The Chief Executive presented the report and an overview of both the draft Self-Assessment report and the Council’s control environment. Members were reminded that the scope of the report has been widened in recognition of the Committee’s requirement to review the draft annual Self-Assessment Report as a result of the

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Local Government and Elections (Wales) Act 2021. A key development of the new legislation is the introduction of a comprehensive self-evaluation process within the authority that informs policy development and underpins measurement of service delivery.

Members were advised that the Committee plays a key role in ensuring that the authority is exercising its functions effectively; is using its resources economically, efficiently and effectively; and whether its governance arrangements are effective to secure these. The report therefore addressed the Council's performance and assurance frameworks, the arrangements in place to oversee and manage effectiveness and the draft year end self-assessment.

Members were asked to note the components of the Council's planning and performance framework, namely: identifying and agreeing what the Council wants to achieve; measuring and reporting progress; and identifying and agreeing actions to improve performance. An overview of the self-assessment process was also provided. Members were advised that the challenges identified in the report include financial pressures, workforce pressures, rising demand in Childrens Services, system pressures in Adult Services and recycling performance.

Members requested clarification of the process for the self-assessment report moving forward. The Chief Executive advised that the report would be presented firstly to Cabinet and then to Council in October. The Policy Review and Performance Scrutiny Committee would consider the report ahead of that cycle. In respect of the Governance and Audit Committee, a period of consultation would begin immediately and any comments from the Committee were requested by 7 October 2022.

The Chairperson opened the debate and invited questions or comments from Members of the Committee. Those discussions are summarised as follows:

- A Member questioned the format of the report and particularly in terms of its reference to 'performance requirements' as set out in the legislation. They asked what discussions there had been about interpreting what is meant by 'performance requirements for which Article 89 of the Local Government and Elections (Wales) Act 2021 sets out the three areas of performance that the report should address – that the Council is exercising its functions effectively; that it is using its resources efficiently; and that its governance is appropriate. The Member considered that the report before the Committee addressed the governance aspect comprehensively but it did not set out whether the authority was exercising its functions effectively or using its resources appropriately. Members were advised that the format of the report broadly reflects the format of well-being assessments across all authorities in Wales. The report is underpinned by a comprehensive evidence base which draws on service performance and financial challenges. Members were advised that the authority has consulted with Audit Wales in terms a sense check of the arrangements in place and the feedback received in terms of the interpretation of the legislation and the analysis provided by the report is appropriate.
- A Member asked whether the self-assessment has taken account of the views of local residents, businesses and trade unions and how that is reflected in the assessment. The Head of Performance and partnerships stated that the annual

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'Ask Cardiff' survey feeds into the corporate plan and informs the discussions on performance planning and budget setting. There is a separate requirement in the Local Government and Elections (Wales) Act 2021 for a Consultation and Engagement Strategy. This will be brought forward within the next six months. The general interpretation around consultation on the annual well-being plan is that consultation throughout the year will feed into the process.

- A Member asked when performance assessment panel would be undertaken. The Chief Executive stated that an external peer review assessment will take place during the term of the current administration but there are various aspects of the process that will require clarification. The Chief Executive supported external peer review and the challenge it provides. An undertaking was given that the matter will be addressed in the future.
- A Member observed that the report did not contain a series of identified actions and recommendations arising from an overview of performance as they would expect. The Chief Executive stated that the report was an end of year assessment which will be followed by a mid-year assessment of performance in the current financial year which should provide a detailed statement in terms of current performance and actions that need to be taken forward, which will inform the budget setting process and the corporate plan for the new financial year.
- The Chief Executive agreed to reflect on comments made by the Committee regarding whether the Strategic Assessment sections of the report were balanced between description and performance evaluation.
- Responding to comments from the Committee, the Chief Executive considered that the way the Welsh Government has approached the parallel tracks of Welsh Future Generations Act and the performance legislation (Local Government and Elections (Wales) Act 2021) has been correct, requiring that the authority's performance obligations be integrated into the Future Generations framework.
- A Member noted that many objectives require cross organisational collaboration and so the "whole system". In terms of partnerships, the Chief Executive considered that there are partnership arrangements in place and the Council is demonstrating its commitment to the wider vision in place in the city. A partnership review is currently taking place on the effectiveness of partnership initiatives. The Head of Performance and Partnerships stated that Committee's comments on collaboration and engagement will inform the introductory section of the report. There is a statutory requirement for the Public Services Board to produce a new Well Being Plan in the new year. This will be consulted upon in the October. The Well Being Plan will focus on a set of issues that require partnership working.

- Members asked officers to comment on the cross-cutting challenges and key risks – where individual departmental risks have the same root cause – and whether the external factors may lead to changes in those challenges and risks. The Chief Executive stated that the report was a retrospective assessment. However, the seriousness of the financial challenges and risks facing the authority have increased considerably so budget planning is now more complicated and that will need to be reflected. This will be fully articulated in the mid-year assessment, including actions to address those challenges. The Chief Executive welcomed the important point raised regarding the ‘cross-cutting’ challenges being faced and these would be reflected upon.
- The Head of Performance and Partnerships stated that target setting, and monitoring performance is part of the corporate planning process. Some targets have been drawn out in the Well Being Assessment where issues have been identified.
- The Chief Executive confirmed that partnership working would include consultation with the trade unions on service priorities and, in particular, workforce issues.

The Chairperson thanked the Chief Executive and officers for the report. Members were asked to consider the report and forward any recommendations or comments to the Head of Audit. A further discussion would be arranged if required.

The Chairperson concluded that comments from Members had covered a considered need for clarity to be brought to a number of the conclusions in the report in terms of their objectives. It was also considered that there could be an emphasis on the consultative mechanisms used by the Council. It was highlighted to Committee that the latter point would be covered in the introductory section of the report which will be circulated to the Committee in due course.

RESOLVED – That the report be noted.

## 27 : COUNTER-FRAUD ANNUAL REPORT 2021/22

The Committee received the Counter-Fraud Annual Report 2021/22. The Audit Manager was invited to introduce the report.

Members were advised that Appendix A to the report set out the counter-fraud developments, campaigns, resources, work undertaken and collaborations that have taken place during the year. These activities are aligned with the Counter-Fraud and Corruption Strategy. The Audit Manager summarised the contents of the report.

Members asked how often weaknesses are revealed by counter-fraud measures and how long does it take for these weaknesses to be addressed. The Audit Manager stated that it was important to understand how fraud has occurred. Control issues and actions will arise from that understand and this was an important facet of the process. In some cases, control measures are in place and these have identified that fraud has taken place. In other cases it may be considered that controls aren't

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effective enough or that they are effective but aren't being applied as designed. These will be addressed by senior officers in the service area.

Members also what activities were undertaken to inform that general public. The Audit Manager stated that fraud-awareness campaigns are centred on staff in order to protect the Council. As part of the application process for services, it is made clear to those members of the public applying what checks the Council will make to verify the legitimacy and eligibility of those applying.

RESOLVED – That the report be noted.

## 28 : FINANCIAL UPDATE INCLUDING RESILIENCE ISSUES

The Corporate Director Resources and Section 151 Officer, Chris Lee, provided Members with a presentation on the Financial Update after which comments and questions were invited from the Committee. The presentation provided details of the considerations including the financial challenges facing the authority.

Members were advised that a projected overspend of approximately £7.4 million was anticipated at Month 4. The key variances were highlighted including overspends in Childrens Services, Economic Development and Education. This figures presented excluded any figures arising from the annual pay award.

Members were asked to note the projected budget gap in 2023/24 which is likely to be exacerbated from the position reported in July 2022 due to a number of factors including the anticipated pay award and rising energy costs. Service changes and transformation were expected as a result of the challenges being faced.

Members sought clarification on the projected figure for the current year around final assumptions for pay increases, specifically in relation to 5% pay aware recommended for teachers. The Corporate Director stated that the recommendation for teachers is built into the projections. To date, there has been no support in terms of funding indicated from Welsh Government. The budget set an allowance for a 3% uplift for all NJC and non-teaching staff. The latest employer offer, if agreed, is significantly higher.

Members asked whether there were any mechanisms within the financial controls to drive forward the transformation needed, specifically in times of crisis. The Corporate Director stated that efficiency savings are being sought in service areas. Transformation and service changes are being sought wherever they exist, rather than by introducing targets. However, the significance of the challenges faced may mean that some areas may be targeted more than others.

RESOLVED – That the report be noted.

## 29 : CORPORATE RISK MANAGEMENT UPDATE

The Operational Manager - Information Governance, Transactional Finance and Programme Management, Dean Thomas, was invited to presented the Corporate Risk Management Update report.

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Members were advised that during Q1 there has been a focus on reviewing the Directorate Risk Registers to ensure that all relevant risks have been captured. The Risk Management Team have worked closely with Directorate Risk Champions to ensure risks identified reflect the current position.

The report has also taken account of comments made by the Committee at its meeting on 19 July 2022 to ensure that all actions noted for each corporate risk have either been completed or were in the process of being delivered. Each proposed action now has an estimated completion date or is highlighted where the action is ongoing.

RESOLVED – That the report be noted.

### 30 : TREASURY MANAGEMENT ANNUAL REPORT 2021/22

The Committee were asked to note the Treasury Management Annual Report. Comments were invited on the report prior to the report being submitted to Council.

It was highlighted that at 31 March 2022 investments stood at £226.4 million and external borrowing stood at £855.6 million, with £72.4 million of new borrowing and £27.5 million of scheduled repayments during 2021/22.

Members were also asked to note that there were no breaches of any of the treasury management prudential indicators for capital spend and treasury management activities during the year. The report includes a section on the resilience of the treasury management function based on previous feedback received from the Committee. An internal audit review had indicated no significant issues for the Treasury Management Team.

The report commented on emerging issues for 2022/23, including a review of the treasury management strategy and current capital programme initiatives.

Members asked whether consideration has been given to reviewing the existing Treasury Management Strategy and policy in light of the current financial context, for example, rising interest rates and the subsequent effect on borrowing and investments. The Committee was advised that the Treasury Management Strategy is primarily driven by the Capital Investment Strategy and the need to borrow is determined on those decisions and forms part of the budget setting process. The Strategy will be reviewed in the autumn and considered based on a number of factors, supported with advice from external advisors, taking account of affordability indicators.

Responding to a question from the Committee, officers confirmed that the 21<sup>st</sup> Century Schools Band B investment programme would be progressed. A large element of that programme is funded by the Welsh Government which will require Council matched funding. New schools which form part of the programme are part of the 21<sup>st</sup> Century Schools financial model which is regularly reported to Cabinet.

RESOLVED – That the report be noted.

31 : OUTSTANDING ACTIONS

RESOLVED – That the report be noted.

32 : CORRESPONDENCE

RESOLVED – That the report be noted.

33 : WORK PROGRAMME UPDATE

RESOLVED – That the report be noted.

34 : URGENT ITEMS (IF ANY)

No urgent items.

35 : DATE OF NEXT MEETING

The next meeting is scheduled for 15 November 2022.

36 : CORRESPONDENCE FOLLOWING THE COMMITTEE MEETING

The meeting terminated at 7.00 pm

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# CARDIFF COUNCIL CYNGOR CAERDYDD

## GOVERNANCE AND AUDIT COMMITTEE: 15 November 2022

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### DRAFT AUDITED STATEMENT OF ACCOUNTS AND AUDIT OF ACCOUNTS REPORTS (ISA 260) FOR CARDIFF AND VALE OF GLAMORGAN PENSION FUND FOR FINANCIAL YEAR 2021/22

### REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 4

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#### Reason for this Report

1. The Governance and Audit Committee Terms of Reference sets out their responsibility for Financial Reporting:
  - To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
  - To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts

#### Background

2. Governance and Audit Committee received an electronic copy of the signed draft financial statements for comment on 7 July 2022 and this was also considered at its meeting on 19 July 2022, with opportunity for comment during the public inspection period which ran to 16 August 2022. Following the substantial completion of the audit, attached for 2021/22 are the draft Statement of Accounts for the Cardiff and Vale of Glamorgan Pension Fund – **Appendix 1**.

The revised draft includes any agreed amendments arising from the audit and feedback from Governance and Audit Committee.

3. Also attached is the draft Audit of Accounts Report (ISA 260) for 2021/22 in respect of the Cardiff and Vale of Glamorgan Pension Fund – **Appendix 2**.
4. This report has been prepared to:
  - allow Audit Wales to present their audit findings to those charged with governance in accordance with International Standard on Auditing 260 and
  - provide Governance and Audit Committee with the opportunity to consider the audit findings, the audit opinion, seek assurances on the delivery of the audit and any resulting adjustments made to the accounts and Annual Governance Statement.

5. The final Audit of Accounts Reports (ISA 260) along with the final audited financial statements are to be considered by Council at its meeting on 24 November 2022.

### **Legal Implications**

6. No direct legal implications arise from this report.

### **Financial Implications**

7. No direct financial implications arise from this report.

### **RECOMMENDATIONS**

8. That Governance and Audit Committee:
  1. Note the 2021/22 Draft Audited Statement of Accounts for Cardiff and Vale of Glamorgan Pension Fund.
  2. Note the 2021/22 Draft Audit of Accounts Reports (ISA 260) for the Cardiff and Vale of Glamorgan Pension Fund.
  3. To ask questions of the auditor in respect to the appendices ahead of the request for Council approval on 24 November 2022.

### **CHRISTOPHER LEE**

Corporate Director Resources

15 November 2022

Appendix 1 – Draft Audited Statement of Accounts 2021/22 – Cardiff and Vale of Glamorgan Pension Fund.

Appendix 2 – Draft Audit of Accounts Report (ISA 260) 2021/22 – Cardiff and Vale of Glamorgan Pension Fund.



Cardiff & Vale of Glamorgan  
**Pension Fund**

# **Draft Statement of Accounts 2021/22**

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## ***Narrative Report***

Cardiff Council is the Administering Authority for the Cardiff and Vale of Glamorgan Pension Fund (the Fund) which is part of the national Local Government Pension Scheme (LGPS) for England & Wales. The LGPS is the statutory occupational pension scheme for all local government employees (except teachers) and the regulations are determined by the UK Government.

The Council's responsibilities as manager of the Fund are discharged through the Pensions Committee which has oversight of the Fund's strategies and policies. Operational management of the Fund has been delegated to the Corporate Director Resources. The Local Pension Board assists the Council to secure compliance with the LGPS regulations and the requirements of the Pensions Regulator and to ensure the effective and efficient administration of the scheme.

Membership was largely static during the year with just under 16,900 contributing employees and a small increase in Pensioners to just over 12,500 receiving benefits from the Fund.

The Pension Fund's net assets rose by 7.2% during 2021/22, from £2.518 billion to £2.699 billion. Investment markets globally continued the post-Covid recovery growth experienced during 2020/21 into the first half of 2021/22. During the second half of 2021/22 however, a much slower period of growth was experienced with increased market volatility as a result of concerns around new Covid variants, the increases in inflation and the Russian invasion of Ukraine in February 2022. With regard to this last event the Wales Pension Partnership (WPP), on behalf of the 8 LGPS funds in Wales, was quick to announce its intention to divest its holdings in Russian stocks as soon as practically possible.

The transfer of the Fund's legacy Regional Equity holdings into the two WPP Global Equity Funds which commenced in 2020/21 was completed in July 2021, at the same time as the additional investment into the BlackRock Low Carbon Tracker Fund. The total value of these transfers were over £1 billion. October 2021 saw the Fund move its Emerging Markets (EM) Equity investments into the new WPP EM fund.

At 31 March 2022 the value of the Fund's assets held in WPP sub-funds was 63% of the Fund's total value which increases to 86% of Fund value if the jointly procured BlackRock fund is included. The WPP, on behalf of the eight LGPS Pension Funds in Wales, were quick to condemn the Russian invasion of Ukraine and announce the divestment of Russian holdings in their Funds. This Fund's holding in Russian investments across 4 WPP sub-funds were just under £2.5 million which represented less than 1% of the total fund value. There were no material holdings in Russian investments in the rest of the Fund's portfolio.

The consequences of the UK Government mini-budget in September 2022 saw news reports of a "liquidity crisis" facing Pension Funds which required the intervention of the Bank of England to buy UK Government Bonds (Gilts) to provide reassurance to the Markets. This issue has arisen where Pension Funds, typically Corporate Defined Benefit (DB) schemes, have assets in Liability Driven Investments (LDI). With the price of Gilts falling these Funds have been forced to sell assets to maintain leverage levels, which resulted in a further decrease in Gilt prices resulting in the intervention by the Bank of England to maintain Market stability. The Fund has no exposure to LDI assets and very limited exposure to UK Gilts. At the end of September 2022, the WPP Global Government Bond sub-fund's holding in UK Gilts was only 0.6% (£1.237 million) of that sub-fund's value. The equivalent position at the end of June 2022 was 2.2% (£5.350 million).

The eight LGPS fund authorities in Wales continued to make progress during the year with the development of the Wales Pension Partnership (WPP). In addition to the new EM Fund referred to in the above paragraph the establishment of WPP Private Market sub-funds is progressing well. Sub-funds for Private Credit and

Infrastructure, Phase 1 of Private Markets, are expected to be launched in 2022/23 with WPP Private Equity sub-fund following later in the year.

2021/22 saw the WPP complete the process to welcome a non-voting Scheme Member Representative onto its Joint Governance Committee. During March 2022 the WPP was informed that its application to become a signatory to the UK 2020 Stewardship Code had been approved by the Financial Reporting Council (FRC). This demonstrates the commitment of the Welsh LGPS Funds, including this Fund, to Responsible Investment (RI), which will build on the good work undertaken in 2021/22 as investment products develop in future years.

On the eve of the next tri-annual valuation, the Fund's key objective continues to be to deliver an effective and efficient service to its contributing employees, pensioners and deferred members, and to minimise the financial burden on contributing employers over the long term.

**Christopher Lee**  
**Corporate Director Resources**

## Actuarial Statement

### Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the Cardiff and Vale of Glamorgan Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2019 by Aon, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

### Actuarial Position

1. The valuation as at 31 March 2019 showed that the funding level of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2019 (of £2.178 billion) covering 96% of the liabilities allowing, in the case of pre- 1 April 2014 membership for current contributors to the Fund, for future increases in pensionable pay.

2. The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2020 was:

- 18.8% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date (the primary rate),

**Plus**

- an allowance of 0.9% of pay for McCloud and cost management – see paragraph 9 below,

**Plus**

- Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 17 years from 1 April 2020, equivalent to 1.8% of pensionable pay (or £5.7 million in 2020/21, and increasing by 3.1% p.a. thereafter), which together with the allowance above comprises the secondary rate.

3. In practice, each individual employer's or group of employers' position is assessed separately and contributions are set out in Aon's report dated 30 March 2020 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

Total contributions payable by all employers over the three years to 31 March 2023 are estimated to be:

<b>Year from 1 April</b>	<b>% of pensionable pay</b>	<b>Plus total contribution amount (£M)</b>
2020	20.9%	1.6
2021	20.9%	1.8
2022	20.9%	2.0

4. The funding plan adopted in assessing the contributions for each employer is in accordance with the Funding Strategy Statement. Different approaches were adopted in relation to the calculation of the primary contribution rate, stepping of contribution increases and individual employers' recovery

periods as agreed with the Administering Authority and reflected in the Funding Strategy Statement, reflecting the employers' circumstances.

5. The valuation was carried out using the projected unit actuarial method for most employers and the main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

<b>Discount rate for periods in service</b>	
Scheduled body employers *	4.3% p.a.
Ongoing Orphan employers	4.3% p.a.
Low risk funding target	1.3% p.a.
<b>Discount rate for periods after leaving service</b>	
Scheduled body employers *	4.3% p.a.
Ongoing Orphan employers	1.6% p.a.
Low risk funding target	1.3% p.a.
<b>Rate of pay increases</b>	<b>3.1% p.a.</b>
<b>Rate of increase to pension accounts</b>	<b>2.1% p.a.</b>
<b>Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)</b>	<b>2.1% p.a.</b>

\* The scheduled body discount rate was also used for employers whose liabilities will be subsumed after exit by a scheduled body.

In addition, the discount rate for already orphaned liabilities (i.e. where there is no scheme employer responsible for funding those liabilities and employer has exited the Fund) was 1.3% p.a.

The assets were valued at market value.

Further details of the assumptions adopted for the valuation, including the demographic assumptions, are set out in the actuarial valuation report.

6. The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S2 mortality tables with appropriate scaling factors applied based on an analysis of the Fund's pensioner mortality experience and a Fund membership postcode analysis using Aon's Demographic Horizons™ longevity model, and included an allowance for improvements based on the 2018 Continuous Mortality Investigation (CMI) Projections Model (CMI2018) with  $s_k$  of 7.5 and parameter A of 0.0 assuming a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 (for normal health retirements) were:

	Men	Women
Current pensioners aged 65 at the valuation date	22.1	24.5
Future pensioners aged 45 at the valuation date	23.1	25.9

7. The valuation results summarised in paragraphs 1 and 2 above are based on the financial position and market levels at the valuation date, 31 March 2019. As such the results do not make allowance for changes which have occurred subsequent to the valuation date. The Administering Authority, in conjunction with the Actuary, monitors the funding position on a regular basis.

8. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2020 to 31 March 2023 were signed on 30 March 2020. Other than as agreed or otherwise permitted or required by the Regulations and reflected in the Funding Strategy Statement as appropriate, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2022 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

9. There are a number of uncertainties regarding the Scheme benefits and hence liabilities:

▪ **Increases to Guaranteed Minimum Pensions (GMPs):**

The 2019 valuation allows for the extension of the 'interim solution' for public service schemes to pay full inflationary increases on GMPs for those reaching State Pension Age (SPA) between 6 April 2016 and 5 April 2021. On 23 March 2021, the Government published a response to its consultation on the longer term solution to achieve equalisation for GMPs as required by the High Court judgement in the Lloyds Bank case. The response sets out its proposed longer term solution, which is to extend the interim solution further to those reaching SPA after 5 April 2021.

The results of the 2019 valuation do not allow for the impact of this proposed longer term solution. Based on approximate calculations, at a whole of fund level, the impact of providing full pension increases on GMPs for those members reaching State Pension Age after 5 April 2021 is an increase in past service liabilities of between 0.1% to 0.2% across the Fund as a whole.

● **Cost Management Process and McCloud judgement:**

Initial results from the Scheme Advisory Board (SAB) 2016 cost management process indicated that benefit improvements / member contribution reductions equivalent to 0.9% of pay would be required. However, the cost management process was paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant) constituted illegal age discrimination. Government confirmed that the judgement would be treated as applying to all public service schemes including the LGPS (where the transitional arrangements were in the form of a final salary underpin) and a consultation on changes to the LGPS due to this judgement was issued in July 2020.

On 13 May 2021 Government confirmed the key elements of the expected changes to the LGPS to implement the McCloud judgement in a Written Ministerial Statement, although final Regulations are not expected to be come into force until 2023. After incorporating the potential costs of the McCloud remedy, the 2016 SAB cost management process has concluded, with no benefit improvements or member contribution changes being recommended under that process. However some uncertainty remains as the inclusion of McCloud costs in the cost management process is the subject of a Judicial Review.

The employer contributions certified from 1 April 2020 as part of the 2019 valuation include an allowance of 0.9% of pay in relation to the potential additional costs following the McCloud judgement / cost management process. This was a simplified approach which didn't take account of different employer membership profiles or funding targets and may be more or less than the assessed cost once the details of the LGPS changes arising from the McCloud judgement and the 2016 cost management process have been finalised.

● **Goodwin:**

An Employment Tribunal ruling relating to the Teachers' Pension Scheme concluded that provisions for survivor's benefits of a female member in an opposite sex marriage are less favourable than for a female in a same sex marriage or civil partnership, and that treatment

amounts to direct discrimination on grounds of sexual orientation. The chief secretary to the Treasury announced in a written ministerial statement on 20 July 2020 that he believed that changes would be required to other public service pension schemes with similar arrangements, although these changes are yet to be reflected in LGPS regulations. We expect the average additional liability to be less than 0.1%, however the impact will vary by employer depending on their membership profile.

10. This Statement has been prepared by the Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of the actuarial valuation which was carried out as at 31 March 2019. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

This Statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation.

Aon does not accept any responsibility or liability to any party other than our client, the County Council of the City and County of Cardiff, the Administering Authority of the Fund, in respect of this Statement.

11. The report on the actuarial valuation as at 31 March 2019 is available on the Fund's website at the following address:

<https://www.cardiffandvalepensionfund.org.uk/wp-content/uploads/Cardiff-2019-actuarial-valuation-report-FINAL.pdf>

**Aon Solutions UK Limited**

**May 2022**

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

### ***The Council's responsibilities***

As administering authority of the Cardiff and Vale of Glamorgan Pension Fund, Cardiff Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In 2021/22 that officer was Christopher Lee, Corporate Director Resources;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the statement of accounts.

**Councillor Graham Hinchey**  
**Lord Mayor**

**Date:**

### ***The Corporate Director Resources responsibilities***

The Corporate Director Resources (who holds the statutory post of Section 151 Officer) is responsible for the preparation of the Council's financial statements in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code).

In preparing these financial statements, the Corporate Director Resources has:

- selected suitable accounting policies and then applied them consistently, except where policy changes have been noted in these accounts;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code.

The Corporate Director Resources has also:

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

### ***Corporate Director Resources Certificate***

The financial statements for the Cardiff and Vale of Glamorgan Pension Fund give a true and fair view of its income and expenditure for the financial year 2021/22 and financial position at 31 March 2022.

**Christopher Lee**  
**Corporate Director Resources**

**Date:**

***The Independent Auditor's Report of the Auditor General for Wales to the Members of the County Council of the City and County of Cardiff as administering authority for Cardiff & Vale of Glamorgan Pension Fund***

This page is intentionally left blank and will be updated upon receipt of the Auditor General's opinion following the audit of the accounts.



## Fund Account

2020/21		Note	2021/22
£000			£000
	<b>Dealings with members, employers and others directly involved in the fund</b>		
	<b>Contributions</b>		
(69,615)	From employers	8	(75,155)
(21,174)	From employees	8	(22,307)
0	Group transfers from other schemes or funds		0
(3,510)	Individual transfers from other schemes or funds		(4,577)
(269)	Other income (capitalised payments and interest on deficit funding)		(2,603)
<b>(94,568)</b>			<b>(104,642)</b>
	<b>Benefits Payable</b>		
71,463	Pensions	9	72,694
12,941	Lump sums, grants and other payments	9	14,745
	<b>Payments to and on account of leavers</b>		
86	Refunds of contributions		135
0	Group transfers to other schemes or funds		0
3,817	Individual transfers to other schemes or funds		5,030
<b>88,307</b>			<b>92,604</b>
<b>(6,261)</b>	<b>Net (additions)/withdrawals from dealings with members of the Fund</b>		<b>(12,038)</b>
8,189	Management expenses	10	8,295
<b>1,928</b>	<b>Net (additions)/withdrawals including fund management expenses</b>		<b>(3,743)</b>
	<b>Returns on Investment</b>		
(9,810)	Investment income	11	(26,156)
(482,650)	Change in market value of investments	12a	(150,846)
<b>(492,460)</b>	<b>Net returns on investments</b>		<b>(177,002)</b>
<b>(490,532)</b>	<b>Net (increase)/decrease in the Fund during year</b>		<b>(180,745)</b>
(2,027,605)	Opening net assets of the scheme		(2,518,137)
<b>(2,518,137)</b>	<b>Closing net assets of the scheme</b>		<b>(2,698,882)</b>

## Net Assets Statement

2020/21		Note	2021/22
£000			£000
2,464,573	Investments at market value	12	2,620,864
45,502	Cash (including derivatives) and investment proceeds due	12	72,253
<b>2,510,075</b>	<b>Total investments</b>		<b>2,693,117</b>
78	UK & overseas tax		74
4,499	Contributions due from employers and deficit funding		5,509
633	Sundry debtors		327
1,380	Pension strain costs due within one year		1,153
<b>6,590</b>	<b>Total current assets</b>		<b>7,063</b>
2,359	Deficit funding (former employers)		68
2,327	Pension strain costs due after one year		1,296
<b>4,686</b>	<b>Total non-current assets</b>		<b>1,364</b>
(267)	Unpaid benefits		(69)
(1,893)	Sundry creditors		(1,478)
(320)	Provision - death grants	20	(217)
<b>(2,480)</b>	<b>Total current liabilities</b>		<b>(1,764)</b>
(734)	Provision - death grants	20	(898)
<b>(734)</b>	<b>Total non-current liabilities</b>		<b>(898)</b>
<b>2,518,137</b>	<b>Net assets of the scheme</b>		<b>2,698,882</b>

## **Notes to the Accounts**

### **1. Description of Fund**

The Cardiff and Vale of Glamorgan Pension Fund (the Fund) is part of the LGPS and is administered by Cardiff Council.

#### **General**

The scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

It is a contributory defined benefit pension scheme administered by Cardiff Council to provide pensions and other benefits for pensionable employees of Cardiff Council and Vale of Glamorgan Council, except for teachers who have a separate scheme. Employees of a range of other scheduled and admitted bodies within the area are also permitted to join the Fund. The Fund is overseen by the Pension Fund Committee, which is a committee of Cardiff Council.

#### **Membership**

Membership of the LGPS is automatic for all employees, who can then choose to remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Cardiff and Vale of Glamorgan Pension Fund include the following:

- Scheduled bodies, which are automatically entitled to be members of the Fund
- Admitted bodies, which participate in the Fund by virtue of an admission agreement made between the Fund and the employer. Admitted bodies include, voluntary, charitable and similar not-for-profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.

#### **Funding**

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2022. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019. Currently, employer contribution rates range from 17.6% to 37.7% of pensionable pay with effect from 1<sup>st</sup> April 2020.

#### **Benefits**

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with the Consumer Prices Index. A range of other benefits are also provided including early retirement, disability pensions and death benefits. For more details, please refer to the Cardiff and Vale of Glamorgan Pension Fund website <https://www.cardiffandvalepensionfund.org.uk/>

## 2. Basis of Preparation

The Statement of Accounts summarises the funds transactions for the 2021/22 financial year and its financial position at 31 March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

The accounts have been prepared on a going concern basis.

## 3. Significant Accounting Policies

### **Accounting standards that have been issued but not yet adopted**

At the balance sheet date, no accounting standards issued but not yet adopted have been identified.

### **Income and Expenditure**

Bond and dividend income has been taken into account on the contractual payment date. Property and private equity income is credited on receipt.

The Fund does not account for any benefits payable or receivable in respect of members wishing to transfer from one scheme to another until assets (either cash investments or other form) have been received by the receiving scheme.

All other income and expenditure has been accounted for on an accruals basis, except the liability to pay pensions and benefits in the future, which has been separately disclosed within the notes to the accounts.

### **Acquisition costs of Investments**

Acquisition costs are included with the original book cost at the time of purchase. At the year end, however, investments on the balance sheet are valued at market value. The difference is recorded in the Accounts as "Change in Market Value of Investments".

### **Valuation of Investments**

Investments are included in the financial statements on a fair value basis as at the reporting date. The values of investments as shown in the net assets statement have been determined in accordance with the requirements of the Code and IFRS 13. Valuation methods employed by the fund are detailed within Note 14c.

### **Cash and Cash Equivalents**

Cash is represented by cash in hand, the net balance on all of the Council's bank accounts. It includes deposits with financial institutions, including investment managers and the custodian, that are repayable on notice of not more than 24 hours without significant penalty. It also includes investments maturing and interest received on the first working day of April.

### **Foreign Currency Transactions**

Overseas investments in foreign currencies have been converted at WM/Reuters closing spot rates of exchange at the end of the reporting period.

## Taxation

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

## 4. Critical judgements in applying accounting policies

### **Unquoted private equity investments**

These are inherently based on forward looking estimates and judgements valued by the investment managers using two main sets of valuation guidelines that apply to private equity; the Private Equity Valuation Guidelines (PEVG) in the US and the International Private Equity and Venture Capital Valuation Guidelines (IPEVCG) outside the US.

### **Pension fund liability**

This is calculated in accordance with IAS19 every three years by the actuary, with an annual statement in the intervening years. This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary.

## 5. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures based on assumptions made taking into account historical experience, current trends and other factors. As balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Item	Uncertainties	Effect if actual results differ from assumptions
<b>Actual present value of promised retirement benefits</b>	Estimations of the liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries increase, changes in mortality rates and expected returns on pension fund assets. The actuary provides the fund with advice regarding the assumptions to be used.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, an increase in the discount rate assumption would result in a decrease in the pension liability. An increase in assumed earnings inflation or assumed life expectancy would increase the value of the liabilities.
<b>Private Equity Valuations</b>	Private equity investments are valued at fair value in accordance with international accounting standards. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £103 million. There is a risk that this investment may be under, or overstated in the accounts. Further information is provided on the sensitivity of these assets within the accounts.
<b>Pooled Property Funds</b>	Valuation techniques are used to determine the carrying amount of pooled property funds.	The total pooled property fund investments in the financial statements are £202 million. Changes in the valuation assumptions used, together with significant changes in rental

		growth could affect (increase or decrease) the fair value of property-based investments. Further information is provided on the sensitivity of these assets within the accounts.
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## 6. Titles of Ownership

Evidences of ownership for the property unit trusts and private equity holdings are held by Cardiff Council. All other evidences of ownership were held at 31 March 2022 by The Northern Trust Company for the benefit of the Council. Statements of holdings have been provided by Northern Trust.

## 7. Membership

Fund membership at 31 March 2022 is as follows:

2020/21		2021/22
43	Contributing employers	44
<b>43</b>	<b>Total contributing employers</b>	<b>44</b>
16,936	Contributors	16,876
12,190	Pensioners	12,515
13,755	Deferred pensioners	13,515
<b>42,881</b>	<b>Total membership</b>	<b>42,906</b>

In addition to the above, there are also members who at year end were not yet categorised as to whether they would be deferring their pension, transferring it to another scheme or requesting a refund of their contributions and accordingly are not actively contributing to the Pension Fund. The number of members not yet categorised at 31 March 2022 was 7,269 (6,010 for March 2021).

## 8. Employing Bodies – Contributions

2021/22	No. of contributors at 31/03/2022	Employers	Deficit Funding Received	Total Employers	Employees	Total
		£000	£000	£000	£000	£000
<b>Administering Body:</b>						
Cardiff Council	10,472	(45,067)	0	(45,067)	(13,617)	(58,684)
<b>Scheduled Bodies:</b>						
Vale of Glamorgan Council	4,052	(15,421)	0	(15,421)	(4,570)	(19,991)
Town and Community Councils	58	(247)	0	(247)	(76)	(323)
Education Bodies	1,476	(7,459)	0	(7,459)	(2,809)	(10,268)
Other Scheduled Bodies	6	(41)	0	(41)	(14)	(55)
<b>Admitted Bodies:</b>						
Admitted Bodies	812	(4,966)	(1,954)	(6,920)	(1,221)	(8,141)
<b>Total</b>	<b>16,876</b>	<b>(73,201)</b>	<b>(1,954)</b>	<b>(75,155)</b>	<b>(22,307)</b>	<b>(97,462)</b>

2020/21	No. of contributors at 31/03/2021	Employers	Deficit Funding Received	Total Employers	Employees	Total
		£000	£000	£000	£000	£000
<b>Administering Body:</b>						
Cardiff Council	10,334	(42,186)	0	(42,186)	(12,702)	(54,888)
<b>Scheduled Bodies:</b>						
Vale of Glamorgan Council	4,116	(14,631)	0	(14,631)	(4,644)	(19,275)
Town and Community Councils	56	(239)	0	(239)	(70)	(309)
Education Bodies	1,654	(6,831)	0	(6,831)	(2,537)	(9,368)
Other Scheduled Bodies	6	922	0	922	(17)	905
<b>Admitted Bodies:</b>						
Admitted Bodies *	770	(4,789)	(1,861)	(6,650)	(1,204)	(7,854)
<b>Total</b>	<b>16,936</b>	<b>(67,754)</b>	<b>(1,861)</b>	<b>(69,615)</b>	<b>(21,174)</b>	<b>(90,789)</b>

\*2020/21 Figures have been restated in line with 2021/22 presentation. Deficit previously included in Additional lump sum.

### **Additional deficit funding**

There has been no additional deficit funding agreed in 2021/22 on top of that agreed in previous years (no additional deficit funding in 2020/21).

## 9. Employing Bodies - Benefits Payable

2021/22	Retirement Pensions	Lump Sums, Grants and Other Payments		
		Lump Sums on Retirement	Death Grants	Commutation Payments
	£000	£000	£000	£000
<b>Administering Body:</b>				
Cardiff Council	46,093	7,156	1,882	414
<b>Scheduled Bodies:</b>				
Vale of Glamorgan Council	14,149	2,326	348	119
Town and Community Councils	240	0	0	0
Education Bodies	3,522	613	308	23
Other Scheduled Bodies	2,633	128	47	0
<b>Admitted Bodies:</b>				
Admitted Bodies	6,057	1,175	154	52
<b>Total</b>	<b>72,694</b>	<b>11,398</b>	<b>2,739</b>	<b>608</b>

2020/21	Retirement Pensions	Lump Sums, Grants and Other Payments		
		Lump Sums on Retirement	Death Grants	Commutation Payments
	£000	£000	£000	£000
<b>Administering Body:</b>				
Cardiff Council	45,380	6,386	1,724	340
<b>Scheduled Bodies:</b>				
Vale of Glamorgan Council	13,923	2,235	381	102
Town and Community Councils	235	10	0	0
Education Bodies	3,387	400	89	61
Other Scheduled Bodies	2,667	165	34	1
<b>Admitted Bodies:</b>				
Admitted Bodies	5,871	818	185	10
<b>Total</b>	<b>71,463</b>	<b>10,014</b>	<b>2,413</b>	<b>514</b>



## 10. Management Expenses

2020/21		2021/22
£000		£000
1,485	Administration costs	1,730
29	Audit fees	73
<b>1,514</b>	<b>Total administration costs</b>	<b>1,803</b>
243	Fixed Interest Securities	0
1,062	Equities	430
797	WPP UK equity fund *	155
393	WPP government bond fund *	241
318	WPP credit fund *	199
410	WPP multi asset credit fund *	124
0	WPP global growth fund	661
0	WPP global opportunities fund	529
0	WPP emerging markets fund	139
1,929	Equity pooled fund	944
113	Pooled property investments	179
1,123	Private equity **	2,354
<b>6,388</b>	<b>Total management fees</b>	<b>5,955</b>
182	Custody fees	272
<b>6,570</b>	<b>Total investment management expenses</b>	<b>6,227</b>
105	Oversight and governance costs	265
<b>8,189</b>	<b>Total</b>	<b>8,295</b>

\*2020/21 WPP includes underlying fund managers fees totalling £1.235 million which should have been excluded, the value excluded for 2021/22 was £2.279 million

\*\*2020/21 Private equity excludes performance fees totalling £0.853 million which should have been included, the value included for 2021/22 was £0.757million

2020/21	WPP Management Expenses	2021/22
£000		£000
1,246	Fund manager fees *	163
672	Transaction costs	1,550
0	Transition costs	335
64	Custody fees	231
<b>1,982</b>	<b>Total WPP investment management expenses</b>	<b>2,279</b>
88	Host authority costs	135
<b>88</b>	<b>Total WPP oversight and governance costs</b>	<b>135</b>
<b>2,070</b>	<b>Total</b>	<b>2,414</b>

\*2020/21 WPP includes underlying fund managers fees totalling £1.235 million which should have been excluded, the value excluded for 2021/22 was £2.279 million

Included in Management Expenses in the first table of this note is the cost of the Fund's involvement in the Wales Pension Partnership (WPP) collective investment pooling arrangement. These are further analysed in the table above. The Oversight and Governance costs are the annual running costs of the pool which includes the host authority costs and other external advisor costs. These costs are funded equally by all eight of the local authority pension funds in Wales. Fund Management Fees are payable to Link Fund Solutions (the WPP operator) and include the operator fee and other associated costs. These costs are based on each Fund's percentage share of WPP pooled assets and are deducted from the Net Asset Value (NAV). Underlying manager fees are not included in this table for 2021/22.

## 11. Investment Income

2020/21		2021/22
£000		£000
(1,901)	UK fixed interest securities	0
(3,845)	Overseas equities	(2,428)
(1,192)	Overseas fixed interest securities	0
(910)	UK equities and private equity funds	0
(1,202)	Pooled investments	(22,148)
(482)	Pooled Property Unit Trust Income	(1,177)
(230)	Interest on UK cash	(200)
(48)	Securities lending	(203)
<b>(9,810)</b>	<b>Total</b>	<b>(26,156)</b>

During 2021/22 Link Asset Services paid distributions in respect of the income earned since inception on all Wales Pension partnership sub-funds in which the Fund invests. This was automatically reinvested into the pooled funds to increase the market value of our holding. Income is only distributed when there is a sufficient amount to do so but will always be automatically reinvested after the deduction of any costs. The increase in investment income in 2021/22 is due to correction of the value deemed to be investment income as opposed to a change in market value, the additional value for 2020/21 would have been (£8,657). This has no impact on the overall fund value.

## 12. Investments at Market Value

2020/21		2021/22
£000		£000
<b>238,549</b>	<b>Total equities</b>	<b>0</b>
230,285	WPP UK equity fund	232,958
252,534	WPP government bond fund	243,194
226,063	WPP credit fund	216,400
154,266	WPP multi asset credit fund	150,309
0	WPP global growth	211,609
0	WPP global opportunities	530,428
0	WPP emerging markets	115,003
<b>863,148</b>	<b>Total WPP pooled funds</b>	<b>1,699,901</b>
1,105,648	Equity pooled	616,030
<b>1,968,796</b>	<b>Total pooled funds (incl WPP)</b>	<b>2,315,931</b>
166,559	Pooled property investments	201,606
90,669	Private equity	103,327
<b>2,464,573</b>	<b>Subtotal</b>	<b>2,620,864</b>
5,372	Fund manager's cash	2,194
39,563	Internal/custodian cash	70,059
567	Net investment proceeds due	0
<b>45,502</b>	<b>Total cash</b>	<b>72,253</b>
<b>2,510,075</b>	<b>Total investment assets</b>	<b>2,693,117</b>

In 2020/21 the investments in fixed interest securities were transferred to the WPP government bond fund, WPP credit fund and WPP multi asset credit fund. During 2021/22 further transfers were made to WPP global opportunities, WPP global growth, WPP emerging markets from equities and equity pooled.

## 12a. Reconciliation in movement in investments

2021/22	Value at 31/03/21	Purchase at cost	Sale proceeds	Change in market value	Value at 31/03/22
	£000	£000	£000	£000	£000
Equities	238,549	2,242	(249,929)	9,138	0
Pooled funds	1,968,796	1,159,234	(892,119)	80,020	2,315,931
Pooled property unit trusts	166,559	904	0	34,143	201,606
Private equity	90,669	8,971	(24,436)	28,122	103,327
<b>Sub-total</b>	<b>2,464,573</b>	<b>1,171,351</b>	<b>(1,166,484)</b>	<b>151,423</b>	<b>2,620,864</b>
Managers' cash	5,372				2,194
Internal/custodian cash	39,563				70,059
Net investment proceeds due	567				0
<b>Total cash</b>	<b>45,502</b>				<b>72,253</b>
<b>Sub-total</b>	<b>2,510,075</b>			<b>151,423</b>	<b>2,693,117</b>
Net realised movement in cash				(577)	
<b>Total</b>	<b>2,510,075</b>			<b>150,846</b>	<b>2,693,117</b>

2020/21	Value at 31/03/20	Purchase at cost	Sale proceeds	Change in market value	Value at 31/03/21
	£000	£000	£000	£000	£000
Fixed interest securities	586,078	161,316	(720,282)	(27,112)	0
Equities	164,067	32,814	(28,340)	70,008	238,549
Pooled funds	971,709	628,700	0	368,387	1,968,796
Pooled property unit trusts	165,246	730	0	583	166,559
Private equity	88,669	8,810	(14,269)	7,459	90,669
<b>Sub-total</b>	<b>1,975,769</b>	<b>832,370</b>	<b>(762,891)</b>	<b>419,325</b>	<b>2,464,573</b>
Derivatives	3,212	0	0	(3,212)	0
<b>Total derivatives</b>	<b>3,212</b>	<b>0</b>	<b>0</b>	<b>(3,212)</b>	<b>0</b>
Managers' cash	6,730				5,372
Internal/custodian cash	26,051				39,563
Debtors	2,464				567
<b>Total cash</b>	<b>35,245</b>				<b>45,502</b>
<b>Sub-total</b>	<b>2,014,226</b>			<b>416,113</b>	<b>2,510,075</b>
Net realised movement in cash				66,537	
<b>Total</b>	<b>2,014,226</b>			<b>482,650</b>	<b>2,510,075</b>

### Analysis of derivatives

#### Objectives and policies for holding derivatives

The holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the fund. The use of derivatives is managed in line with the investment management agreement between the fund and the various investment managers. Derivatives listed at 31/03/2020 formed part of the Aberdeen investment that transferred to WPP, bringing the value to nil in the 2020/2021 accounts. No derivatives were held in 2021/22.

### 13. Summary of manager's portfolio values

2020/21		Fund Manager	2021/22	
£000	% of Fund		£000	% of Fund
126,759	5.0	Aberdeen Emerging Markets	0	0.0
675,933	26.9	Blackrock Investment Management	616,030	22.9
81,320	3.2	Invesco Perpetual	0	0.0
119,533	4.8	Nikko	0	0.0
124,955	5.0	Schroder Investment Managers	0	0.0
221,637	8.8	State Street Global Advisers (SSGA)	0	0.0
863,148	34.4	Wales Pension Partnership	1,699,901	63.1
56,154	2.2	CBRE - Global Property	65,292	2.4
25,282	1.0	Blackrock - BPF - UK Property	30,711	1.1
29,357	1.2	Schroder UK Real Estate	34,922	1.3
30,784	1.2	Standard Life Property	39,249	1.5
24,982	1.0	UBS Triton Property Fund	31,433	1.2
21,737	0.9	Capital Dynamics	21,908	0.8
32,022	1.3	Harbourvest	34,499	1.3
36,910	1.5	Pantheon	46,920	1.7
2,678	0.1	Cash with custodian	5,088	0.2
36,884	1.5	Internally managed (Cash)	67,164	2.5
<b>2,510,075</b>	<b>100.0</b>	<b>Total</b>	<b>2,693,117</b>	<b>100.00</b>

#### 13a. Investments exceeding 5% of net assets

The following investments represent more than 5% of the net assets available to pay benefits (in either 2020/21, 2021/22 or both years).

2020/21		Fund Manager	2021/22	
£000	% of net assets		£000	% of net assets
126,759	5.0	Aberdeen Emerging Markets Equity Fund	0	0.0
265,805	10.6	BlackRock Aquila Life UK Equities Indexed Fund	0	0.0
141,454	5.6	BlackRock Aquila Life US Equities Indexed Fund	0	0.0
268,675	10.7	BlackRock Low Carbon Tracker Fund	616,030	22.8
221,637	8.8	SSGA MPF Europe ex UK Equities Active Fund	0	0.0
226,063	9.0	Wales Pension Partnership - Credit Fund	216,400	8.0
0	0.0	Wales Pension Partnership - Global Growth	211,609	7.8
0	0.0	Wales Pension Partnership - Global Opportunities	530,428	19.7
252,534	10.0	Wales Pension Partnership - Government Bond Fund	243,194	9.0
154,266	6.1	Wales Pension Partnership - Multi Asset Credit Fund	150,309	5.6
230,285	9.1	Wales Pension Partnership - UK Opportunities	232,958	8.6

## 14. Financial Instruments

### 14a. Classification of financial instruments

Value at 31/03/21				Value at 31/03/22		
Fair value through profit and loss	Amortised Cost	Financial liabilities at amortised costs		Fair value through profit and loss	Amortised Cost	Financial liabilities at amortised costs
£000	£000	£000		£000	£000	£000
238,549	0	0	Equities	0	0	0
1,968,796	0	0	Pooled funds	2,315,931	0	0
166,559	0	0	Pooled property trusts	201,606	0	0
90,669	0	0	Private equity	103,327	0	0
0	0	0	Derivatives	0	0	0
0	45,502	0	Cash	0	72,253	0
0	11,276	0	Debtors	0	8,427	0
<b>2,464,573</b>	<b>56,778</b>	<b>0</b>	<b>Total financial assets</b>	<b>2,620,864</b>	<b>80,680</b>	<b>0</b>
0	0	0	Derivatives	0	0	0
0	0	(2,160)	Creditors	0	0	(1,547)
<b>0</b>	<b>0</b>	<b>(2,160)</b>	<b>Total financial liabilities</b>	<b>0</b>	<b>0</b>	<b>(1,547)</b>
<b>2,464,573</b>	<b>56,778</b>	<b>(2,160)</b>	<b>Net financial assets</b>	<b>2,620,864</b>	<b>80,680</b>	<b>(1,547)</b>

### 14b. Net gains and losses on financial instruments

31/03/21		31/03/22
£000		£000
355,652	Fair value through profit and loss	150,233
<b>355,652</b>	<b>Total financial assets</b>	<b>150,233</b>
127,781	Fair value through profit and loss	0
(783)	Amortised cost	613
<b>126,998</b>	<b>Total financial liabilities</b>	<b>613</b>
<b>482,650</b>	<b>Net financial assets</b>	<b>150,846</b>

## 14c. Fair Value – Basis of Valuation

Investment	Valuation Method	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
<b>Level 1</b>			
Quoted prices for similar instruments.			
<b>Quoted Bonds (Fixed Interest Securities)</b>	Market value based on current yields	Not required	Not required
<b>Market Quoted Investments</b>	Published bid market price at close of business on the final working day of the accounting period	Not required	Not required
<b>Cash and cash equivalents</b>	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
<b>Level 2</b>			
Traded in a market which is not considered to be active, or where valuation techniques are used to determine fair value which use inputs that are based significantly on observable market data.			
<b>Pooled Investments - Quoted Equity</b>	Closing bid price where bid and offer prices are published. Closing single price where single price published	Net Asset Value (NAV) based pricing set on a forward pricing basis	Not required
<b>Derivatives - Forward Currency Contracts</b>	Market forward exchange rates at the year-end date	Exchange rate risk	Not required
<b>Level 3</b>			
Inputs not based on observable market data			
<b>Private Equity Funds</b>	Valuations provided by the general partners to the private equity funds in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	Earnings before interest, tax, depreciation and amortisation (EBITDA) multiple, revenue multiple, discount for lack of marketability and control premium	Valuations may be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date (although updated to reflect calls/distributions made during this period), changes to expected cash flows and any differences between unaudited and audited accounts
<b>Pooled Investments - Property Funds</b>	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Valuations may be affected by post balance sheet events, changes to expected cash flows and any differences between unaudited and audited accounts

## 14d. Fair Value Hierarchy

As detailed above, investments have been classified into three levels according to the quality and reliability of the information used to determine fair values. The following table provides an analysis of the assets and liabilities of the pension fund based on the level at which the fair value is observable.

Value at 31/03/22	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Financial assets at fair value	0	2,315,931	304,933	2,620,864
Amortised Cost	80,680	0	0	80,680
<b>Total financial assets</b>	<b>80,680</b>	<b>2,315,931</b>	<b>304,933</b>	<b>2,701,544</b>
Financial liabilities at fair value	0	0	0	0
Financial liabilities at amortised cost	(1,547)	0	0	(1,547)
<b>Total financial liabilities</b>	<b>(1,547)</b>	<b>0</b>	<b>0</b>	<b>(1,547)</b>
<b>Net financial assets</b>	<b>79,133</b>	<b>2,315,931</b>	<b>304,933</b>	<b>2,699,997</b>

Value at 31/03/21	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Financial assets at fair value	238,549	1,968,796	257,228	2,464,573
Loans and receivables	56,778	0	0	56,778
<b>Total financial assets</b>	<b>295,327</b>	<b>1,968,796</b>	<b>257,228</b>	<b>2,521,351</b>
Financial liabilities at fair value	0	0	0	0
Financial liabilities at amortised cost	(2,160)	0	0	(2,160)
<b>Total financial liabilities</b>	<b>(2,160)</b>	<b>0</b>	<b>0</b>	<b>(2,160)</b>
<b>Net financial assets</b>	<b>293,167</b>	<b>1,968,796</b>	<b>257,228</b>	<b>2,519,191</b>

### Reconciliation of fair value measurements within Level 3

2021/22	Market Value at 31/03/21	Transfers into level 3	Transfers out of level 3	Purchases	Sales	Unrealised gains/(losses)	Realised gains/(losses)	Market Value at 31/03/22
	£000	£000	£000	£000	£000	£000	£000	£000
Private equity	90,669	0	0	8,971	(24,436)	28,123	0	103,327
Pooled property unit trusts	166,559	0	0	904	0	34,143	0	201,606
<b>Total</b>	<b>257,228</b>	<b>0</b>	<b>0</b>	<b>9,875</b>	<b>(24,436)</b>	<b>62,266</b>	<b>0</b>	<b>304,933</b>

## 14e. Sensitivity of Assets Valued at Level 3

Having analysed historical data, current market trends, and consulted with independent investment advisors (Pensions and Investments Research Consultants Ltd (PIRC)), the fund has determined that the valuations methods described above for Level 3 investments are likely to be accurate to within the following ranges, and has set out the consequential impact below:

	Assessed valuation range	Value at 31/03/22	Value on increase	Value on decrease
	(%)	£000	£000	£000
Private Equity	10.8	103,327	114,486	92,168
Pooled Property Trusts	4.9	201,606	211,485	191,727
<b>Total</b>		<b>304,933</b>	<b>325,971</b>	<b>283,895</b>

## 15. Nature and extent of risks arising from financial instruments

The Fund maintains positions in a variety of instruments, as dictated by the Investment Strategy Statement (ISS), and is consequently exposed to credit and liquidity risk, as well as market risk including foreign exchange and interest rate risks.

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities and will be unable to pay the promised benefits to members. The aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk and credit risk to an acceptable level. In addition, the fund manages monitor its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows.

The management of risk is a key objective of the Pension Fund. A policy of diversification of its asset classes and investment managers helps the Pension Fund to lower risk arising from financial instruments. Benchmarks for asset allocation and targets against which investment managers are expected to perform are further measures which are put in place in order to manage risk.

**Market risk** is the risk that the fair value or future cash flows of an institution will fluctuate because of a change in market price.

In order to manage risk, the Fund invests in a diversified pool of assets, split between a number of managers with different performance targets and investment strategies. In order to mitigate risk, the Fund regularly reviews the pension fund investment strategy together with regular monitoring of asset allocation and investment performance.

**Interest rate risk** is the risk to which the Pension Fund is exposed to fluctuations in interest rates and mainly relates to changes in bonds.

To mitigate the risk and diversify, the Fund holds three fixed income sub funds managed by WPP.

Interest Rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits. The analysis below shows the effect of a 100 basis point (1%) movement in interest rates on the net assets available to pay benefits:



Asset Type	Carrying Amount as at 31/03/22	Change to the net assets available to pay benefits	
		+ 100bps	- 100bps
	£000	£000	£000
Cash and cash equivalents	72,253	723	(723)
<b>Total</b>	<b>72,253</b>	<b>723</b>	<b>(723)</b>

Asset Type	Carrying Amount as at 31/03/21	Change to the net assets available to pay benefits	
		+ 100bps	- 100bps
	£000	£000	£000
Cash and cash equivalents	45,502	455	(455)
<b>Total</b>	<b>45,502</b>	<b>455</b>	<b>(455)</b>

**Currency risk** is the risk to which the Pension Fund is exposed to fluctuations in foreign currency exchange rates. Fund managers will also take account of currency risk in their investment decisions.

Following analysis of historical data and consulted with independent investment advisors Pensions and Investments Research Consultants Ltd (PIRC), the fund's aggregate currency change has been calculated as 7.30%. An 7.30% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure – asset type	Asset Value as at 31/03/22	Change to net assets available to pay benefits	
		+ 7.30%	- 7.30%
	£000	£000	£000
Overseas pooled funds	1,473,070	107,534	(107,534)
Overseas pooled property	65,292	4,766	(4,766)
<b>Total change in assets available</b>	<b>1,538,362</b>	<b>112,300</b>	<b>(112,300)</b>

Currency exposure – asset type	Asset Value as at 31/03/21	Change to net assets available to pay benefits	
		+ 8.36%	- 8.36%
	£000	£000	£000
Overseas quoted equities	238,648	19,951	(19,951)
Overseas pooled funds	758,524	63,413	(63,413)
Overseas pooled property	56,155	4,695	(4,695)
<b>Total change in assets available</b>	<b>1,053,327</b>	<b>88,059</b>	<b>(88,059)</b>

**Price risk** is the risk of losses associated with the movement in prices of the underlying assets. By diversifying investments across asset classes and managers, the Pension Fund aims to reduce the exposure to price risk. Diversification of asset classes seeks to reduce correlation of price movements, whilst employing specialist managers enables the Fund to benefit from investment expertise.

Potential price changes are determined based on the observed historical volatility of asset class returns. The potential volatilities are consistent with movement in the change in value of assets over the last three years, applied to the period end asset mix. The total volatility shown below for total assets incorporates the impact of correlation across currencies, which dampens volatility, therefore the value on increase and value on decrease figures for the currencies will not sum to the total figure.

Asset type	Value at 31/03/22	Percentage change	Value on increase	Value on Decrease
	£000	%	£000	£000
UK Equities	232,958	18.30	275,589	190,327
Overseas Equities	2,082,973	14.90	2,393,336	1,772,610
Fixed Interest (Bonds)	0	4.90	0	0
Cash and Cash Equivalents	72,253	1.30	73,192	71,314
Private Equity	103,327	10.80	114,486	92,168
Property	201,606	4.90	211,485	191,727
<b>Total Assets</b>	<b>2,693,117</b>		<b>3,068,088</b>	<b>2,318,146</b>

Asset type	Value at 31/03/21	Percentage change	Value on increase	Value on Decrease
	£000	%	£000	£000
UK Equities	577,410	18.86	686,310	468,510
Overseas Equities	1,629,935	14.05	1,858,941	1,400,929
Fixed Interest (Bonds)	0	4.59	0	0
Cash and Cash Equivalents	45,502	0.20	45,593	45,411
Private Equity	90,669	9.35	99,147	82,191
Property	166,559	4.16	173,488	159,630
<b>Total Assets</b>	<b>2,510,075</b>		<b>2,863,479</b>	<b>2,156,671</b>

**Credit risk** is the risk that a counterparty to a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The Fund reviews its exposure to credit and counterparty risk through its external investment managers. The Fund is also exposed to credit risk through its securities lending programme run by the Fund's custodian, Northern Trust who manages and monitors the counterparty risk, collateral risk and the overall lending programme.

The Pension Fund's bank account is held with NatWest. Surplus cash is not invested with NatWest but is placed with a selection of AAA Money Market institutions. The Fund's internally managed cash holding under its treasury management arrangements is held with the following institutions:

	Fitch Rating	31/03/21	31/03/22
		£000	£000
<b>Money market funds</b>			
Aberdeen Standard Liquidity - Sterling Fund	AAA	18,800	20,350
Blackrock ICS Sterling Liquidity Fund	AAA	18,120	22,830
Deutsche Global Liquidity - Sterling Fund	AAA	0	21,840
<b>Bank current account</b>			
NatWest	A	(40)	2,144
<b>Total</b>		<b>36,880</b>	<b>67,164</b>

The Pension Fund has experienced no defaults from fund managers, brokers or bank accounts over the past ten years, therefore no expected credit loss provision is required.

**Liquidity risk** represents the possibility that the Fund may not have resources available to meet its financial obligations. The current position of the Fund is that it is cash positive, which reflects the fact that contributions into the Fund exceed benefits being paid out. The Fund's cash is kept in a separate bank account and the cash position is monitored on a daily basis. Surplus funds are deposited in money market funds on a short term basis. At an investment level, the Funds' investments are substantially made up of listed securities which are considered readily realisable.

## 16. Actuarial Present Value of Promised Retirement Benefits

CIPFA's Code of Practice requires the disclosure of the actuarial present value of promised retirement benefits calculated on an IAS 19 basis, as set out in IAS 26.

Therefore, in addition to the triennial funding valuation, the Fund's actuary undertakes a valuation of the pension fund liabilities on an IAS 19 basis at the same date. The IAS 19 valuation is carried out using updated actuarial assumptions from those used for setting fund contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

The most recent actuarial valuation based on IAS 19 is shown below:

31/03/2016		31/03/2019
£000		£000
2,274	Actuarial Present Value of Promised Retirement Benefits	3,168

The estimated future Pension Fund liabilities will also be subject to the consideration of the McCloud judgement and GMP equalisation. The impact was considered by the actuary within the triennial valuation, which took place in 2019/20. The actuary confirmed that no further adjustments were made to the valuation at this stage and any further adjustments will be made at the next triennial valuation (see Actuarial Statement on pages 3-6 of this document).

## 17. Additional Voluntary Contributions (AVC)

Scheme members may elect to make additional voluntary contributions to enhance their pension benefits. Contributions are made directly from scheme members to the AVC provider and are therefore not represented in these accounts in accordance with section 4(2)b of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093). However, as the administering authority, we oversee the following AVC arrangements:

2020/21		2021/22
£000		£000
303	AVC paid in by members during the year	643
4,670	Market Value of separately invested AVC's	6,003

## *18. Contractual Commitments*

As of 31 March 2022 the Fund had outstanding private equity commitments of a maximum of £78.086 million (£38.683 million at 31 March 2021). The increase in 2021/22 is due to investment in four new funds with outstanding commitments at 31<sup>st</sup> March 2022 of £46,592 million.

## *19. Securities Lending*

At the year end the value of quoted equities on loan was £94.992 million (£37.355 million at March 2021). The increase is due to transfers within 2021/22 to WPP. For the year ending 31 March 2022, the Fund received income of £203,000 from the lending of stock (£65,000 in 2020/21).

## *20. Provisions and Contingent Liabilities*

A number of death grants have been identified where the Fund has been unable to trace the next of kin meaning no payment has been made to date. In all of the outstanding cases, there has been difficulty in making contact, meaning that the payments are not likely to be settled within the next financial year.

Due to the uncertainty surrounding the timing of these payments and final amounts payable, a provision for £1.115 million has been included in the accounts (£1.054 million in 2020/21), which consists of £217,000 short term (£320,000 in 2020/21), £742,000 long term and £156,000 of estimated interest (£591,000 long term and £143,000 of estimated interest in 2020/21).

The Guaranteed Minimum Pension (GMP) reconciliation is the process used to ensure the scheme records agree with those of the National Insurance Contribution Office (NICO, part of HMRC). This enables a scheme to consider its data as clean and entirely reliable.

GMP rectification involves calculating and correcting data (and for pensioners, benefits in payment) for those members where the GMP reconciliation process resulted in a change in the GMP held by the scheme administrator. The GMP reconciliation is currently being progressed and Cardiff and Vale of Glamorgan Pension Fund have appointed Mercer to carry out this exercise, we are therefore unable to provide a reliable estimate of the liability at present.

## *21. Related Party Transactions*

Cardiff Council is the administering authority for Cardiff & Vale of Glamorgan Pension Fund. The Pensions Committee includes members of the Council. At 31 March 2022 there were two members of the Pension Fund Committee that were active members of the Pension Fund. Each member of the pension fund committee is required to declare their interests at each meeting. No other declarations were made during the year.

Examples of related party transactions with the Council are:

- The Council is the largest employer of members of the pension fund. All monies owing to and due from the fund are generally paid in year with the following balances outstanding at year end
  - Intercompany cash balance £1.928 million owed to Cardiff and Vale of Glamorgan Pension Fund included in Note 12 Internal/custodian cash (2020/21 £0.239 million owed to Cardiff Council)

- Pension strain of £2.331 million included in the Fund Account - Other Income (2020/21 £3.521 million)
- Cash invested internally by the Council (for working capital purposes) – see Note 13 Summary of manager’s portfolio values – Internally managed (Cash) £67.164 million (2020/21 £68.884 million), earning interest of £19,737 (2020/21 £47,698)
- Administration expenses charged to the Fund by the Council are included in Note 10 Management Expenses During the reporting period, the council incurred costs of £0.95 million (2020/21 £0.61 million) in relation to the administration and management of the fund and was reimbursed by the fund for these expenses.
- Paragraph 3.9.4.4 of the Code of Practice exempts Local Authorities from the key management personnel disclosure requirements of IAS24 on the basis that requirements for officer remuneration and members’ allowances are detailed in section 3.4 of the Code. Total remuneration for Chris Lee Corporate Director of Resources can be found in the Cardiff Council Statement of Accounts Remuneration Note.
- The Cardiff and Vale of Glamorgan Pension Fund have invested £1,700 million in funds within WPP. 2021/22 saw the WPP complete the process to welcome a non-voting Scheme Member Representative onto its Joint Governance Committee. The Cabinet Member for Finance, Modernisation & Performance represents the Cardiff and Vale of Glamorgan Pension Fund on the WPP Joint Governance Committee by virtue of being Chair of the Cardiff and Vale of Glamorgan Pension Committee.

In addition to the related parties, the Pensions Board provide advisory support to the Pensions Committee. Three members of the Pension Fund Committee are also members of the advisory Investment Panel alongside two independent advisors who are not members of the CVPF or receiving pensions benefits from it. The Pensions Board includes representatives from participating employers and employees including two officers from Cardiff Council. Five members of the Pension Fund Board are active members of the Pension Fund. One of the active members on the Pension Fund Board was also in receipt of pension fund benefits from the Cardiff and Vale of Glamorgan Pension Fund.

## 22. Contributing Employers

The active contributing employers as at 31 March 2022, highlighting changes since 31 March 2021 are detailed below:

Administering Body	
Cardiff Council	
Scheduled Bodies	
Councils	Town and Community Councils
Vale of Glamorgan Council	Barry Town Council
Education Bodies	Cowbridge Town Council
Cardiff And Vale College	Lisvane Community Council
Cardiff Metropolitan University	Llantwit Major Council
St David's Sixth Form College	Penarth Town Council
Stanwell Comprehensive	Penllyn Community Council
Other Scheduled Bodies	Pentyrch Community Council
Cardiff Bus	Radyr & Morganstown Community Council
	St Fagans Community Council**
	Wenvoe Community Council
Admitted Bodies	
A and R Cleaning Greenway*	Eisteddfod Genedlaethol Cymru
A and R Cleaning Lansdowne	Glen Cleaning (Barry Comprehensive)
A and R Cleaning Trowbridge*	Glen Cleaning (Eastern High)
A and R Cleaning Whitchurch	Glen Cleaning (Llandough)
Adult Learning Wales	Greenwich Leisure Limited (GLL)
Big Fresh Cleaning	Grangetown Primary Cleaning (APP)
Cardiff Business Technology Centre	Mirus Wales
Cardiff University	National Trust (Dyffryn)
Careers Wales (Cardiff And Vale)	New Theatre**
Children In Wales	One Voice Wales
Circle IT (Cowbridge Comprehensive)	Play Wales
Circle IT (Eastern High)	Sports Council for Wales
Colegau Cymru - Colleges Wales	St Teilo's Cleaning (APP)
Design Commission For Wales	Wales Council For Voluntary Action
Ecommercial**	

\* Employers contributing to the Fund in 2020/21 that were not contributing to the Fund in 2021/22.

\*\* Employers contributing to the Fund in 2021/22 that were not contributing to the Fund in 2020/21

## 23. Events after the Reporting Period

There are no events after the reporting period to report.

## 24. Date of Authorisation of the Accounts for Issue

This Statement of Accounts was authorised for issue on XXXX 2022 by the Corporate Director Resources. Post balance sheet events have been considered up to this date.

## ***Glossary***

Knowledge of basic accountancy terminology is assumed. However, there are certain specialist terms related to local government finance, pensions and investments, 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.

### ***Active / Passive Management***

Active management is the traditional form of investment management involving a series of individual investment decisions that seek to maximise returns by exploiting price inefficiencies i.e. 'beat the market'. Passive management is a low cost alternative where managers normally hold stocks in line with a published index, such as the FTSE All-Share, not seeking to outperform but to keep pace with the index being tracked.

### ***Actuary***

An independent consultant who advises on the long-term viability of the Fund. Every three years the Fund actuaries review the assets and liabilities of the Fund and report to the Council on the financial position and recommended employer contribution rates. This is known as the actuarial valuation.

### ***Actuarial Gains and Losses***

For a defined benefit pensions scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation, or the actuarial assumptions have changed.

### ***Active Member***

Current employee who is contributing to a pension scheme.

### ***Admitted Body***

An organisation, whose staff can become members of the Fund by virtue of an admission agreement made between the Council and the organisation. It enables contractors who take on the Council's services with employees transferring, to offer those staff continued membership of the Fund.

### ***Asset Allocation***

Apportionment of investment funds among categories of assets, such as Bonds, Equities, Cash, Property, Derivatives, and Private Equity. Asset allocation affects both risk and return.

### ***Benchmark***

A measure against which the investment policy or performance of an investment manager can be compared.

### ***Bonds***

Investments, mainly in government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date but which can be traded on a recognised stock exchange in the meantime.

### ***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.

### ***Contingent Liabilities or Assets***

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not been made in the Council's accounts.

### ***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.

### ***Custodian***

Bank or other financial institution that keeps custody of stock certificates and other assets of a client, collects dividends and tax refunds due, and settles any purchases and sales.

### ***Debtors***

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

### ***Deferred Pensioner***

A member who has stopped paying into the scheme but is not yet retired.

### ***Defined Benefit Scheme (Pensions)***

This is a pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

### ***Defined Contribution Scheme (Pensions)***

A Defined Contribution Scheme is a pension or other retirement benefit scheme into which an employer pays regular contributions as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

### ***Derivative***

A derivative instrument is a contract whose value is based on the performance of an underlying financial asset, index, or other investment.

### ***Emerging Markets***

Relatively new and immature stock markets for equities or bonds. Settlement and liquidity can be less reliable than in the more established 'developed' markets, and they tend to be more volatile.

### ***Employer Contribution Rates***

The percentage of the salary of employees that employers pay as a contribution towards the employees' pension.



### ***Equities***

Ordinary shares in UK and overseas companies traded on a recognised stock exchange. Shareholders have an interest in the profits of the company and may normally vote at shareholders' meetings.

### ***Fair Value***

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

### ***Financial Assets***

Financial assets are cash, equity instruments within another entity (e.g. shares) or a contractual right to receive cash or another asset from another entity (e.g. debtors) or exchange financial assets or financial liabilities under potentially favourable conditions (e.g. derivatives).

### ***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.

### ***Financial Liabilities***

Financial liabilities are contractual obligations to deliver cash or another financial asset (e.g. creditors) or exchange financial assets or financial liabilities under potentially unfavourable conditions (e.g. derivatives).

### ***Fixed Interest Securities/Bonds***

Investments, especially in government stocks, with a guaranteed rate of interest. Conventional bonds have fixed rates, whilst Index Linked vary with inflation. They represent loans repayable at a stated future date, and which can be traded on a stock exchange in the meantime.

### ***Fund Manager***

A fund that handles investments on behalf of the pension fund according to an agreed investment mandate.

### ***Fund of Funds***

A pooled fund that invests in other pooled funds. They are able to move money between the best funds in the industry, and thereby aim to lower stakeholder risk with greater diversification than is offered by a single fund.

### ***Impairment***

A reduction in the value of assets below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in an asset's market value.

### ***Index***

A calculation of the average price of shares, bonds, or other assets in a specified market to provide an indication of the average performance and general trends in the market.

### ***ISS***

The Investment Strategy Statement which each LGPS fund is required to prepare and keep under review.

**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.

**LGPS**

The Local Government Pension Scheme, governed by regulations issued by the Department for Communities and Local Government.

**Materiality**

Information is material if omitting it or misstating it could influence the decisions that users make on the basis of financial information about a specific reporting authority.

**Pension Fund**

A fund built up from deductions from employees' pay, contributions from employers and investment income from which pension benefits are paid.

**Pensioner**

A scheme member who received a pension from the Fund.

**Pooled Funds**

Pooled investment vehicles issue units to a range of investors. Unit's prices move in response to changes in the value of the underlying portfolio, and investors do not own directly the assets in the fund. The main types are: unit trusts, open-ended investment companies (OEICs), insurance linked vehicles and investment trusts.

**Portfolio**

A collective term for all the investments held in a fund, market or sector. A segregated portfolio is a portfolio of investments of a specific type held directly in the name of the investor e.g. Global Bonds, or a specific market e.g. UK Equities, Far East Equities.

**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.

**Private Equity**

Investments made by specialist managers in all types of unlisted companies rather than through publicly tradable shares.

**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.

**Return**

The total gain from holding an investment, including both income and any increase or decrease in market value. Returns over periods longer than a year are usually expressed as an average annual return.

**Scheme Employers**

Local authorities and bodies specified in the LGPS Regulations, whose employees are entitled automatically to be members of the Fund, and Admission Bodies including voluntary, charitable and similar bodies, carrying out work of a public nature, whose staff can become members of the Fund by virtue of an admission agreement with the Council.

**Scheduled Body**

An organisation that has the right to become a member the Local Government Pension Scheme under the scheme regulations. Such an organisation does not need to be admitted, as its right to membership is automatic.

**Unit Trust**

A collective investment fund that is priced, bought and sold in units that represent a mixture of the securities underlying the fund.

**Unrealised Gains / Losses**

The increase or decrease in the market value of investments held by the fund since the date of their purchase. Note: values throughout these accounts are presented rounded to whole numbers.

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## Audit of Accounts Report – Cardiff and Vale of Glamorgan Pension Fund

Audit year: 2021-22

Date issued: November 2022

Document reference: 3239A2022

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](mailto:infoofficer@audit.wales).

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

# Contents

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

## Audit of Accounts Report

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# Audit of Accounts Report

## Introduction

- 1 We summarise the main findings from our audit of your 2021-22 accounts in this report.
- 2 We have already discussed these issues with the Group Accountant.
- 3 Auditors can never give complete assurance that accounts are correctly stated. Instead, we work to a level of 'materiality'. This level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled.
- 4 We set this level at £27 million for this year's audit. There are some areas of the accounts that may be of more importance to the reader and we have set a lower materiality level for these, for example related party transactions and senior officer remuneration.
- 5 At the date of this report, our audit is substantially complete, subject to completion of the following:
  - outstanding testing on contributions, investment income and contingent liabilities;
  - checking all audit amendments agreed have been correctly reflected in the final draft;
  - director and manager review of audit files and clearance of any review points;
  - receipt and review of the of the signed Letter of Representation;
  - completing final checks on the signed financial statements after the Council have agreed them; and
  - a review of events after the reporting period up to signing date.
- 6 In our professional view, we have complied with the ethical standards that apply to our work; remain independent of yourselves; and, our objectivity has not been compromised in any way. There are no relationships between ourselves and yourselves that we believe could undermine our objectivity and independence.

## Proposed audit opinion

- 7 We intend to issue an unqualified audit opinion on this year's accounts once you have provided us with a Letter of Representation based on that set out in **Appendix 1**.
- 8 We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 9 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards along with confirmation of other specific information you have provided to us during our audit.



10 Our proposed audit report is set out in **Appendix 2**.

## Significant issues arising from the audit

### Uncorrected misstatements

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

### Corrected misstatements

12 There were initially misstatements in the accounts that have now been corrected by management. We believe that these should be drawn to your attention and they are set out with explanations in **Appendix 3**.

### Other significant issues arising from the audit

13 In the course of the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you. There are no issues arising to report to you.

## Recommendations

14 Once we have concluded the audit, we will include any recommendations arising from our audit in a Management Letter to be presented to those charged with management.

# Appendix 1

## Final Letter of Representation

[Audited body's letterhead]

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

[Date]

### Representations regarding the 2021-22 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of Cardiff and Vale of Glamorgan Pension Fund for the year ended 31 March 2022 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 CIPFA Code of Practice on Local Authority Accounting; in particular the financial statements give a true and fair view in accordance therewith.
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

### Information provided

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;

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

## Financial statement representations

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

The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

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

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

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

The financial statements are free of material misstatements, including omissions.

## 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 the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by full Council on XX November 2022.

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

Signed by:

[Officer who signs on behalf of management]

Date:

Signed by:

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

Date:

# Appendix 2

## Proposed Audit Report

### **The independent auditor's report of the Auditor General for Wales to the members of County Council of the City and County of Cardiff as administering authority for Cardiff & Vale of Glamorgan Pension Fund**

#### **Opinion on financial statements**

I have audited the financial statements of Cardiff & Vale of Glamorgan Pension Fund for the year ended 31 March 2022 under the Public Audit (Wales) Act 2004. Cardiff & Vale of Glamorgan Pension Fund's financial statements comprise the fund account, the net assets 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 international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22.

In my opinion the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2022, and of the amount and disposition at that date of its assets and liabilities;
- have been properly prepared in accordance with legislative requirements and UK adopted accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22.

#### **Basis of opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the pension fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **Conclusions relating to going concern**

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

## Other information

The other information comprises the information included in the Narrative Report other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the Narrative report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## 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 has been prepared in accordance with the Local Government Pension Scheme Regulations 2013.

### Matters on which I report by exception

In the light of the knowledge and understanding of the pension fund and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report.

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

- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my team;
- 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.

## Responsibilities

### Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the financial statements set out on [page X](#), the responsible financial officer is responsible for the preparation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the responsible financial officer is responsible for assessing the pension fund'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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- Enquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to Cardiff & Vale of Glamorgan Pension Fund's policies and procedures concerned with:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud.
- Obtaining an understanding of Cardiff & Vale of Glamorgan Pension Fund's framework of authority as well as other legal and regulatory frameworks that Cardiff & Vale of Glamorgan Pension Fund operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Cardiff & Vale of Glamorgan Pension Fund.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and the Governance and Audit Committee about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the administering authority; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the

Cardiff & Vale of Glamorgan Pension Fund's controls, and the nature, timing and extent of the audit procedures performed.

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

### **Certificate of completion of audit**

I certify that I have completed the audit of the accounts of Cardiff & Vale of Glamorgan Pension Fund in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

Adrian Crompton  
Auditor General for Wales  
[Date]

24 Cathedral Road  
Cardiff  
CF11 9LJ



# Appendix 3

## Summary of Corrections Made

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

### Exhibit 1: summary of corrections made

Value of correction	Nature of correction	Reason for correction
N/A	<b>Note 7 Membership</b> 3,915 members removed from the deferred pensioners line and referred instead in the footnote, ie as members who are pending categorisation.	To ensure the correct classification of members.
£86m	<b>Note 12a Reconciliation in movement in investments</b> A pooled fund sale had not been correctly classified. It was classified as a change in Market Value rather than as Sales.	To ensure the in-year movements in investments are accurately disclosed.
£1.814m (disclosure note only)	<b>Note 18 Contractual Commitments</b> Adjustment to the value of the commitments disclosed.	To ensure the completeness and accuracy of the contractual commitments note.
Various minor corrections.	There were a number of narrative, transposition, disclosure and cross-reference amendments required to the accounts. These corrections have not been identified separately within this table as they are not regarded as material to the financial statements.	To ensure completeness, clarity, accuracy and consistency throughout the financial statements.







Audit Wales

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We welcome correspondence and telephone calls in Welsh and English.  
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.

# Financial Update

## Governance & Audit Committee

### 15<sup>th</sup> November 2022



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2022/23



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# Summary of Month 4 Position – Cabinet 28<sup>th</sup> Sept



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Division	Net Budget £000	Projected Outturn £000	Variance £000
Corporate Management	37,488	31,014	(6,474)
Economic Development	9,100	6,232	2,860
Education (Retained)	310,731	315,659	4,928
Governance & Legal Services	6,102	7,202	1,100
Housing & Communities	48,457	48,140	(317)
Performance and Partnerships	3,319	3,238	(81)
Planning, Transport, Environment	7,800	7,832	32
Recycling & NS	36,024	35,635	(389)
Resources	16,275	16,070	(205)
Social Services - Adults	32,482	132,364	(123)
Social Services - Children's	78,977	87,927	8,950
Capital Financing	34,309	32,609	(1,700)
Contingency	2,000	0	(2,000)
Summary Revenue Account	20,471	20,759	288
Discretionary Rate Relief	400	410	10
Council Tax Collection	0	(483)	(483)
<b>Total</b>	<b>743,746</b>	<b>751,114</b>	<b>7,368</b>

## Main Variances

### Corporate Management

- Utilisation of COVID/energy budget contingency at month 4

### Economic Development

- Income shortfalls within Culture, Venues & Events
- High cost of energy across council buildings.
- Pressures within Property Services, and Sport, Leisure & Dev.

### Education

- School Transport - rising costs in fuel & driver supply plus increased no. of pupils with ALN requiring transport.
- Out of area placement pressures
- School catering services - price increases in relation to food & transport costs combined with reduced income from paid school meals.

### Children's Services

- Majority relates to additional bespoke placements that have arisen this year reflecting the complexity of need and the limited spaces available in the residential market.

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Month 6 will be reported to Cabinet 17<sup>th</sup> November



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2023/24



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# Current Budget Gap 2023/24



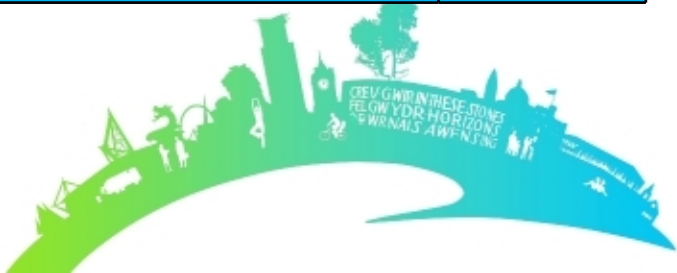
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	Revised £000
Employee Costs	23,360
Price Inflation	25,165
Capital Financing	4,128
Commitments & Realignments	1,220
Demographic Pressures	8,851
Emerging Financial Pressures	7,500
AEF* - assumes +3.5% & NI risk	(16,565)
Earmarked Reserves	(500)
<b>TOTAL PER OCTOBER UPDATE</b>	<b>53,159</b>

- The table summarises the Budget Gap per October Budget Update Report
- Employee Costs – includes funding shortfall re: 2022/23 pay offers & revised assumptions for 2023/24 award given sustained levels of inflation
- Price inflation - Largely energy and commissioned care costs
- Capital Financing - based on existing programme
- Demographic - social care, school transport, pupil numbers
- Emerging pressures - reflects risk re: in-year monitoring position and volatile conditions generally re: inflation etc.
- Real risk gap could increase further - demand / price fluctuations / if directorates are unable to successfully tackle some of the key causes of cost pressure inherent in the month 4 position.



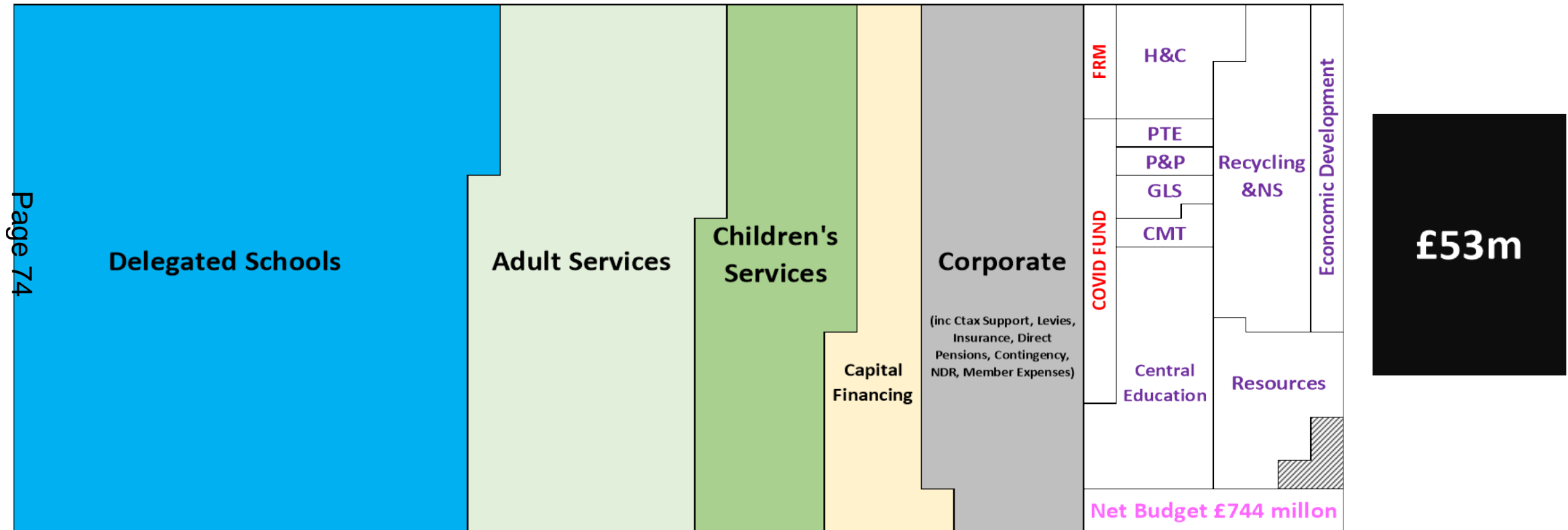
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# The Size of the Challenge



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- This is a scale representation of the size of the challenge
- £53 million must be identified from the base budgets outlined above, to redirect into the areas of pressure identified within the budget gap.



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# Ongoing Risk Areas Under Review



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- Effective budgetary management in the current year to mitigate overspend
- Achievement of in-year savings - and where they are not on track, robust, immediate plans to bring them back on course
- Careful management of income-funded areas
- Development of a robust set of savings proposals for 2023/24
- Updated modelling - Revenue Budget key sensitives – Pay, Non Pay Inflation, demand, income assumptions etc..
- Development in parallel of our Capital Programme and Strategy





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## Next Steps

- Cabinet Review of Month 6 position 17<sup>th</sup> November
- UK Government Budget Statement 17<sup>th</sup> November
- Mitigation actions and review on going in year
- Budget strategy work
  - Continual assessment of bottom line budget gap
  - Timing of the Welsh Government settlement announcement not yet confirmed (likely to be 13<sup>th</sup> December)
  - Services seeking to identify opportunities to deliver Efficiency savings - deliver early / in year where possible
  - Likely requirement for significant service change / transformation given the scale of the budget gap faced



**GOVERNANCE & AUDIT COMMITTEE: 15 NOVEMBER 2022**

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**TREASURY MANAGEMENT MID-YEAR REPORT 2022/23****REPORT OF THE CORPORATE DIRECTOR RESOURCES****AGENDA ITEM: 6.1**

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**Annexes B & C of Appendix 1 of this report are not for publication as they contain exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972**

**Reason for this Report**

1. The Governance and Audit Committee Terms of Reference sets out their responsibility for undertaking scrutiny of the accounting, audit and commercial issues in relation to the Council's Treasury Management Strategy and practices.
2. This report has been prepared to provide Committee Members with Mid-Year Treasury Management Report before submission to Cabinet and Council in November 2022.

**Background**

3. The report attached at Appendix 1 informs Committee of the Council's Treasury Management activities since 1 April 2022 and the position as at 30 September 2022.

**Issues**

4. In the budget report of February 2010, Council adopted CIPFA's Treasury Management Code by formal acceptance of the Four Clauses of Treasury Management and Treasury Management Policy Statement as Council policy.
5. This report provides a mid-year update of Treasury Management activities as at 30 September 2022. This includes its borrowing and investments at a point in time.
6. Council approved the Treasury Management Strategy for 2022/23 in March 2022. The Treasury Strategy is driven primarily by the Council's overall financial position and approved investment strategy. Whilst there have been significant variations in economic forecasts and variables, no policy changes or changes to limits are deemed required at this stage.
7. The mid-year report and supporting Annexes are attached at Appendix 1, with an updated Treasury Management Strategy to be considered as part of the budget proposals for 2023/24, consistent with updated capital investment priorities approved for the medium term.

## **Reason for Recommendations**

8. To allow Governance and Audit Committee to undertake the scrutiny of Treasury Management in accordance with Council's Treasury Management Policies.

## **Legal Implications**

10. No direct legal implications arise from this report.

## **Financial Implications**

11. The Council's treasury management activities are undertaken in accordance with the policies adopted by Council and under professional codes of conduct established by CIPFA, the Welsh Government and the Corporate Director Resources as part of Treasury Management Practices. This report is part of a suite of reports that members receive on the Council's treasury management activities during the course of a year. Whilst there are no direct financial implications arising from this report, the risks involved with treasury management are continuously reviewed in conjunction with the Council's treasury management advisors and forms part of the Council's Medium term Financial Planning process.

## **RECOMMENDATIONS**

12. That the Treasury Management Mid-Year Report for 2022/23 be noted, prior to its submission to Cabinet and full Council.

**CHRISTOPHER LEE**  
**CORPORATE DIRECTOR RESOURCES**  
**15 November 2022**

The following appendix is attached:  
Appendix 1 – Treasury Management Mid-Year Report 2022/23

# Treasury Management Mid-Year Report

2022-23



## Introduction

- 1.1 Treasury management activities are the management of an organisation's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
- 1.2 The Council carries out its treasury management activities in accordance with a Treasury Management Code of Practice for public services, updated by CIPFA in 2021. This requires the Council to set out the policies and objectives of its treasury management activities and adopt four Clauses of Treasury Management (replicated in **Annexe A**).
- 1.3 Treasury Management is an integral part of the Council's Strategic and Financial planning framework, with borrowing activities primarily because of historic and future capital expenditure approved by Council as part of the Council's Capital Investment programme.



- 1.4 Council received a report in March 2022 on the Council's Treasury Management and Capital Strategy for 2022/23. Governance and Audit Committee has received periodic updates on the position and performance of treasury management and the issues included in the report below. In addition, Council received in October 2022 the Annual Outturn Report for Treasury Management for 2021/22.
- 1.5 In accordance with Council policy, this report provides members with a 2022/23 mid-year update as at 30 September 2022 and covers:-
  - the economic background to treasury activities
  - investments
  - borrowing
  - debt rescheduling
  - compliance with treasury limits and prudential indicators
  - Treasury Strategy update for remainder of the year.



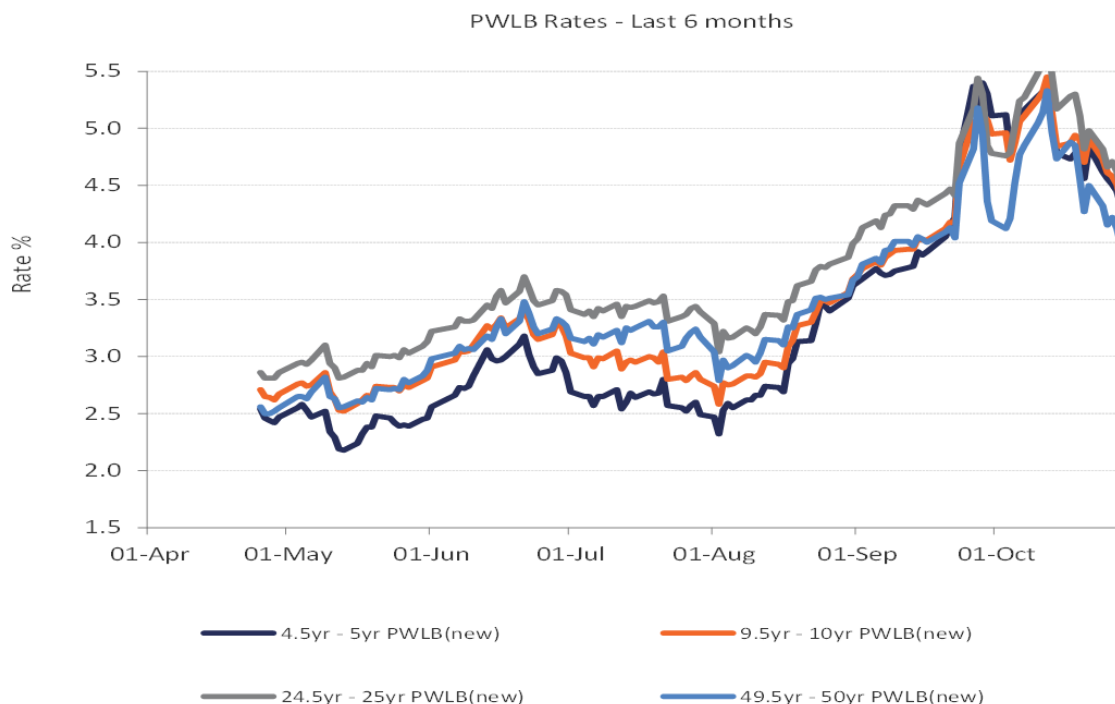
1.6 Annexe E includes a glossary which defines key terms used in this report.

## **Economic Background**

- 2.1 Whilst the UK economy has avoided recession for the time being, there are signs of economic activity losing momentum. Higher energy prices creating more persistent downward effects in economic activity. Both industrial production (-0.3% m/m) and construction output (-0.8% m/m) fell in July 2022 for a second month in a row. Manufacturing output fell in some of the most energy intensive sectors (e.g., chemicals), pointing to signs of higher energy prices weighing on production. With the drag on real activity from high inflation having grown in recent months, GDP is at risk of contracting through the autumn and winter months. CPI inflation was 10.1% year on year in September, with domestic price pressures showing little sign of abating in the near-term.
- 2.2 Labour Force Survey (LFS) employment rose by 40,000 in the three months to July (the smallest rise since February). But a renewed rise in inactivity of 154,000 over the same period meant that the unemployment rate fell from 3.8% in June to a new 48-year low of 3.6%. The number of vacancies has started to level off from recent record highs but there have been few signs of a slowing in the upward momentum on wage growth with the July three month year on year rate of average earnings growth being 5.5%.
- 2.3 The above factors together with increased prices of imports are likely to see CPI inflation peak close to 10.4% in November. With domestic price pressures showing little sign of abating, this is likely to impact on household real incomes. However, with the government having frozen utility prices until April 2023 at least, subject to the approach beyond this, energy price inflation could fall sharply after October and have a big downward influence on CPI inflation.
- 2.4 The Bank of England increased base rate for the seventh consecutive meeting in September 2022, with an increase of 50 basis points to 2.25%. Following the 'Mini Budget' and various measures announced on 23 September 2022 gilt yields increased and sterling fell based on market views that the government's fiscal loosening from its proposed significant tax cuts will add to existing domestic inflationary pressures and will potentially leave a legacy of higher interest rates and public debt. Both sterling and gilt yields have stabilised over the last few weeks due to expectations that the Bank of England will deliver a significant rise in interest rates at the policy meeting on 3rd November and the government will lay out an acceptable medium-term plan in the near term. Forecasts are that the Monetary Policy Committee will raise interest rates by 75bps at the policy meetings in November (to 3.00%) and 75 basis points in December (to 4%) followed by further 50 basis point increases in February and March (to 5.00%). These forecasts may change following the banks November meeting. With concerns over a global recession growing, there are significant risks to economic variables.
- 2.5 Throughout 2022/23, gilt yields, on which Public Works Loan Board lending rates are based, have been on an upward trend due to inflation expectations.

However, the upward trend increased sharply at the end of September as investors demanded a higher risk premium and expected faster and higher interest rate rises to offset fiscal stimulus plans. The 30-year gilt yield rose from 3.60% to 5.10% following the “Mini Budget”, which threatened financial stability by forcing pension funds to sell assets into a falling market to meet cash collateral requirements. Amongst its actions to secure financial stability, the bank of England postponed its plans to start selling some of its quantitative easing (QE) gilt holdings. Since the Bank’s announcement on 28th September, the 30-year gilt yield has fallen back from 5.10% to 3.83%. The 2-year gilt yield dropped from 4.70% to 4.30% and the 10-year yield fell back from 4.55% to 4.09%.

- 2.6 There is significant volatility in gilt yields and in turn borrowing rates as markets digest daily developments in the financial markets, release of economic data both domestically and internationally.
- 2.7 The Public Works Loan Board is one source of local authority borrowing and subject to annual review of eligibility. PWLB rates are based on gilt (UK Government bonds) yields, however HM Treasury determine a specified margin to add to gilt yields for any local authority borrowing. Most local authorities can undertake loan at the PWLB Certainty Rate, which is gilt rate plus 80 basis points (G+80 bps).



- 2.8 The chart above highlights the volatility in PWLB borrowing rates, with long term rates at the end of October 2022 being circa 4%. Having regard to various uncertain factors, the table below shows the Council’s treasury management advisors last forecasts for bank rate and Public Works Loan Board (PWLB) certainty borrowing rates, based on their current lending policy. The forecasts

are updated periodically. This shows a gradual decrease in bank rate and PWLB lending rates over the forecast horizon ending on 31st March 2025, albeit with rates higher than previous lows.

	<b>Actual 30/09/22</b>	<b>Mar-23</b>	<b>Mar-24</b>	<b>Mar-25</b>
Bank Rate	2.25	5.00	4.00	2.75
5yr PWLB rate	5.11	4.90	3.90	3.30
10yr PWLB rate	4.95	4.70	3.80	3.30
25yr PWLB rate	4.78	4.90	4.10	3.60
50yr PWLB rate	4.19	4.60	3.80	3.30

## Investment

- 3.1 The management of the Council's cash flows may involve temporary lending of surplus funds to low-risk counterparties or short-term temporary borrowing to manage cash flows, pending receipt of income. This takes place in the wider financial markets or the established inter-local authority market.
- 3.2 The Council's investment priorities remain the security and then liquidity of its Treasury investments. The Council also aims to achieve the optimum return appropriate to these priorities.
- 3.3 The Council invests with financial institutions in accordance with criteria approved in its Treasury Strategy. The categories, names, periods and size limits on this list can be extended, varied or restricted at any time by the Corporate Director Resources under delegated powers. Based primarily on Fitch credit criteria and a number of other factors which the Council takes into account, lending to these institutions is subject to time and size limits and credit worthiness continues to be carefully monitored.
- 3.4 No changes have been made or are deemed required to be made as part of this report to the list of eligible counterparties or credit worthiness policy included as part of the 2022/23 Treasury Management Strategy approved by Council. This will continue to be reviewed using data from Treasury advisors and will be updated in the 2023/24 Strategy.
- 3.5 Following the introduction of The Markets in Financial Instruments Directive (MiFID) in January 2018, the Council opts to be classified as a professional client rather than a retail client by financial institutions.
- 3.6 Since the strategy was set, investment rates offered on deposits have increased significantly from the position in previous years when investment rates were barely above zero. With gradual increases in bank rate, currently 2.25% and forecast to be increase the level of interest receivable on deposits is forecast to increase as part of the 2022/23 revenue budget monitoring position.

3.7 At the 30 September 2022, Net Temporary investments stood at £230.9 million. These temporary funds will fluctuate daily and arise for a number of reasons, including the timing differences between the receipt of grant and other income and the utilisation of these funds on salaries and other operating costs. They also include the level of reserves, provisions, and balances held on behalf of Joint Committees such as City Deal where the Council is Accountable Body (Circa £58 million). When approved to do so, any funds held for the latter as accountable body are expected to be transferred to the Corporate Joint Committee, This will improve the reporting of the Council's own treasury management activities.

Subject to the actual timing of cash inflows and outflows, the Council may need to borrow funds temporarily for working capital cash flow management. **Annexe B** shows with whom these investments were held as at 30 September 2022. All investments are deemed recoverable.

3.8 A selection of performance indicators and benchmarking charts, is included in **Annexe C** as follows:-

- **Counterparty exposure** displays actual investment against the maximum permitted directly with an organisation. This demonstrates that we are not exceeding any exposure limits. It should be noted that the Debt Management and Deposit Facility, is effectively placing investments with the Government. The exposure limit is set to match the level of investments held.
- **Remaining maturity profile of investments.** This shows the duration of investments over time.
- **Investments by institution.** This expresses the investments held with different institutions as a percentage of the total and shows diversification is sought where possible.
- **Geographic spread of investments** as determined by the country of origin of relevant organisations. All countries are rated AA and above as per our approved criteria and are licensed to take UK deposits. It should be noted that two credit ranges agencies have placed the UK rating on a negative outlook. Investments are in Sterling only.
- **Investments by Financial Sector.** Most investments continue to be with banks.

3.9 The approach of deferring external borrowing by using temporary cash balances will continue to be used as part of the borrowing strategy.

3.10 Whilst a difficult figure to forecast due to the uncertainty of the markets, cash flows and the number of variables that impact on the figure, the forecast level of overall interest receivable from treasury investments for 2022/23 is £3.4 million. At 30 September 2022 the average rate on investments held is just over 2%. The return achieved since the start of the year is 1.12% compared to the average of the benchmark rate since the 1 April 2022 for the Sterling Overnight Index Average rate (SONIA) 7day / 3month of 1.22% / 1.70%. This is expected in a rising interest rate environment, until fixed term deposits mature, to be re-invested at higher rates.

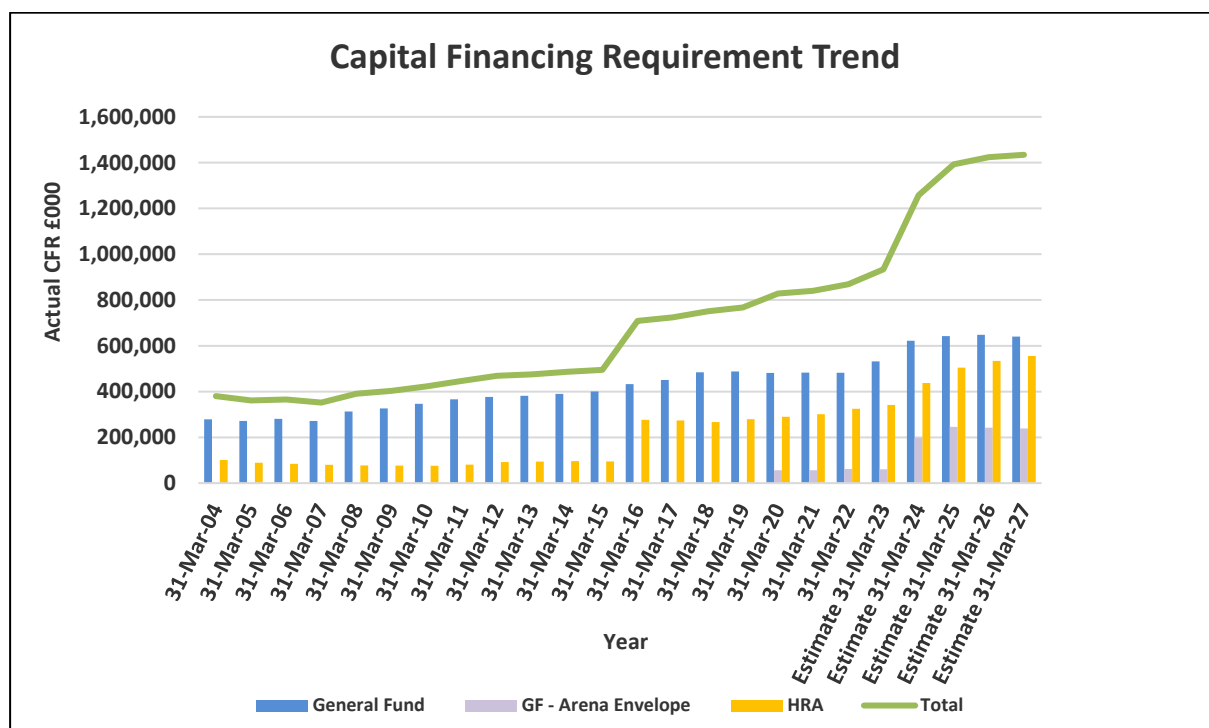
**Borrowing**

- 4.1 Long term borrowing is undertaken to finance the Council’s Capital Programme. The Council’s strategy Greener, Stronger and Fairer identifies the opportunities facing the city and sets out the response to challenges. This is not just a consideration of how challenges are responded to, but it is also about investing in future economic growth and development, prioritising investment in schools, affordable housing, tackling homelessness, and protecting the city’s most vulnerable people. All these capital projects play an important role in supporting and accelerating the Council’s work post pandemic and leading the recovery. The budget report and its capital strategy considered by Council in March 2022 set out the capital investment strategy including major long term development projects such as affordable Council housing; the Indoor Arena; Atlantic Wharf Masterplan; Core Office Strategy and 21st Century Schools. Budget monitoring reports have provided updates of the 2022/23 Capital Programme during the year, with the Capital Strategy, timing and priorities to be updated along with indicators of Affordability, Prudence and Sustainability in the 2023/24 budget proposals. This will inform the updated Treasury Management Strategy for that year.
- 4.2 The main sources of external borrowing currently are the PWLB and the Money Markets, although recent years has seen an increase in repayable loans received from Welsh Government. The Council does not separate General Fund and Housing Revenue Account borrowing as all borrowing is the liability of the Council i.e. borrowing is ‘pooled’.
- 4.3 Where capital expenditure has been incurred without a resource to pay for it i.e. when proposed to be paid for by supported or unsupported borrowing, this will increase what is termed the Council’s Capital Financing Requirement (CFR) which is the Council’s underlying need to borrow. The Council is required to make a prudent provision for the repayment of historic capital expenditure from its revenue budget in line with its agreed policy which reduces the CFR. Calculation of the CFR is summarised in the table below and results in the need to borrow money.

<b>Movement</b>	<b>Opening Capital Financing Requirement (CFR)</b>
+	Capital expenditure incurred in year
-	Grants, contributions, reserves and receipts used for capital expenditure
-	Prudent Minimum Revenue Provision and Voluntary Repayment
=	<b>Closing Capital Financing Requirement (CFR)</b>

- 4.4 The CFR forecast is subject to the timing of capital expenditure, capital receipts and new schemes that may be considered for approval in future years. It can be seen that the Council’s underlying need to borrow is increasing and will need to be repaid from future revenue budgets either from savings, revenue income or Council Tax and Housing Rents.

4.5 The chart below shows the trend in the CFR including the Housing Revenue Account. The latter includes the £187 million payment made from the HRA to HM Treasury to exit the subsidy system in 2015/16 and also future expenditure to create new Council owned affordable housing in accordance with the Housing 30 Year Business Plan, which will be updated in March 2023. The increase for the General Fund relates to previous commitments and new expenditure commitments primarily those assumed to pay for themselves from future income or savings such as the indoor arena, City Deal and the 21<sup>st</sup> Century School's financial model. Future projections of the CFR are those included in the budget report of March 2022. These projections will be updated in the Capital Strategy for 2023/24 in March 2023 based on updated timing of the Capital investment programme and resources deemed available to fund it.



4.6 At 30 September 2022, the Council had £852.1 million of external borrowing predominantly made up of fixed interest rate borrowing payable on maturity.

31 March 2022			30 September 2022	
£m	Rate (%)		£m	Rate (%)
763.1		Public Works Loan Board	759.7	
51.0		Market (Lender Option Borrower Option)	51.0	
23.2		Welsh Government	23.1	
18.3		Local Authorities and other	18.3	
<b>855.6</b>	<b>4.01</b>	<b>Total External Debt</b>	<b>852.1</b>	<b>4.01</b>

The estimated total interest payable on borrowing for 2022/23 is £34.1 million which includes an estimate of interest payable by the Housing Revenue Account of circa £13.4 million.

New borrowing undertaken during the first half of the year

- 4.7 During the first half of the year an Interest free loan of £273,000 was received from Welsh Government in respect of Refit Phase 2. Further loans from Welsh Government totalling £4 million are also expected to be drawn down by the end of the financial year in respect to projects including LED lighting implementation on residential streets and for Cardiff Heat Network Limited.

Maturing Loans in year to date

- 4.8 **Annexe D** shows the maturity profile of the Council's borrowing as at 30 September 2022. Maturing loans of £3.8 million have been repaid in the first half of this year with a further £19 million due to be repaid by 31 March 2023.
- 4.9 Lender Option Borrower Option (LOBO) products are loans to the Council where the lender can request a change in the rate of interest payable by the Council on pre-determined dates. The Council at this point has the option to repay the loan without penalty.
- 4.10 The Council has six such loans totalling £51 million. Apart from the option to increase rates, these loans are comparable to PWLB and have no other complications such as variation in interest rates or complex terms.
- 4.11 Interest rates on these loans range between 3.81% and 4.35% and details of the loans are shown in the table below.

£m	Rate	Potential Repayment Date	Option Frequency	Full Term Maturity
6	4.28%	21/11/2022	6 months	21/11/2041
6	4.35%	21/11/2022	6 months	21/11/2041
6	4.06%	21/11/2022	6 months	23/05/2067
5	4.10%	17/01/2023	6 months	23/05/2067
6	4.08%	02/03/2023	5 years	17/01/2078
22	3.81%	21/11/2025	5 years	23/11/2065

- 4.12 LOBOs to the value of £29 million are subject to the lender potentially requesting a change in the rate of interest payable in the remainder of the year. This is deemed unlikely, and any risk is a manageable refinancing risk as LOBOs in total, form a relatively low proportion of the Council's current overall borrowing at 6%.

## Borrowing Strategy

- 4.13 As shown in the report above, the interest rates on borrowing, whilst currently elevated and volatile, they are forecast to reduce. This and the fact that borrowing rates are higher than investment rates means that the cost of undertaking and locking into new fixed rate borrowing would have a negative impact on the revenue budget. External borrowing may be deferred to minimise short term costs by using temporary cash balances to meet the Capital Financing Requirement rather than placing in an investment. This is termed 'internal borrowing'. However deferring borrowing is only a short-term measure and could expose the Council to higher borrowing rates and costs in the future. For 2022/23, opportunities for short term external borrowing will be considered in the last quarter of the year where required, however any borrowing requirement for 2022/23 is expected to be managed by internal borrowing, i.e. using temporary cash balances held as investments. This is deemed manageable for the year. For future years as the borrowing requirement increases and interest rate volatility stabilises, further short or long term external borrowing will be required to ensure there is certainty of interest costs for future years and mitigate risks. The strategy will be updated in March 2023, with updated economic forecasts and in line with an updated capital strategy.
- 4.14 If no further borrowing is undertaken, the value of external loans at 31 March 2023 will be £837 million. At the same point, the Council's need to borrow for capital expenditure purposes, its Capital Financing Requirement (CFR), is currently forecast to be circa £933 million (General Fund £592 million and HRA £341 million). Without any further borrowing this financial year internal borrowing would be £96 million. It is expected that the level of internal borrowing will reduce due to receipt of additional external grants towards capital expenditure commitments and also as a result of unforeseen delay in projects assumed to be paid for by borrowing.
- 4.15 The Council is undertaking a number of projects that involve the Welsh Government providing interest free loans to the Council or an income stream to undertake specified projects such as town centre loans, energy projects and coastal erosion. Welsh Government take no risk in such projects and expect all loans to be repaid. Where the Council is taking on specific loans for the delivery of specified projects, robust business case processes and legal charges if appropriate should be in place to ensure any loans can be repaid following implementation of projects.

## **Debt Rescheduling**

- 5.1 No debt rescheduling, or early repayment of debt has been undertaken to date in 2022/23. The main obstacle remains the level of premium (penalty) that would be chargeable on early repayment by the PWLB. Of the existing PWLB loans of £759.7 million, £683.7 million are eligible for early repayment. However, this would incur a premium of £106.1 million as at 30 September 2022. This premium is payable primarily because:



- Interest rates on loans of equivalent maturities compared to those held are currently lower
- A penalty rate or lower early repayment rate was introduced by HM Treasury in November 2007, which increased the cost of premiums and reduced the flexibility of Local Authorities to make savings. This remains an obstacle in the ability of local authorities to manage debt more effectively.

5.2 Whilst the cost of Premiums can be spread over future years, options for restructuring that have been considered result in an adverse Net Present Value (NPV). Whilst there may have been short terms savings, these were outweighed by potentially longer-term costs and not deemed cost effective.

### **Compliance with treasury limits and prudential indicators**

6.1 During the financial year to date, the Council has operated within the treasury limits and prudential indicators set out in the annual Treasury Management Strategy in March 2022. The treasury and capital prudential indicators will be updated as part of the 2023/24 Capital and Treasury Strategies in the Budget Report to Council in March 2023. Affordability of additional investment will need to be monitored closely as part of the Medium-Term Financial Plan and Housing Revenue Account Business Planning process.

### **Treasury strategy for the remainder of 2022/23**

7.1 The Treasury Strategy approved in March 2022 remains valid despite the impact of uncertainty in financial markets and no change is required to indicators or affordability limits approved for the year. The use of temporary cash balances instead of long term fixed borrowing to pay for capital expenditure in the short term will result in short term savings, however there is a significant borrowing requirement in this and future years. The approach will be reviewed as part of the update of the Treasury Management Strategy for 2023/24.

7.2 As set out in the annual report considered by Council in October 2022, key issues to consider for the remainder of 2022/23 include:

- The balance of internal borrowing and timing of external borrowing to pay for the Council's longer term need to borrow.
- Ongoing financial market uncertainty.
- Inclusion of Environmental, Social and Governance (ESG) issues within Treasury Management Practices.
- Ensuring compliance with HM Treasury revised lending policies and processes aimed to prevent borrowing undertaken to fund investment purely for financial gain. It should be noted that any such expenditure would preclude any borrowing from the PWLB.
- A requirement for the Council to adopt a debt liability benchmark to add to the existing suite of treasury indicators.
- Review of knowledge and skills register for individuals involved in the Treasury management function.

- Development of investment management practices for expenditure classified as investments which are not specifically held for treasury management purposes.
- Updating the Treasury Management Strategy for the 2023/24 budget in line with any updates to the Capital Investment Programme forecasts and scheme delivery including the impact of major regeneration projects.

## **Annexes**

Annexe A – Treasury Management Policy and Four Clauses of Treasury Management

Annexe B – Investments at 30 September 2022

Annexe C – Investment Charts at 30 September 2022

Annexe D – Maturity Analysis of Borrowing as at 30 September 2022

Annexe E – Glossary of Treasury Management terms

**Treasury Management Policy and Four Clauses of Treasury Management adopted by Council 25/02/2010**

**Council's treasury management Policy / Activities**

1. This Council defines its treasury management activities as: the management of its investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
2. This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications.
3. This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

**Four Clauses of Treasury Management**

4. In compliance with the First Clause, this Council will create and maintain, as the cornerstones for effective treasury management:-
  - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
  - Suitable Treasury Management Practices (TMPs), setting out the way the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities
5. In compliance with the Second Clause, this Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy in advance of the year, a mid-year review and an annual report after the year's close, in the form prescribed in its TMPs.
6. In compliance with the Third Clause, this Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Executive, and for the execution and administration of treasury management decisions to the Corporate Director Resources in accordance with existing delegations, who will act in accordance with the Policy Statement, TMPs and CIPFA's Standard of Professional Practice on Treasury Management.
7. In compliance with the Fourth Clause, this Council requires the scrutiny of the accounting, audit and commercial issues of its Treasury Management Strategy

and Practices to be undertaken by the Council's Audit Panel due to the technical nature of the documents.

By virtue of paragraph(s) 14, 21 of Part(s) 4 and 5 of Schedule 12A of the Local Government Act 1972.

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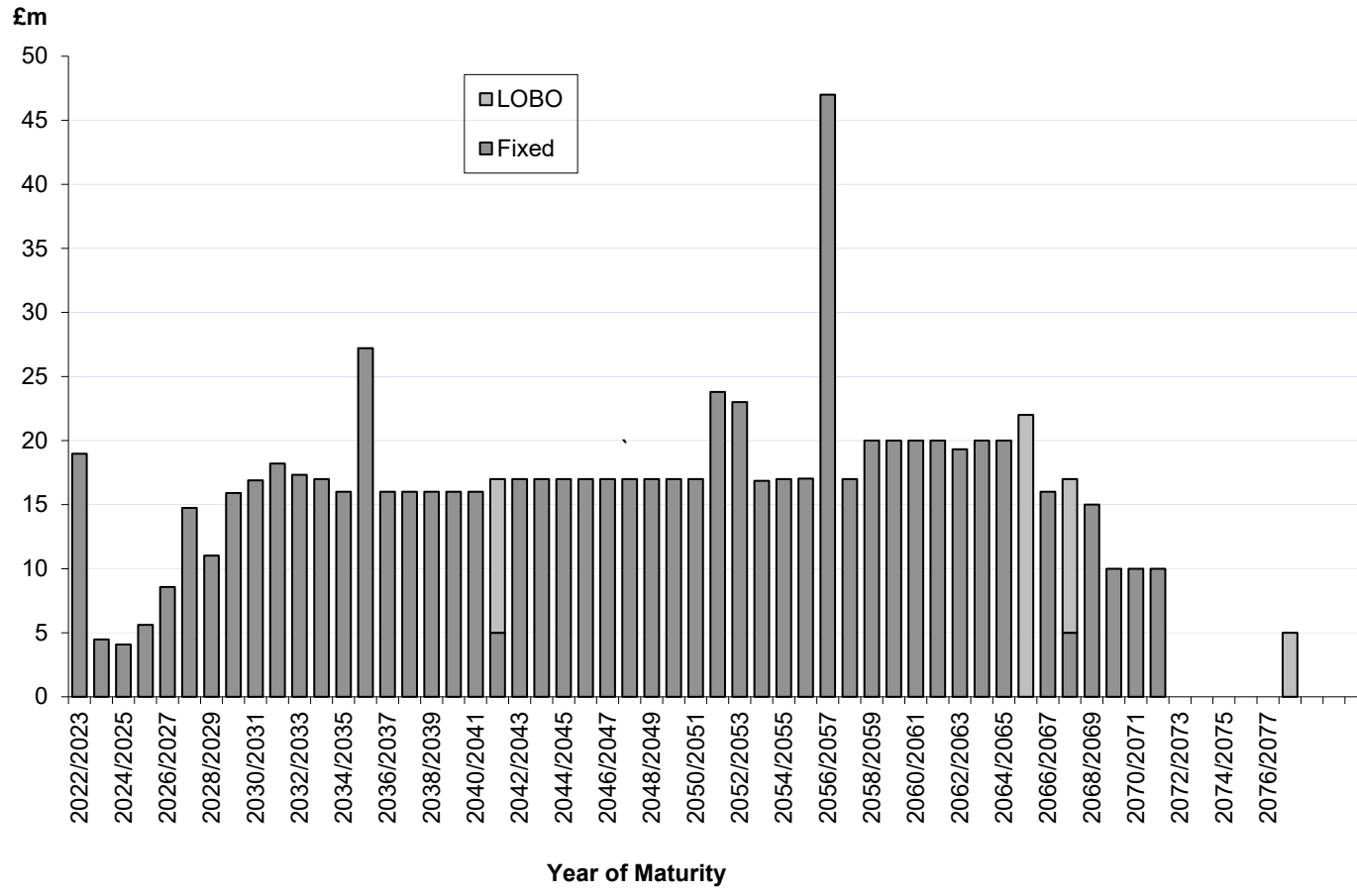
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Maturity Profile of Debt at 30 September 2022



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## Glossary of Terms - Treasury

### **Bank Rate**

The rate of interest set by the Bank of England as a benchmark rate for British banks.

### **Bonds**

A long-term debt security issued by a company, a financial institution, a local authority, national government or its affiliated agencies. It represents an undertaking to repay the holder the fixed amount of the principal on the maturity date plus a specified rate of interest payable either on a regular basis during the bond's life (coupon) or at maturity.

### **Borrowing**

Loans taken out by the authority to pay for capital expenditure or for the prudent management of the Council's financial affairs, which are repayable with interest.

### **Capital Expenditure**

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

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

### **Capital Financing Requirement (CFR)**

An authority's underlying need to borrow for a capital purpose. It measures capital expenditure incurred but not yet financed by the receipt of grants, contributions and charges to the revenue account.

### **Capital Market**

A market for securities (debt or equity), where companies and governments can raise long-term funds (periods greater than one year). The raising of short-term funds takes place on other markets (e.g. the money market).

### **Capital Programme**

The Capital Programme sets out the Council's capital expenditure plans for the forthcoming financial year as well as for the medium term. It is approved annually at Council and identifies the estimated cost of those schemes, their

projected phasing over financial years as well as the method of funding such expenditure.

### **Certificates of Deposits (CDs)**

A certificate issued for deposits made at a deposit-taking institution (generally a bank). The bank agrees to pay a fixed interest rate for the specified period and repays the principal at maturity. CDs can be purchased directly from the banking institution or through a securities broker. An active interbank secondary market exists to buy and sell CDs.

### **Chartered Institute of Public Finance & Accountancy (CIPFA)**

CIPFA is the professional body for accountants in public finance. As a specialised public services body, it provides information, guidance, and determines accounting standards and reporting standards to be followed by Local Government.

### **Collective Investment Scheme Structures**

Schemes whereby monies from a number of investors are pooled and invested as one portfolio in accordance with pre-determined objectives.

### **Corporate Bonds**

Bonds that are issued by a company or other non-government issuers. They represent a form of corporate debt finance and are an alternative means of raising new capital other than equity finance or bank lending.

### **Counterparty**

One of the parties involved in a financial transaction with whom the Council may place investments.

### **Counterparty / Credit Risk**

Risk that a counterparty fails to meet its contractual obligations to the Council to repay sums invested.

### **Credit Criteria**

The parameters used as a starting point in considering with whom the Council may place investments, aimed at ensuring the security of the sums invested.

### **Credit Default Swaps**

A financial transaction which the buyer transfers the credit risk related to a debt security to the seller, who receives a series of fees for assuming this risk. The levels of fees reflect the perceived level of risk.

### **Credit Rating**

A credit rating assesses the credit worthiness of an individual, corporation, or even a country. Credit ratings are calculated from financial history and current assets and liabilities. Typically, a credit rating tells a lender or investor the probability of the subject being able to pay back a loan. Ratings usually consist of a long-term, short term, viability and support indicators. The Fitch credit rating

of F1 used by the Council is designated as “Highest Credit Quality” and indicates the strongest capacity for timely payment of financial commitments.

### **Debt Management Account Deposit Facility (DMADF)**

The Debt Management Office provides this service as part of its cash management operations and of a wider series of measures designed to improve local and central government’s investment framework and cash management. The key objective of the DMADF is to provide users with a flexible and secure facility to supplement their existing range of investment options while saving interest costs for central government.

### **Debt Restructuring**

Debt restructuring is a process that allows an organisation to reduce, renegotiate and undertake replacement debt.

### **Diversification of Investments**

The process of creating a portfolio of different types of financial instruments with regard to type, price, risk issuer, location, maturity, etc. to reduce the overall risk of the portfolio as a whole.

### **Duration (Maturity)**

The length of time between the issue of a security and the date on which it becomes payable.

### **External Borrowing**

Money borrowed from outside of the Council.

### **Financial Instrument**

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Typical financial liabilities are borrowing and financial guarantees. Typical financial assets include bank deposits, amounts owed by customers, loans receivable and investments.

### **Fitch Credit Ratings**

A commercial organisation providing an opinion on the relative ability of an entity to meet financial commitments, such as interest, preferred dividends, repayment of principal, insurance claims or counterparty obligations. The opinion is usually provided in the form of a credit rating.

### **Fixed Rate**

An interest rate that does not change over the life of a loan or other form of credit.

### **Floating Rate Notes**

A money market security paying a floating or variable interest rate, which may incorporate a minimum or floor.

### **Fraud / Error Risk**

Risk of losses being incurred as a result of fraud, error or corruption in treasury management and failure to institute adequate systems, procedures and other arrangements to prevent irregularities.

### **Housing Revenue Account (HRA)**

The HRA is an account of expenditure and income that every local authority housing department must keep in accordance with the Local Government & Housing Act 1989. The account is kept separate, or ring fenced from other Council activities. Income is primarily generated by the rents and service charges paid by tenants, while expenditure is on the management and maintenance of the housing stock, and capital financing charges on the HRA's outstanding loan debt.

### **Interest Rate Risk**

Risk that fluctuations in interest rates could impose extra costs against which the Council has failed to protect itself adequately.

### **Internal Borrowing**

Money borrowed from within the Council, sourced from temporary internal cash balances.

### **Investments**

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

### **Lender Option Borrower Option Loans (LOBOs)**

Loans to the Council where the lender can request a change in the rate of interest payable by the Council at pre-defined dates and intervals. The council at this point has the option to repay the loan.

### **Liquidity**

The ability of the Council to meet its financial obligations as they fall due.

### **Market Loans**

Borrowing that is sourced from the market i.e. organisations other than the Public Works Loan Board or a Public Body.

### **Medium Term Financial Plan**

Plan outlining the financial strategies and actions that are envisaged by the Council in the medium term regarding the budget.

### **Markets in Financial Instruments Directive (MiFID)**

EU legislation that regulates firms who provide financial instrument services. MiFID was applied in the UK from November 2007 but was revised with changes taking effect from 3 January 2018 (MiFID II).

The aim is to ensure financial institutions undertake more extensive checks on their client's suitability for investment products. Organisations undertaking investments will be either classified as 'retail' or 'professional'.

MiFID II requires all Local Authorities to be initially treated as "retail clients" unless they "opt up" to a "professional client". The assumption being that retail clients require a greater level of due diligence and support for investment decision making. Financial institutions will owe a greater duty of care to retail clients, however, they will have no greater financial protection than professional clients.

### **Minimum Revenue Provision (MRP)**

This is the amount which must be charged to the authority's revenue account each year and set aside as provision for repaying external loans and meeting other credit liabilities. The prudent amount is determined having regard to guidance issued by WG. This has the effect of reducing the Capital Financing Requirement (CFR).

### **Money Market**

The market for short-term securities or investments, such as certificates of deposit, commercial paper or treasury bills, with maturities of up to one year.

### **Money Market Funds**

An investment fund which pools the investments of numerous depositors, spreading those investments over a number of different financial instruments and counterparties. Funds with a Constant Net Asset Value (CNAV) are those where the sum invested is the same on maturity, Low Volatility Net Asset Value (LVNAV) are those where any sum invested is likely to be the same on maturity. Funds with a Variable Net Asset Value (VNAV) are those where the sum on maturity could be higher or lower due to movements in the value of the underlying investments.

### **Net Asset Value (NAV)**

The market value of an investment fund's portfolio of securities as measured by the price at which an investor will sell a fund's shares or units.

### **Pooling**

The process whereby investments or loans are held corporately rather than for specific projects or parts of the Council, with recharges to those areas for their share of the relevant income and expenditure using an agreed methodology, where such a recharge is required to be made.

### **Prudential Code for Capital Finance**

The system introduced on 1 April 2004 by Part 1 of the Local Government Act 2003 which allows local authorities to borrow without Government consent, provided that they can afford to service the debt from their own resources and that any such borrowing is prudent and sustainable. This requires the preparation and approval of various indicators.

### **Public Works Loans Board (PWLB)**

The Public Works Loans Board is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.

### **Refinancing Risk**

Risk that maturing borrowing or other financing of capital projects cannot be renewed on terms that reflect existing assumptions and that the Council will suffer extra costs as a result.

### **Regulatory Risk**

Risk that actions by the Council or by any person outside of it are in breach of legal powers or regulatory requirements resulting in losses to the Council, or the imposition of extra costs.

### **Security**

Protecting investments from the risk of significant loss, either from a fall in value or from default of a counterparty.

### **Sovereign Credit Ratings**

The credit rating of a country. It indicates the risk level of the investing environment of a country, taking into account political risk and other factors.

### **Sterling**

The monetary unit of the United Kingdom (the British pound).

### **Term Deposits**

A term deposit is a money deposit at a banking institution that cannot be withdrawn for a certain "term" or period of time.

### **Treasury Management**

The management of the organisation's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

### **Treasury Bills**

Debt securities issued by a government with a short-term maturity of up to 6 months.

### **UK Government Gilts**

Fixed-interest debt securities issued or secured by the British Government. Gilts are always denominated in sterling though the Government occasionally also issues instruments in other currencies in the Eurobond market or elsewhere.

### **Variable Rate**

An interest rate that changes in line with market rates.



### **Yield**

The annual rate of return paid out on an investment, expressed as a percentage of the current market price of the relevant investment.

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## **GOVERNANCE & AUDIT COMMITTEE: 15 NOVEMBER 2022**

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### **CHILDREN'S SERVICES, CONTROL ENVIRONMENT UPDATE**

#### **REPORT OF THE DIRECTOR OF CHILDREN'S SERVICES      AGENDA ITEM: 7**

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

1. This report has been produced in response to the Governance and Audit Committee's request for an update on the Children's Services control environment.
2. The Governance and Audit Committee has requested this update in respect of its role to:
  - Monitor progress in addressing risk-related issues reported to the committee.
  - Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
  - Consider the Council's framework of assurance and ensure that it adequately addresses the risk and priorities of the Council.
  - Consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
  - Review the assessment of fraud risks and potential harm to the council from fraud and corruption.
  - Review the governance and assurance arrangements for significant partnerships or collaborations
  - Review and assess the authority's ability to handle complaints effectively, and make any associated reports and recommendations.

#### **Background**

3. Local authorities have a statutory obligation to safeguard and promote the welfare of children at risk and can provide a wide range of services to children and their parents or carers, usually within the own home environment and co-ordinated by a social worker. The level and type of support offered can vary, depending on the circumstances of the case. The list below contains examples of the types of circumstances in which a local authority may become involved with a child or a family in order to provide support and assistance:
  - Following a request for assistance from a person (or person on their behalf) at a time of stress or to seek assistance or support of a type that is unavailable from schools, GPs, other health services, or other community-based services.
  - By the provision of assistance and support to a child who is disabled or to a disabled adult who cares for a child, or a relatives or carer of such a person, including the provision of "short break" services.
  - Following becoming aware of child protection issues in respect of any child, including cases where violence between adults could result in harm to a child.

- Following a request for temporary placement of a child in foster care or residential care, whether as a result of an emergency or to provide a planned break or series of short breaks.
- Where a child is taken into care following intervention by a local authority or the police.
- Where a child is placed for adoption, sometimes at the request of a parent, but more often following a court order when the child is already in the care of a local authority.

#### Working during the pandemic

4. The onset of the pandemic created challenges for the Directorate in terms of the way it operated; initially reverting to a virtual operating model for all but the highest risk children almost overnight.
5. A system was put in place to ensure that children known to Children's Services were RAG rated so the highest risk children were identifiable, and the latest position and contingency plans were available should the information be required in the absence of the allocated social worker.
6. Throughout the pandemic, the Children's Management Team met daily (twice daily initially) to ensure oversight of the Directorate with a focus on ensuring essential service delivery of frontline services and safeguarding of children and young people.
7. The initial response of the Directorate was to focus on risk relating to individual children – targeting service provision for those most in need and closely monitoring staffing levels in the context of high levels of COVID-19 related absence.
8. All non-essential work was initially stood down while we focussed on this and plans were put in place for how services would be managed if staffing levels were to drop as low as the initially anticipated 25%.
9. Fortunately, this did not transpire, but the operating model was kept under regular review to ensure controls were in place and in response to changes in Welsh Government guidance and legislation. This heightened level of oversight from the Children's Management Team enabled us to manage the unprecedented crisis and ensure that priority was given to safeguarding and child protection at all times.
10. Face to face visits to the children who most needed them were maintained, however, at the times when the COVID-19 risks were at their highest risks we reverted to virtual visits where it was safe and appropriate to do so.
11. Going forward, we will retain this hybrid model of working that enables us to safely meet the needs of children and their families whilst ensuring the most appropriate and efficient use of resources.

#### Services

12. Services provided by Children's Services include:
  - **Support4Families** (within the Cardiff Family Advice and Support Service) – early help service working with families below the threshold for statutory Children's Services, e.g., supporting families with direct delivery of a range of evidence-based family programmes.
  - **Multi Agency Safeguarding Hub** - first point of contact for safeguarding referrals from professionals.

- **Intake & Assessment**, including child protection investigation, intervention and support.
  - **Interventions Hub:**
    - **Adolescent Resource Centre** – intensive support for young people aged 11-16 years of age, who are at risk of becoming looked after.
    - **Family Intervention Support Service (FISS)** – support to prevent family breakdown and reduce risk of significant harm.
    - **On Call FISS** - support out of hours to the Emergency Duty Team (EDT) and daytime services.
    - **Rapid Response** - provide an immediate response to families in crisis to prevent accommodation or where there is a high risk of harm.
    - **Integrated Family Support Service** – supporting the needs of vulnerable families in crisis.
    - **ThinkSafe!** – work with children at greatest risk of exploitation to reduce risk and increase protective factors.
  - **Locality Services** – case management including reunification, child protection, Court work, children looked after and children receiving care and support.
  - **Child Health & Disability Service** – case management for children with disabilities including child protection, Court work, children looked after and children receiving care and support.
  - **Substitute Family Care** –placement finding, in house fostering and residential, Connected Persons, When I Am Ready, supported lodgings, National Fostering Framework, Young Person’s Gateway link, commissioning and contract management.
  - **Personal Adviser Service** – supporting care leavers.
  - **Youth Justice Service** – prevention of anti-social behaviour, offending and re-offending by young people.
  - **Service Improvement & Strategy** –corporate safeguarding, Regional Safeguarding Board business unit, quality assurance, participation / children’s rights, advocacy, practice leads programme.
  - **Safeguarding** – Reviewing Hub, education safeguarding, professional concerns.
  - **Performance and Resources** – business support, performance and planning, projects, correspondence, CareFirst / Eclipse, strategy, Health & Safety, workforce training and development, COVID-19.
13. Robust performance management arrangements are in place across Children’s Services with performance management being led by senior managers. The Children’s Management Team receive regular reports in the form of PowerBi and scorecards to support them to monitor and manage performance. The information is kept under review and is regularly adapted to meet both statutory requirements and the changing needs of the service. It is acknowledged that it has been challenging to fully embed the Personal Review process across the Directorate and a plan is in place to improve the timeliness and quality of the Personal Review process. The Directorate has been developing a process to evidence compliance with the requirement outlined in the Code of Professional Practice for Social Care for all social workers to receive regular professional supervision. As a next step the service needs to ensure that the Personal development plans are embedded, and clear links are made with the Children’s Services Strategy and Directorate Delivery Plan.

14. The Director and Management Team lead on governance, risk management and internal control to ensure there is oversight of issues and that links are made with the quality assurance framework. This ensures that lessons learned are fed back so processes and systems are subject to continuous improvement. Examples of these systems are outlined in this report along with an explanation of how they are managed. Key areas include, but not limited to:
- Risk Management – Corporate and Directorate Risks (see paragraph 15)
  - Internal Audit Assurance (see paragraph 22)
  - Senior Management Assurance Statements (see paragraph 32)
  - External Assurance (see paragraph 47)
  - Value for Money (see paragraph 51)

## **Issues**

### **(a) Risk Management**

15. Risks relevant to the Directorate are managed on an ongoing basis alongside the Directorate Delivery Plan and reported on a quarterly basis via the Directorate and Corporate Risk Registers. Escalated Directorate and Corporate Risks for which the Directorate holds responsibility are reviewed by the Council's Senior Management Team and subsequently reported to Cabinet and Governance and Audit Committee.

### **Corporate Risks (see Appendix A for full detail)**

16. Corporate Risks that are owned / contributed to by Children's Services relate to corporate safeguarding and the increase in demand for services. Recently escalated risks are workforce issues, an increase in insurance claims under the Human Rights Act and referrals to the Official Solicitor resulting from failure to remove children at risk and significant harm experienced while being looked after, and sufficiency of accommodation for children looked after and care leavers – including the subsequent increase in the number of children placed in homes operating without registration, and the duration of these placements.
17. As reported to Governance and Audit Committee via the quarterly Corporate Risk Management reporting process, all the above risks are mitigated through a variety of controls, actions and policies in order to ensure the current (residual) rating is reduced from the inherent rating and is acceptable in respect of the Council's risk appetite. Whilst the objective is to have targeted further reductions in all risks, the priority over the last two years has been to at least maintain the current residual risk level in the face of increasing levels of demand for services and complexity and co-morbidity of issues faced by children, young people and their families.

### **Directorate Risks (see Appendix B for full detail)**

18. The Directorate Risk Register (DRR) is a strategic document and is directly aligned with the Directorate Delivery Plan, Corporate Plan, relevant Capital Ambition objectives and Children's Services Strategy, as well as capturing any other key risk perspectives, such as:
- Financial
  - Legal and regulatory
  - Service delivery
  - Reputational

19. There are a number of identified Directorate inherent risks, of varying severity which are reviewed regularly for assurance on actions undertaken and their impact on the residual risk and any target risks that are in place. In considering the contents of the risk register the focus is on ensuring that all risks are identified with a clear connection to the current and proposed actions being undertaken to reduce or manage the impact / likelihood of the risk. All red residual risks within the Risk Register have been escalated and the following red / amber residual risks are being closely monitored:
- Care planning for children and young people – ensuring that plans are outcome led and implemented without drift.
  - Transition to adult life / independence – ensuring that young people (including disabled young people) have the necessary support to ensure a smooth transition.
  - Issuing of care proceedings and subsequent compliance with Court Orders – ensuring compliance in the context of capacity issues in the service impacting on ability to meet demand and undertake required work in a timely manner.
  - Children looked after – securing stable, fulfilling and happy lives for children looked after.
  - Adoption records – ensuring that historical records are accessible following issues with corrupted microfiche files and avoidance of a data breach in the process of resolving the above risk.
  - Youth Justice Service – ensuring the service fulfils its statutory (and non statutory) functions.
20. The risk appetite for the Directorate is such that red / amber residual risks reflect the significant external challenges within which it operates and that the fact that the worst-case scenario consequence may involve the death of, or serious injury to a child. Risk management at an individual child level underpins all the work undertaken by the Directorate in order to mitigate this risk.

#### **(b) Internal Audit Engagement and Response**

21. The Directorate works closely and meets on a regular basis with Internal Audit to ensure robust management of internal audits and actions arising. This includes providing key supporting information to Internal Audit on audits to be undertaken and reports to the Children's Management Team on the schedule, outcomes and progress made.

#### **Internal Audit Assurance**

22. The Directorate currently has 4 audits with open recommendations, with 8 outstanding actions (3 red, 3 red / amber and 2 amber / green) and 1 action to be closed pending provision of evidence. The Directorate response to some of the recommendations has been affected by the COVID-19 pandemic and this has led to some delays in closing recommendations.
23. It is noted that 4 of the recent audits resulted in assurance ratings of "insufficient with major improvement needed". These audits were helpful in supporting the Directorate to confirm where the issues were, clearly identify what improvements were needed, and to refresh systems to address the issues.
24. The nature of the services provided by the Directorate, combined with current difficulties being experienced in relation to market sufficiency issues, clearly influenced the outcome of audits relating to contracts and commissioning - with the Directorate currently having a high proportion of off contract spend. This has helped us to successfully make a business case for establishing a dedicated Commissioning Team within Children's Services. The posts for the team have been established and recruitment is currently ongoing. We are confident that

having this team in place will enable us to have more robust oversight of the commissioning process, bring more spend within contracts and improve contract monitoring systems.

25. The table below summarises the position with respect to Internal Audit recommendations and paragraphs 26 to 31 provide some narrative commentary.

Audit	Report Status	Assurance Rating	Outstanding Actions	Completed Actions	Total Actions	Implementation Status
<b>2021/22</b>						
Child Health & Disability	Final	Effective with opportunity for improvement	0	9	9	All actions completed
Payments to Care Leavers	Final	Insufficient with major improvement needed	2	15	17	2 recommendations requiring input from other Directorates;
Contract Monitoring and Management	Final	No opinion assigned (sampled as part of wider corporate audit)	3	2	5	2 recommendations due 31.03.23 1 recommendation to be closed on provision of evidence
Pre-Contract Assurance	Final	Insufficient with major improvement needed	1	0	1	1 recommendation due 31.03.23
<b>2020/21</b>						
Children's Residential Placements	Final	Insufficient with major improvement needed	3	0	3	3 recommendations due 31.12.22
Commissioning and Procurement - Social Services	Final	Insufficient with major improvement needed	0	5	5	All actions completed

### **Child Health & Disability (CH&D)**

26. All recommendations have been implemented and the audit is closed. Examples of improvements made as a result of the audit include the CH&D Needs Panel process and use of PowerBi for performance management.

### **Payments to Care Leavers**

27. 2 recommendations remain outstanding – both of which are pending input from other Directorates – in relation to safe insurance levels and provision of VAT guidance for staff. Examples of improvements made as a result of the audit include reinforcement of the need to ensure digital payments are made where possible and a review of safe contents procedures.

### **Contract Monitoring and Management**

28. 3 recommendations remain outstanding - 1 of which will be closed on receipt of evidence. The remaining 2 recommendations will be progressed when the Commissioning Team is in place – Children's Services have not previously had a Commissioning structure in place and require the resource to progress the recommendations. The recommendations are on target to be completed by the due date of 31<sup>st</sup> March 2023.

### **Pre-Contract Assurance**

29. 1 recommendation remains outstanding, which, as above, will be progressed when the Commissioning Team is in place. The recommendation is on target to be completed by the



due date of 31<sup>st</sup> March 2023. As a result of this audit a piece of work is being undertaken to review off contract spend and understand the reasons for it, to ensure that future spend is contracted.

### **Children's Residential Placements**

30. 3 recommendations remain outstanding and are due to be delivered by 31<sup>st</sup> December 2022. These include the development of written procedures and a process around the use of scanned signatures.

### **Commissioning and Procurement - Social Services**

31. All recommendations have been implemented and the audit is closed. In response to this audit a system has been put in place to request regular review of the GR/IR account, with provision of training for staff regarding the process that needs to be followed.

## **(c) The Wider Control Environment**

### **Senior Management Assurance**

32. The Children's Management Team continues to engage in the review of Senior Management Assurance Statements (SMAS). The Directorate considers application of all areas of the statement, taking account of progress made since the previous statement. Due to the ongoing response to the pandemic, completion of the SMAS for 2021/22 was led by the Director, and informed by the close oversight of all areas of the Directorate that resulted from daily meetings of the Children's Management Team.
33. The Directorate position in 2021/22 was primarily assessed as "strong" application (20 items) with 1 item assessed as "embedded" (planning delivery) and 7 items assessed as "mixed application". To support progression from "mixed" to "strong" application, improvement actions are identified and linked to the Directorate Delivery Plan wherever possible to ensure ongoing monitoring of progress.
34. The Directorate has also recently completed a self-assessment relating to COVID-19 recovery.
35. Delivery of services to improve outcomes for children and achieve corporate objectives requires a partnership approach between Children's Services and key partner agencies, both internal to the Council and external. Robust governance arrangements are integral to ensuring that collaboration with our partners works well and supports the delivery of key services to children and young people. Partnership and governance arrangements are in place across our multi-agency initiatives – including the Regional Partnership Board, Regional Safeguarding Board, Youth Justice Board and Starting Well Partnership, to name a few. Work to align internal delivery mechanisms with partnership programmes is ongoing.
36. In terms of senior management assurance, the key issue for the Directorate at present is budget management.

### **Budget Management**

37. The budget position at month 4 was projecting an £8.95 million overspend primarily as a result of two risk areas. These are in relation to placements and bespoke support arrangements for children looked after and the appointment of agency social workers to cover permanent social worker vacancies. Work to monitor the budget position is considerable and ongoing and

includes regular meetings of the service accountant with Operational Managers and detailed oversight of the impact of key areas of spend in the Children's Management Meeting.

38. As mentioned in paragraph 16 above, the Directorate is currently faced with considerable challenges in relation to sufficiency of placements for children who need to be looked after. This has resulted in an increasing number of children being placed in high-cost placements, and an increase in the number of children in placements that are operating without registration being maintained by high cost bespoke support packages.
39. The position with respect to Children's Services has resulted in the establishment of an urgent programme of work with support from corporate colleagues to seek to reduce spend and deliver improvements across a range of services linked specifically to the issue of external placements. Progress is reported to a new weekly Improving Placement Options Board that is chaired by the Director of Social Services. This work is being dovetailed with our implementation of The Right Place Model in Cardiff, based on the North Yorkshire Model and our work to develop our accommodation portfolio – for in house placements and bases for staff. The number and complexity of cases coming through combined with the inability of the market to provide placement solutions is unprecedented at this time. The position stated includes a number of high cost bespoke placements that are currently being reviewed and any step downs or changes once confirmed will be reflected in future monitoring reports. The action being taken to mitigate the position includes focussed work on:
  - a. Managing placement requests
  - b. Maximising the current placement options
  - c. Looking at options for move on
  - d. Developing the support market in Cardiff
  - e. Developing Foster Care options to meet complex needs
  - f. Addressing specific issues around unaccompanied asylum-seeking children
  - g. Improving data reporting and financial analysis arrangements
  - h. Maximising opportunities for additional grant funding and appropriate partner contributions
40. In terms of further monitoring of the Children's Services financial position, future periods will continue to reflect outcomes from the work being undertaken currently. The position also currently assumes no external grant funding is receivable and again this will be adjusted if, as in previous years, grants are made available by Welsh Government to support pressure in this area.
41. In relation to point c above, succession planning is taking place for individual children and young people to ensure that plans for moves to independence are in place, freeing up their current placements for other children who need them. This planning also takes account of financial projections so the impact on our budget can be closely monitored at an individual child level, improving our financial controls. It is important to note that all of these decisions must first and foremost take account of the needs of the child and be in the best interest of the child, and not financially motivated.
42. As mentioned in the points above, we are also working to develop our in-house fostering service and have set out ambitious plans to develop our accommodation portfolio to increase residential accommodation provision in Cardiff. One particular achievement to date is the development of a 6-bed provision for Unaccompanied Asylum Seeking Children in partnership with the Salvation Army.
43. These arrangements are monitored in detail by the Children's Management Team on a weekly basis as we strive to reduce our projected overspend whilst ensuring that children and young people are safeguarded.

44. In relation to workforce, we continue to implement our workforce strategy to reduce our reliance on agency social workers. The national issue with recruitment of experienced social workers means that we cannot simply recruit permanent social workers to fill vacancies. As a result, our workforce strategy is predicated upon a prudent approach to social work, whereby we ensure that social workers only do what only social workers can do. As example of this is the use of short-term monies from Welsh Government to pilot the use of Social Worker Resource Assistants as a proof of concept. These staff undertake tasks that previously fell to social workers, such as arranging and minuting core group meetings, although they do not require a social work qualification. We have, however, in tandem continued our work to recruit and retain social workers by working closely with local universities, developing our induction process and putting additional supports in place to improve quality and consistency across the service.
45. In the context of current demand for services, and the complexity and co-morbidity of issues being faced by the children for whom we provide care and support, there is significant pressure on the Children’s Services budget. To this end we are continuing to look for new and innovative ways of working that will support us to meeting this demand / need, and to do so with ever increasing efficiency. In addition to the workstreams set out above, we are looking at implementing the NEST (Nurturing, Empowering, Safe and Trusted) trusted adult concept using key workers who don’t necessarily need to be social workers. This approach dovetails with our prudent social work approach and recognises the importance of having a trusted adult so children and young people have an adult in their life who understands them and who they can turn to when they are feeling sad, worried or angry.
46. The Children’s Services budget is monitored by the Policy, Review and Performance Scrutiny Committee as part of the overall Council budget position.

**External Assurance**

47. External assurance is an important consideration for the Directorate and key external assurance activity is summarised in the table below.

External Audit / Inspection Area	Provider	Report Date	Rating Opinion /	Number of Actions	Completed Actions	Management Comments
Children’s Services	Care Inspectorate Wales	November 2020	N/A	12	5	Implementation of work in relation to the 2020 report is ongoing and monitored regularly.
Youth Justice Service	Her Majesty’s Inspectorate of Probation	February 2022	Requires improvement	7	0	7 actions from HMIP – 4 for the Youth Justice Board, 3 for the Youth Justice Service. A wider updated action plan is in place and monitored regularly.

48. Care Inspectorate Wales (CIW) are the independent regulator of social care and childcare in Wales. They are responsible for registering, inspecting and taking action to improve the quality and safety of services for the well-being of the people of Wales. Inspections are followed up with reports setting out good practice and areas for improvement that are fed into Directorate planning processes to ensure that required improvements are made. Inspectors meet with senior managers on a regular basis to review and challenge performance. Representatives from CIW meeting with the Director of Children’s Services on a regular basis and The Local Authority Social Services Annual Report is a key source of information for CIW.
49. Her Majesty’s Inspectorate of Probation (HMIP) undertook a full follow up inspection of the Youth Justice Service in March / April 2022. The report was published in August and the Youth Justice Board (YJB) have since confirmed that, as a result of the finding, Cardiff Youth Justice Service should no longer be considered a priority status service. This complete de-escalation is in recognition of the progress that has been made over the course of the last

few years, and demonstrates the confidence that the YJB have in operational management and senior leadership within Cardiff to continue to deliver improvement and positive outcomes for children.

50. Completion of a survey in relation to Care Planning for Children and Young People Subject to the Public Law Outline (pre-proceedings) is ongoing to feed into a thematic review being undertaken by CIW. This will be followed up with fieldwork activity being undertaken in 6 of the 22 Welsh local authorities – confirmation of whether Cardiff will be one of these local authorities is pending.

### **Value for Money**

51. As referenced in paragraph 24 above, work to respond to market sufficiency issues is ongoing – this should also help us to better achieve value for money – both in year and long term. Our implementation of recommendations in relation to contract / commissioning audits will support us to achieve value for money. For example, our review of off contract spend, mentioned in paragraph 24 above will support us to improve controls in this area by bringing spend within contracts. We have also implemented an Interventions Hub which brings together all of our in house support services. A process is in place to ensure that the potential for in house support is explored before agency support is procured – this will also help us to reduce spend in this area and will achieve value for money by maximising use of in house resources.
52. The implementation of The Right Place model and work to address market sufficiency is intrinsically linked to the initiative to embed not-for profit models in our commissioning arrangements that are tailored to the needs of young people in our city and are able to meet the level of demand we are experiencing. Meetings have taken place with local small / medium enterprise providers in relation to the not-for profit objective and models are being considered. An example of use of this model that we have implemented this year is our work with the Salvation Army to open a new 6 bed unit specifically for unaccompanied asylum seeking children mentioned in paragraph 42 above.
53. In terms of workforce, we also expect our prudent approach to social work (as set out in paragraph 44 above) to deliver value for money as staff such as Social Work Assistants and Resource Assistants can be recruited at lower grades than social workers as a qualification is not required. Agency social workers continue to be engaged where required and their work is monitored via the performance management and supervision processes outlined in paragraph 13 above in order to ensure that they are performing at the level expected, given the cost of engaging these workers. It is our aim to reach a position whereby agency social workers are only used to cover posts on a short term basis.
54. A hybrid approach to working resulting from the COVID-19 pandemic has improved value for money in terms of reducing travel time, reducing printing costs and increasing use of hybrid mail.
55. The Directorate is acutely aware of the difficulty in balancing the often competing priorities of meeting the needs of children with achieving value for money from the public purse. We will continue to strive to do so and will ensure adherence to the recently issued corporate guidance relating to managing and monitoring spend in the context of the current budget situation.

## **Complaints Handling**

56. Further to the above information, Governance & Audit Committee has also requested assurance in relation to complaints handling within Children's Services. This is set out in the paragraphs below.
57. In October 2021 Social Services complaints were split to become separate teams for Children's and Adult Services. This provided us with an opportunity to review and redesign our processes to ensure that they best support the Directorate in responding to and learning lessons from complaints. A Complaints Officer is in post to manage the complaints and representations process with support of a lead Operational Manager.
58. Following receipt of a Stage 1 complaint, the Complaints Officer shares it with the relevant Operational Manager and Team Manager. The concerns are reviewed by the managers who will provide the Complaints Officer with the information required for a response to be drafted. The draft response is checked by the Operational Manager before being sent to the Director for approval allowing for changes to be made if required before responses to complaints are issued.
59. All complaints are recorded and weekly updates / meetings are held between the Complaints Officer and Operational Managers to discuss open complaints. Throughout the process, holding responses are sent to the complainant if a delay is identified. The regulatory requirement for responding to Stage 1 complaints is 15 working days. The average time taken for Children's Services to respond in 2021/22 was 43 working days. The delay was in part due to the ongoing COVID-19 pandemic whereby responses to urgent child protection issues were being prioritised.
60. The Children's Management Team are provided with information regarding the open complaints on a weekly basis, providing a more in depth dive into complaints. This information is also used by Operational Managers on a weekly basis in their role in overseeing responses to complaints relating to their area of responsibility.
61. Where complainants are not happy with the response they have received at Stage 1, they are entitled to request a Stage 2 (formal) investigation. This is undertaken by an independent investigator outside of the Council who will meet with those involved, including the complainant and put together recommendations based on the outcomes of the investigation. Following this, complainants are entitled to contact the Public Service Ombudsman for Wales.
62. An annual complaints report is produced and linked to the Local Authority Social Services Annual Report – setting out process, themes and lessons learned. Learning from complaints forms part of our Quality Assurance Framework and an action plan is in the process of being produced to ensure that learning is fed back into service development.
63. In order to further develop our systems, we will shortly be moving to the Halo Service Desk system for recording and monitoring complaints. Rollout is expected before the end of the financial year.
64. Children's Services also record compliments. Compliments can be received in any way and are shared with the Complaints Team for collation and so that themes can be identified and fed into lessons learned as per the complaints mechanism set out above. Children's services received 152 compliments in 2021/22.

## **Legal Implications**

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

## **Financial Implications**

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

## **RECOMMENDATIONS**

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

**Deborah Driffield**  
**Director of Children's Services**

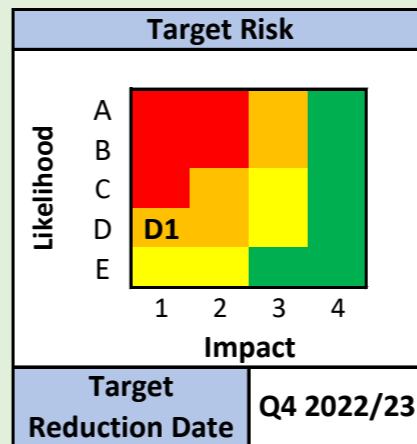
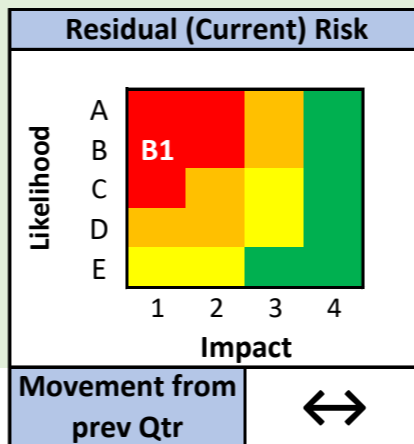
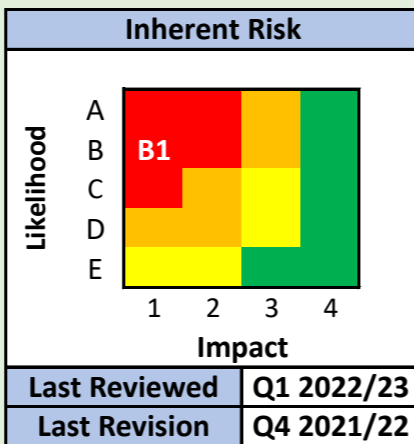
The following are attached:

Appendix A – Corporate Risk Register (Children's Services)  
Appendix B – Directorate Risk Register (Children's Services)  
Appendix C – Presentation

## Increase in Demand (Children's Services)

**Description**

Failure to effectively manage demand (and respond to increasing demand due to Covid-19), resulting in increase in number of children requiring services and financial pressures this presents.



**Risk Owner(s)**

**Sarah McGill**  
(Deborah Driffield)

**Councillor Ashley Lister**  
Children & Families

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

- Early Help - Cardiff Family Advice and Support Services for families who do not require statutory services.
- Interventions Hub launched and now incorporates the Adolescent Resource Centre.
- Referrals to services such as Safe Families and Ymbarel made as required to provide support to families.
- Dedicated worker to focus on young carers in post.
- Increased in house residential provision, including emergency pop up / pop down provision.
- Option for families to use Direct Payments available (review being undertaken and will consider potential use for children other than children with disabilities).
- Shifting the balance of care and associated workstreams being progressed - Strength based working / Reunification Framework / Family Group Conferencing / Safe and Together model / The Right Place.
- Children's Services Strategy being reviewed.
- Children's Commissioning Strategy and Market Position Statement in place to address accommodation sufficiency issues and to manage the market.
- Refreshed workforce strategy in place to improve recruitment and retention of permanent staff.
- Work to enable prudent social work / skill mix ongoing - ensuring social workers do what only social workers can do and recruitment to support staff / multi disciplinary staff.
- 4th team implemented in each locality to increase management capacity.
- OM1 posts provide strategic overview of case management and support services.
- Working hours are flexible to meet service and personal needs.
- Provision and analysis of performance information is tailored to meet arising issues.
- Appropriate use of COVID-19 expenditure claims and Recovery Fund from Welsh Government and other funding streams; and financial planning around how longer term needs will be met.
- Temporary Resource Assistants recruited for OMs and social workers to test proof of concept.
- Vulnerability Change Project is reviewing the police mechanism for referrals to Children's Services - with the aim of reducing PPNs on low level cases.
- Resource Panel in place to oversee decisions regarding placements.
- Family Drug and Alcohol Court pilot ongoing to better support parents with drug and alcohol issues through the care proceedings process.
- 2 urgent projects launched to address demand and accommodation sufficiency issues - one to specifically focus on services for children with disabilities and another to consider the wider cohort of children looked after.
- Ongoing adherence to COVID-19 risk assessment and appropriate use of PPE etc. to reduce the risk of infection for staff undertaking home visits.
- Business case to increase the family support service resource in the Interventions Hub to provide an out of hours service being considered.
- Consideration being given to Rapid Response workers being reintegrated into locality teams in response to feedback from staff.
- Consideration being given to developing the role of Trusted Adults for children and their families.

**What we plan to do to meet target**

- Business processes to be reviewed as part of implementation of Eclipse system (Autumn 2023).
- Work with judiciary re: planned changes to private and public law (March 2023).
- Systems review undertaken with initial focus on the front door to ensure sustainability of services going forward - report pending and will be reviewed and actions to be taken / steps planned on receipt (December 2022).

**Potential Impact(s)**

- Family breakdown leading to children becoming looked after.
- Growth in the number of children entering the looked after system and associated costs for the Authority.
- Insufficient placements to meet need resulting in increase in numbers living outside Cardiff.
- Challenges in improving outcomes for children leading to children being less likely to achieve their potential and to be fully participating citizens.
- Delays in issuing care proceedings because of existing capacity in Children's Services and consequential impact on budgets if work needs to be outsourced.
- Challenges in effectively managing service and financial pressures.
- Impact of high caseloads on staff and potential increase in social worker turnover.
- Welsh Government programme of work to eliminate profit from the care sector and potential impact on destabilisation of placements.
- Increase in use of unregulated placements.
- Inability of Interventions Hub to meet demand for family support leading to delays in response times and / or the need to outsource the service.

N.B. All demand risks carry safeguarding implications.

**Linked Risks**

**Key Indicators / Measures used to monitor the risk**

Type(s) of Impact	
• Service Delivery • Reputational • Legal • Financial	• Community & Environment • Stakeholder
• Workforce Planning (Social Services) • Safeguarding	
Children's Services: • Early Help 3 - Number of people supported by the Family Support Team • Contacts 1 - Number of Contacts / Referrals Received • CH/012 - Percentage of assessments completed for children within statutory timescales • CS LAC 3e - Number of children looked after	



# Safeguarding

Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)								
Systemic failure in the effectiveness of the Council's safeguarding arrangements together with other statutory safeguarding partners.				<p style="text-align: center;"><b>Sarah McGill</b> (Deborah Driffield)</p> <p style="text-align: center;"><b>Councillor Huw Thomas</b> Leader</p> <p style="text-align: center;"><b>Councillor Susan Elsmore</b> Social Care, Health &amp; Well-being</p> <p style="text-align: center;"><b>Councillor Graham Hinchey</b> Children &amp; Families</p> <p style="text-align: center;"><b>Councillor Chris Weaver</b> Finance, Modernisation and Performance</p>								
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Last Reviewed</td> <td>Q4 2021/22</td> </tr> <tr> <td>Last Revision</td> <td>Q3 2021/22</td> </tr> </table>	Last Reviewed	Q4 2021/22	Last Revision	Q3 2021/22	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Movement from prev Qtr</td> <td style="text-align: center;">↔</td> </tr> </table>	Movement from prev Qtr	↔	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Target Reduction Date</td> <td>N/A</td> </tr> </table>	Target Reduction Date	N/A	
Last Reviewed	Q4 2021/22											
Last Revision	Q3 2021/22											
Movement from prev Qtr	↔											
Target Reduction Date	N/A											

Potential Impact(s)	What we've done/are currently doing to achieve the Residual Risk Rating	What we plan to do to meet target
<ul style="list-style-type: none"> <li>A child(ren) or adult(s) suffer(s) preventable abuse or neglect which may result in harm or death</li> <li>Reputation of Council and partners</li> <li>Severe adverse publicity</li> <li>Potential regulator intervention</li> <li>Loss of confidence by community in safety of children and adults</li> <li>Loss of confidence of staff in the overall "safety" of the service, impacting on morale, recruitment and retention</li> <li>Potential litigation with associated financial penalties</li> <li>Significant financial implications of formal intervention</li> </ul>	<p><b>Regional</b></p> <ul style="list-style-type: none"> <li>Regional Safeguarding Board oversee the safety and well-being of children and young people across the partnership.</li> </ul> <p><b>Corporate</b></p> <ul style="list-style-type: none"> <li>Corporate Safeguarding Board strengthened with development of Steering Group and appointment of Directorate Lead Officers</li> <li>Improved data capture and reporting on training compliance allowing targeted action by managers.</li> <li>New self-assessment form and process introduced, with identified improvement actions built into Directorate Delivery Plan.</li> <li>Initial Analysis of referral data completed, with further work underway to enable a more granular breakdown.</li> <li>Recruitment and Selection Policy updated, including additional information on safeguarding</li> <li>Recommendations of Audit Wales review actioned.</li> <li>Appropriate safeguarding arrangements in place for staffing local government elections.</li> <li>Education provision secured for high risk children throughout the COVID-19 crisis.</li> </ul> <p><b>Contextual Safeguarding</b></p> <ul style="list-style-type: none"> <li>Exploitation Strategy - led corporately with community safety approach.</li> </ul> <p><b>Children's Services</b></p> <ul style="list-style-type: none"> <li>In terms of business continuity, our operational approach to child protection remains unchanged. Child protection procedures continue to take precedence and children at the highest risk will be prioritised.</li> <li>Systems in place to learn lessons from Child Practice Reviews, Adult Practice Reviews and multi agency practitioner forums.</li> <li>Safeguarding Adolescents From Exploitation (SAFE) approach reframed in light of experience and being implemented city wide.</li> <li>Quality Assurance Framework in place; learning workshops introduced to complete feedback loop. Action plan in response to complaints to be developed.</li> <li>Wales Safeguarding Procedures in place.</li> <li>High Risk Panel facilitates robust and timely multi-agency decision making at senior management level for our highest risk young people.</li> <li>OMs have oversight of all high risk cases and share decision making responsibility.</li> <li>Practice development group in place with leads allocated to workstreams to shape good practice.</li> <li>Children's Services and Education working closely, including in the development of locality working.</li> <li>Close partnership working (via Regional Partnership Board and Starting Well Programme) in response to the emerging crisis regarding young people with serious mental health and emotional wellbeing issues is ongoing (i.e. increase in eating disorders, self harm, and attempted and actual suicide).</li> <li>Close partnership working in relation to serious youth violence, including with Violence Prevention Unit and Community Safety is ongoing.</li> <li>Close partnership working in response to complex safeguarding concerns with providers, with particular emphasis on emerging issues with providers of accommodation and support for children with additional and complex needs is ongoing.</li> <li>Revised Supervision process launched following feedback from staff and new recording mechanism being piloted.</li> <li>Child Sexual Abuse practice leads training programme with Centre of Excellence in place.</li> <li>Review of escalating concerns process underway to strengthen arrangements and interface with safeguarding procedures and large scale enquiries.</li> <li>Practice leads appointed to support newly qualified staff and social work assistants and improve quality and consistency of practice.</li> </ul> <p><b>Adult Safeguarding</b></p> <ul style="list-style-type: none"> <li>Review of escalating concerns process underway to strengthen arrangements and interface with safeguarding procedures and large scale enquiries.</li> <li>Development of an improved quality assurance process for care homes that includes monitoring visits undertaken by social workers in addition to Contracts staff and the commitment to undertake urgent (same day) on-site monitoring when serious concerns are raised.</li> <li>Advice / guidance is being produced for family members to inform them of what they should look for when choosing a care home for a loved one / when visiting a loved one in a care home and what they should do if they are worried / concerned about the quality of care.</li> <li>Quality Assurance Frameworks have been included with the DAPL and DPS Framework and this has been implemented.</li> <li>Contributing and supporting the regional review of MARACs (domestic abuse MARAC, SWOT MARAC and Human Trafficking MARAC).</li> <li>Development of arrangements to support people who hoard and self-neglect and develop sustainable and holistic approaches to achieving outcomes.</li> <li>Strengthening of working relationships between Adult Safeguarding, Social Work, Health, Independent Living Services by regular meetings and attendance at team meetings to feedback service updates.</li> <li>Practice guidance has been developed and circulated to provide a benchmark of practice expectations.</li> </ul>	<p><b>Corporate</b></p> <ul style="list-style-type: none"> <li>Targeted training work in front facing services with low take up</li> <li>Review Safeguarding Policy following publication of best practice by Welsh Government</li> <li>Data development work on cross council referrals</li> <li>Output of self-assessments to be quality assured, included and tracked through Directorate Delivery Plans.</li> </ul> <p><b>Children's Services</b></p> <ul style="list-style-type: none"> <li>Strengthen arrangements for responding to professional concerns (March 2023).</li> <li>Strengthen contractual arrangements in relation to safeguarding (March 2023).</li> </ul> <p><b>Adult Services</b></p> <ul style="list-style-type: none"> <li>Develop whole home large scale enquiry process</li> <li>Launch young person's MDT in partnership with Children's services and Housing to address the needs of young people with complex transitional arrangements, behavioural difficulties or known risks</li> <li>Partnership development activity between learning disabilities team, third sector services and adult safeguarding to better address incidents of SU on SU abuse in supported living services settings</li> </ul>

Type(s) of Impact	Linked Risks	Key Indicators / Measures used to monitor the risk
<ul style="list-style-type: none"> <li>Service Delivery</li> <li>Reputational</li> <li>Legal</li> <li>Financial</li> </ul>	<ul style="list-style-type: none"> <li>Increase in Demand (Children's Services)</li> <li>Workforce - Social Services</li> </ul>	<ul style="list-style-type: none"> <li>SCC.014 Percentage of initial child protection conferences carried out within statutory timescales during the year</li> <li>SCC.034 Percentage of child protection reviews carried out within statutory timescales during the year</li> <li>SSWB 27 Percentage of re-registrations of children on local authority Child Protection Registers</li> <li>SSWB 28 Average length of time for all children who were on the CPR during the year</li> <li>Res 15 - Percentage of Council staff completing Safeguarding Awareness Training</li> </ul>

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Directorate Escalated Risk Register Quarter 2 2022/23

Ref	Dir	Risk Description	Potential Consequence	Inherent Risk	Current Controls	Residual Risk	Proposed Management Actions	Target Risk Rating	Risk Reduction Target Date	Owner	Date of Escalation	Key Indicators / Measures
6	SOC	<b>Children's Services Workforce</b> Cardiff does not attract the required quality and quantity of experienced social workers. There are high numbers of agency workers in Children's Services.	Service Delivery / Reputational / Legal / Financial / Community & Environment / Stakeholder  <ul style="list-style-type: none"> <li>Difficult to sustain service improvement if workforce have not committed to Cardiff long term.</li> <li>Increase in costs of agency staff and additional budgetary pressures.</li> </ul>	High (A1)	<ul style="list-style-type: none"> <li>Children's Services Workforce Strategy refreshed.</li> <li>Market supplement implemented.</li> <li>Recruitment led by OMs.</li> <li>Lessons learned from feedback received at Exit Interviews.</li> <li>Staff supervision procedures - reviewed and implemented; new recording mechanism being piloted.</li> <li>Personal Reviews.</li> <li>Recruitment of students into support worker posts with long term aim of securing their future with Cardiff.</li> <li>Prudent social work - ensure social workers do what only social workers can do and allocate other tasks to support workers – skill mix.</li> <li>Social Work Assistants recruited in support of prudent social work and with long term aim of growing your own social workers.</li> <li>Secondment programme.</li> <li>Temporary Resource Assistants recruited for OMs and social workers to test proof of concept.</li> <li>Development of dedicated Children's Services Training Unit.</li> <li>Induction processes reviewed and strengthened.</li> <li>Every newly qualified social worker in Children's Services has a mentor.</li> <li>Implementation of Welsh Government Recovery Fund projects.</li> <li>Practice leads appointed to support newly qualified social workers and social work assistants and improve consistency of practice.</li> <li>Stress Risk Assessments.</li> <li>Team briefings.</li> <li>Staff counselling availability including offer specifically in relation to sudden and unexpected bereavement in a professional capacity.</li> <li>4th teams introduced in I&amp;A and localities.</li> </ul>	High (B1)	<ul style="list-style-type: none"> <li>Continue to develop and support the workforce by reducing permanent vacancies in the children's social services workforce by implementing a workforce development strategy and refreshed workforce plan.</li> <li>Shifting the balance of care and associated workstreams - Strength based working / Reunification Framework / Family Group Conferencing / Safe and Together model / The Right Place.</li> <li>Strengthen relationships with Universities (including Open University).</li> <li>Explore more creative options and strategies to grow our own social workers.</li> <li>Social worker job descriptions and person specifications to be moved to competency based format.</li> </ul>	Medium (D3)	Q4 2022/23	Sarah McGill Deborah Driffield	Q1 2019/20	Children's Services: Staff 1 - Percentage of social work vacancies in all teams
Court	Children's Services	Increase in insurance claims under the Human Rights Act and referrals to the Official Solicitor resulting from failure to remove children at risk and significant harm experienced while being looked after.	<ul style="list-style-type: none"> <li>Financial</li> <li>Reputation</li> <li>Impact on children's lives and failure to reach full potential</li> </ul>	High (B2)	<ul style="list-style-type: none"> <li>OM lead identified and team recruited to.</li> <li>Family Drug and Alcohol Court pilot ongoing.</li> <li>Court Support Team who provide redaction transferred into Children's Services. Additional temporary resource secured and recruited.</li> <li>Practice standards and practice guides developed.</li> <li>Practice leads introduced to support practice, improve consistency and develop systems to address culture and practice.</li> <li>Developing a practice wheel and introducing a practice development week to revisit previous practice development sessions to provide good practice examples of working with Legal.</li> <li>Quality Assurance team developing thematics to be addressed as part of workforce development.</li> </ul>	High (B2)	<ul style="list-style-type: none"> <li>Issue with insurance cover for claims under the Human Rights Act noted. Outcome of High Court ruling pending.</li> <li>Legal team to link with Insurance to review claims process to ensure that it is efficient and effective.</li> <li>Training session to be held with all managers in Children's Services.</li> </ul>	Medium (C2)	Q4 2022/23	Sarah McGill Deborah Driffield	April 2022	Number of insurance claims
Children Looked After	Children's Services	Placement breakdown and sufficiency for children looked after and subsequent increase in the number of children in placements operating without registration, and duration of these placements	Service Delivery / Reputational / Financial / Community & Environment / Stakeholder  <ul style="list-style-type: none"> <li>Insufficient placements in Cardiff to meet need so more children looked after in out of area and associated costs</li> <li>Increase in the number of care leavers who experience further difficulties in later life including ending up in the penal system, NEET, single parenthood, substance misuse</li> <li>Increasing numbers of foster carers and kinship carers places increasing demand on supervising social workers.</li> </ul>	High (A1)	<ul style="list-style-type: none"> <li>Corporate Parenting Strategy in place.</li> <li>Substitute Family Care service in place.</li> <li>Child and Adolescent Mental Health Service (CAMHS) service specification under development and new early intervention service in place to meet need below the thresholds of specialist CAMHS.</li> <li>Funding identified for dedicated full time psychologist post for children looked after.</li> <li>Supervised Contact Service provided.</li> <li>Implementation of Foster Wales.</li> <li>Interventions Hub in place - business case to extend out of hours support being considered.</li> <li>CMT has oversight of all residential placements and high cost support packages.</li> <li>Commissioning Strategy and Market Position Statement in place.</li> <li>All cases risk assessed to identify those at highest risk of breakdown and in need of support.</li> <li>Contingency plans in place for all children.</li> <li>Ongoing work with providers to grow the local market.</li> <li>Increased in house residential provision, including emergency placement provision in place.</li> <li>Kinship care arrangements being overseen alongside in house fostering.</li> <li>Regular contact with in house foster carers to ensure support mechanisms in place.</li> <li>Regular contact with providers.</li> <li>Ambitious Accommodation Strategy under development - clearly linked with implementation of The Right Place.</li> <li>Emergency project in place as part of wider work programme to address demand and accommodation sufficiency issues.</li> </ul>	High (B2)	<ul style="list-style-type: none"> <li>Review of adoption services for Cardiff underway.</li> <li>Joint working with Education to be undertaken re: effective monitoring of education and how we can dovetail it into our planning at earlier stages within the child's journey.</li> <li>Anti disruption process to be reviewed.</li> </ul>	Medium (D1)	Q4 2022/23	Sarah McGill Deborah Driffield	April 2022	Number of children in unregulated placements

Directorate Escalated Risk Register Quarter 2 2022/23

Ref	Dir	Risk Description	Potential Consequence	Inherent Risk	Current Controls	Residual Risk	Proposed Management Actions	Target Risk Rating	Risk Reduction Target Date	Owner	Date of Escalation	Key Indicators / Measures
Leaving Care	Children's Services	Social Services do not achieve desired outcomes or meet assessed need sufficiently for care leavers due to lack of placement sufficiency, including Young Person's Housing Gateway provision	<ul style="list-style-type: none"> <li>Increased likelihood of regulatory / inspectorate intervention</li> <li>Reputation</li> <li>Increase in costs / impact on budget</li> <li>Increased demands on support</li> <li>Delay in young people achieving independence</li> </ul>	High (B2)	<ul style="list-style-type: none"> <li>Fostering offer improved, including fee uplift.</li> <li>Children's Service's Strategy being reviewed.</li> <li>Children's Commissioning Strategy and Market Position Statement in place.</li> <li>Provider quality assurance process for children's placement providers in place.</li> <li>Ongoing work with providers to grow the local market.</li> <li>Mechanism in place to project and monitor referrals of young people to the Housing Gateway.</li> <li>Work being undertaken with Housing to increase Gateway provision - new provision available and more being sourced.</li> <li>Current and prospective approvals to be revisited to extend age range for placements.</li> <li>Projects resulting from additional funding including Regional Integration Fund, successful pressure bids, transformation fund and COVID-19 Recovery Fund.</li> <li>Work ongoing with Housing to develop gateway provision - 15 additional units in 2021/22 with more due to come on stream shortly.</li> <li>Work with Housing re: Housing First initiative.</li> <li>Emergency project launched to address demand and accommodation sufficiency issues.</li> <li>Role of Personal Adviser Service being reviewed to ensure best use of resource.</li> </ul>	High (B2)	<ul style="list-style-type: none"> <li>Shifting the balance of care scorecard being developed to support monitoring of placements and demand.</li> </ul>	Medium (D3)	Q4 2022/23	Sarah McGill Deborah Driffield	April 2022	Number of care leavers waiting for YPG accommodation

Journey	Risk Description	Potential Impact	Inherent Risk		Current Controls	Residual Risk		Proposed Management Actions	Target Risk Rating		Risk Reduction Target Date	Key Indicators / Measures			
			Likelihood	Impact		Likelihood	Impact		Likelihood	Impact					
Early Help, MASH & I&A	Failure to effectively manage demand resulting in increase in number of children looked after and the service and financial pressures this presents	See Demand risk on Corporate Risk Register													
Early Help, MASH & I&A	Youth Justice Service fails to fulfil its functions (statutory and non statutory)	<ul style="list-style-type: none"> <li>Reputational damage to the Council</li> <li>Litigation with associated financial penalties</li> <li>Intervention from regulatory bodies</li> <li>Children at risk of significant harm</li> <li>Staff well-being</li> <li>Community safety concerns increase</li> <li>Increase in crime in Cardiff</li> <li>Detrimental impact on partnership working</li> </ul>	A	2	High - Red	<ul style="list-style-type: none"> <li>Governance arrangements improved.</li> <li>Dedicated Operational Manager.</li> <li>Team Manager capacity increased; restructure implemented and managers in post.</li> <li>Improved Quality Assurance arrangements.</li> <li>Training in relation to the Asset Plus risk assessment / management database held.</li> <li>Safeguarding self evaluation being undertaken - training analysis to follow.</li> <li>Improved engagement with Youth Justice Service core cities, including learning from good practice.</li> <li>Multi Agency Safeguarding Hub staff trained in use of ChildView.</li> <li>Report cards developed to support ongoing monitoring.</li> <li>Policies and procedures ready for sign off.</li> <li>Prevention Service.</li> <li>Updated Strategy and action plan launched.</li> <li>Notification of de-escalation from YJB intervention received.</li> </ul>	D	2	Medium - Red / Amber	<ul style="list-style-type: none"> <li>See Youth Justice Improvement Plan</li> <li>Implement recommendations of report of follow up inspection by HMIP and CIW.</li> </ul>	E	2	Medium - Amber / Green	Q4 2022/23	<ul style="list-style-type: none"> <li>Number of first-time entrants into the Youth Justice System</li> <li>Percentage of children re-offending within six months of their previous offence</li> <li>Number of young people in receipt of a prevention service from the Youth Justice Service</li> </ul>
Child Protection	Systemic failure in the effectiveness of the Council's safeguarding arrangements together with other statutory safeguarding partners.	See Safeguarding risk on Corporate Risk Register													
Care and Support	Care planning for children and young people lack timescales and clear outcomes leading to drift in implementation of plans and delay in achieving desired outcomes	<ul style="list-style-type: none"> <li>Parents not supported to understand what needs to be done in order to improve their children's lives.</li> <li>Delay in case closure leads to longer than required interventions which is intrusive to families and impacts on social worker caseloads.</li> </ul>	A	1	High - Red	<ul style="list-style-type: none"> <li>Locality Best Practice Group established with leads identified for Task &amp; Finish Groups to focus on specific workstreams.</li> <li>Best Practice Handbook developed.</li> <li>Multi disciplinary teams.</li> <li>Reunification Framework / Family Group Conferencing / Safe and Together model / The Right Place model.</li> <li>Introduction of 4th team in localities to increase manager capacity for decision making.</li> <li>Best practice approach agreed to support staff to understand what good looks like in Cardiff focusing on 5 key priorities.</li> <li>Interventions Hub in place - business case to extend out of hours support being considered.</li> <li>Reviewing Hub.</li> <li>Partnership working via Starting Well Partnership to ensure safe discharge plans for children with mental health and emotional wellbeing issues.</li> </ul>	D	1	Medium - Red / Amber	<ul style="list-style-type: none"> <li>Use of Neglect Toolkit to be considered.</li> </ul>	D	2	Medium - Red / Amber	12 months +	Monitored via PowerBi weekly report.
Care and Support	Young people (including disabled young people) do not have the necessary support to ensure a smooth transition to adult life / independence	<ul style="list-style-type: none"> <li>Young people are left even more vulnerable</li> <li>Young people (including disabled young people) "fall between the cracks"</li> <li>Long term additional costs for Health &amp; Social Care services</li> <li>Inappropriate placements used for young people</li> <li>Less fulfilled lives as young people lose their independence as services are not there to adequately support them</li> </ul>	A	1	High - Red	<ul style="list-style-type: none"> <li>Referral process from Children's Services to Adult Services agreed.</li> <li>Electronic prompt that child has reached aged 14 under development.</li> <li>Transition lead identified.</li> <li>Joint protocol across Cardiff and the Vale of Glamorgan.</li> <li>Remodelling services for children with disabilities including projects funded by RIF.</li> <li>Transition social work assistant posts in Child Health &amp; Disability Team.</li> <li>Child Health &amp; Disability Service managed within Children's Services with a dedicated Operational Manager.</li> <li>Easy Read Version of Planning For My Future Protocol completed - animated version in development.</li> <li>Scope of multi agency strategy for children with additional needs and disabilities defined by Starting Well Partnership.</li> <li>When I Am Ready Scheme.</li> <li>Young People's Housing Gateway in place with new provision available and more being sourced.</li> <li>Housing First initiative.</li> <li>Bright Start traineeship scheme and apprenticeships transferred to Into Work Service.</li> <li>Monthly meetings with to discuss transitions for care leavers.</li> <li>Joint person centred planning training with Health and Education delivered.</li> <li>New method of making payments to care leavers implemented.</li> <li>Projection of housing needs for young people incorporated into Accommodation Project.</li> <li>Young people have shared experiences and challenges re: gaining independence - to inform staff and improve service delivery.</li> <li>Review of Personal Adviser service undertaken - options being considered.</li> <li>Implementation of Extended Entitlement for care leavers.</li> <li>Multi disciplinary Transitional Safeguarding Panel for young people aged 16-25 with complex needs established.</li> </ul>	D	1	Medium - Red / Amber	<ul style="list-style-type: none"> <li>Monitoring and evaluation via management forum within Cardiff.</li> <li>Monitoring and evaluation via RIF grant process.</li> </ul>	D	2	Medium - Red / Amber	12 months +	
Care and Support	Young people (including disabled young people) do not receive the services they need in adulthood or limited services are available because they do not meet required thresholds	<ul style="list-style-type: none"> <li>Young people are left even more vulnerable</li> <li>Young people (including disabled young people) "fall between the cracks"</li> <li>Long term additional costs for Health &amp; Social Care services</li> <li>Inappropriate placements used for young people</li> <li>Less fulfilled lives as young people lose their independence as services are not there to adequately support them</li> </ul>	A	1	High - Red	<ul style="list-style-type: none"> <li>Referral process from Children's Services to Adult Services agreed.</li> <li>Electronic prompt that child has reached aged 14 under development.</li> <li>Transition lead identified.</li> <li>Joint protocol across Cardiff and the Vale of Glamorgan.</li> <li>Remodelling services for children with disabilities including projects funded by RIF.</li> <li>Transition social work assistant posts in Child Health &amp; Disability Team.</li> <li>Child Health &amp; Disability Service managed within Children's Services with a dedicated Operational Manager.</li> <li>Easy Read Version of Planning For My Future Protocol completed - animated version in development.</li> <li>Scope of multi agency strategy for children with additional needs and disabilities defined by Starting Well Partnership.</li> <li>When I Am Ready Scheme.</li> <li>Young People's Housing Gateway in place with new provision available and more being sourced.</li> <li>Housing First initiative.</li> <li>Bright Start traineeship scheme and apprenticeships transferred to Into Work Service.</li> <li>Monthly meetings with to discuss transitions for care leavers.</li> <li>Joint person centred planning training with Health and Education delivered.</li> <li>New method of making payments to care leavers implemented.</li> <li>Projection of housing needs for young people incorporated into Accommodation Project.</li> <li>Young people have shared experiences and challenges re: gaining independence - to inform staff and improve service delivery.</li> <li>Review of Personal Adviser service undertaken - options being considered.</li> <li>Implementation of Extended Entitlement for care leavers.</li> <li>Multi disciplinary Transitional Safeguarding Panel for young people aged 16-25 with complex needs established.</li> </ul>	D	1	Medium - Red / Amber	<ul style="list-style-type: none"> <li>Monitoring and evaluation via management forum within Cardiff.</li> <li>Monitoring and evaluation via RIF grant process.</li> </ul>	D	2	Medium - Red / Amber	12 months +	
Court	Issuing of care proceedings and subsequent compliance with Court Orders is challenging because existing capacity in Children's Services is insufficient to meet demand and undertake required work in a timely manner	<ul style="list-style-type: none"> <li>Reputational damage to the Council as a whole.</li> <li>Being held in contempt of Court for non-compliance with Court Orders.</li> <li>Costs orders being made against the Local Authority for non-compliance with Court Orders.</li> <li>Damages claims against the Local Authority as a result of delay in issuing proceedings.</li> <li>Drift in securing permanence plans for children.</li> <li>Children remain at risk of significant harm.</li> <li>Professional reputation of staff and subsequent recruitment problems.</li> </ul>	B	1	High - Red	<ul style="list-style-type: none"> <li>Ongoing recruitment to vacant social worker posts with interim agency cover for vacant posts.</li> <li>Public Law Outline Review is anticipated to reduce the number of care proceedings issued in the long term - planning for implementation commenced.</li> <li>CareFirst client record system provides a notification to managers when a child remains on the Child Protection Register at the second review; this triggers a review of the case by senior managers to identify potential drift in issuing pre-proceedings.</li> <li>Dedicated post overseeing care proceedings in Children's Services.</li> <li>Court Improvement Plan in place - with project support identified to drive work forward.</li> <li>Tracker reviewed and updated. Pilot of new process ongoing.</li> <li>Court Support Team who provide redaction transferred into Children's Services. Additional temporary resource secured and recruited to.</li> <li>PLO scorecard developed.</li> </ul>	D	1	Medium - Red / Amber	<ul style="list-style-type: none"> <li>Urgent cases outsourced to prevent unnecessary delays.</li> <li>Potential backlog of private law cases noted.</li> </ul>	D	2	Medium - Red / Amber	12 months +	PowerBi report under development
Court	Increase in insurance claims under the Human Rights Act and referrals to the Official Solicitor resulting from failure to remove children at risk and significant harm experienced while being looked after.	See Court risk on Escalated Directorate Risks													

Journey	Risk Description	Potential Impact	Inherent Risk			Current Controls	Residual Risk			Proposed Management Actions	Target Risk Rating			Risk Reduction Target Date	Key Indicators / Measures
			Likelihood	Impact	Priority		Likelihood	Impact	Priority		Likelihood	Impact	Priority		
Children looked after	Children looked after fail to achieve stable, fulfilling and happy lives as young people and adults	<ul style="list-style-type: none"> <li>Insufficient placements in Cardiff to meet need so more children looked after in out of area and associated costs</li> <li>Increase in the number of care leavers who experience further difficulties in later life including ending up in the penal system, NEET, single parenthood, substance misuse</li> <li>Increasing numbers of foster carers and kinship carers places increasing demand on supervising social workers.</li> </ul>	A	1	High - Red	<ul style="list-style-type: none"> <li>Corporate Parenting Strategy.</li> <li>Substitute Family Care service.</li> <li>Child and Adolescent Mental Health Service (CAMHS) service specification under development and new early intervention service in place to meet need below the thresholds of specialist CAMHS.</li> <li>Funding identified for dedicated full time psychologist post for children looked after.</li> <li>Supervised Contact Service.</li> <li>Implementation of Foster Wales.</li> <li>Interventions Hub, including Adolescent Resource Centre.</li> <li>CMT oversight of all residential placements.</li> <li>Commissioning Strategy and Market Position Statement.</li> <li>All cases risk assessed to identify those at highest risk of breakdown and in need of support.</li> <li>Contingency plans in place for all children.</li> <li>Kinship care arrangements being overseen alongside in house fostering</li> <li>Regular contact with in house foster carers to ensure support mechanisms in place.</li> <li>Ongoing work with providers to grow the local market.</li> <li>Regular contact with providers.</li> <li>Increased in house residential provision.</li> <li>Ambitious Accommodation Strategy under development - clearly linked with implementation of The Right Place.</li> <li>Emergency project launched to address demand and accommodation sufficiency issues.</li> </ul>	D	1	Medium - Red / Amber	<ul style="list-style-type: none"> <li>Joint working with Education to be undertaken re: effective monitoring of education and how we can dovetail it into our planning at earlier stages within the child's journey.</li> <li>Anti disruption process to be reviewed.</li> </ul>	D	2	Medium - Red / Amber	12 months +	
Children Looked After	Placement breakdown and sufficiency for children looked after	See Children Looked After risk on Escalated Directorate Risks													
Leaving Care	Children's Services do not achieve desired outcomes or meet assessed need sufficiently for care leavers due to lack of placement sufficiency, including Young Person's Housing Gateway provision	See Leaving Care risk on Escalated Directorate Risks													
Adoption	Historical records are no longer accessible due to corrupted microfiche files	<ul style="list-style-type: none"> <li>Reputational damage to the Council</li> <li>Litigation with associated financial penalties</li> <li>Intervention from regulatory bodies</li> </ul>	A	1	High - Red	<ul style="list-style-type: none"> <li>Arrangements being made for manual microfiche files to be scanned on to disc.</li> <li>Original microfiche to be retained and stored securely as contingency.</li> </ul>	B	1	High - Red	<ul style="list-style-type: none"> <li>Back up copies of disc to be made after files are scanned.</li> </ul>	E	1	Medium - Amber / Green	Q3 2022/23	
Adoption	A data breach occurs in the process of resolving the above risk and Children's Services are responsible for the financial penalty.	<ul style="list-style-type: none"> <li>Financial</li> <li>Reputational damage to the Council</li> </ul>	C	1	Medium - Red / Amber	<ul style="list-style-type: none"> <li>Data Protection Agreement in place.</li> </ul>	D	1	Medium - Amber / Green		D	1	Medium - Amber / Green	Q3 2022/23	
Cross cutting - workforce	Cardiff does not attract the required quality and quantity of social workers. There are high numbers of agency workers in Children's Services.	See Workforce risk on escalated Directorate Risk Register													Percentage of social work vacancies in all teams

High - Red	7
Medium - Red / Amber	1
Medium - Amber / Green	0
Low - Green	0
<b>Total</b>	<b>8</b>

High - Red	1
Medium - Red / Amber	6
Medium - Amber / Green	1
Low - Green	0
<b>Total</b>	<b>8</b>

High - Red	0
Medium - Red / Amber	5
Medium - Amber / Green	3
Low - Green	0
<b>Total</b>	<b>8</b>



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# Children's Services – Control Environment Update

Deborah Driffield  
Director of Children's Services

Governance and Audit Committee  
15<sup>th</sup> November 2022



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# Contents



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- Directorate Overview
- Key Priorities and Remit
- Risk Management
- Internal Audit Assurance
- Senior Management Assurance
- External Assurance
- Value for Money





# Directorate Overview



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**Sarah McGill**  
Director of Social Services

**Deborah Driffield**  
Director of Children's Services

**Suki Bahara-Garrens**  
OM Central Services

**Sarah Skuse**  
OM Assessment and Care Planning

**Sarah Thomas-Britton**  
OM Wellbeing, Protection & Support

**Matt Osborne**  
Operational Manager Reviewing Hub

**Angharad Thomas**  
OM Youth Justice Service

**Vacant Jade Harrison**  
OM Service Improvement & Strategy

**Rhian Evans**  
OM Locality Services South

**Sarah Canterbury**  
OM Locality Services North

**Peter Sixsmith**  
OM Locality Services East

**Amy Reed**  
Operational Manager Child Health & Disability

**Nick Blake**  
OM Business, Performance & Policy

**Kate Hustler**  
OM Substitute Family Care

**Natasha Hilderley\***  
Operational Manager

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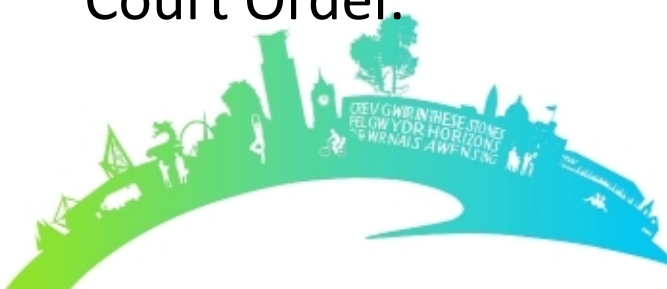
# Key Priorities and Remit



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- Statutory obligation to safeguard and promote welfare of children at risk, including:
  - Following request from the child / young person or their family,
  - Provision of assistance for children with disabilities – e.g. short breaks.
  - Responding to child protection concerns.
  - Placement of a child in foster or residential care where they are not able to remain safely at home with family.
  - Placement of children for adoption – at request of parent or in response to a Court Order.



# Risk Management



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## Corporate (high level) Risks - see Appendix A:

- Corporate safeguarding (shared risk)
- Increase in demand for services

## Escalated Directorate Risks:

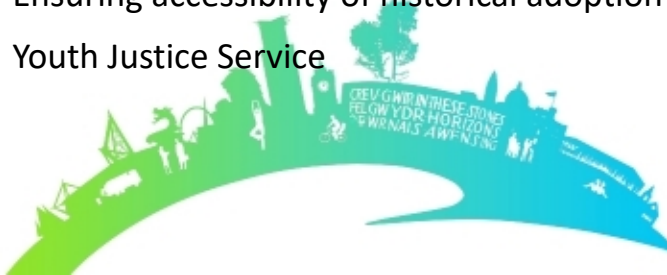
- Workforce
- Insurance claims under Human Rights Act and referrals to Official Solicitor
- Sufficiency of accommodation for children looked after and care leaver

## Directorate (operational) Risks:

- Ensuring care planning is outcome led and implemented without drift
- Transition to adult life / independence
- Issuing of care proceedings and compliance with Court Orders
- Securing stable lives for children looked after
- Ensuring accessibility of historical adoption records and avoidance of data breach in work to resolve risk
- Youth Justice Service



Report sets out the red / amber residual risks



# Internal Audit Assurance

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Audit	Report Status	Assurance Rating	Outstanding Actions	Completed Actions	Total Actions	Implementation Status
<b>2021/22</b>						
Child Health & Disability	Final	Effective with opportunity for improvement	0	9	9	All actions completed
Payments to Care Leavers	Final	Insufficient with major improvement needed	2	15	17	2 recommendations requiring input from other Directorates
Contract Monitoring and Management	Final	N/A	3	2	5	2 recommendations due 30.11.22; 1 recommendation to be closed on provision of evidence
Pre-Contract Assurance	Final	Insufficient with major improvement needed	1	0	1	1 recommendation due 31.01.23
<b>2020/21</b>						
Children's Residential Placements	Final	Insufficient with major improvement needed	3	0	3	3 recommendations due 31.12.22
Commissioning and Procurement - Social Services	Final	Insufficient with major improvement needed	0	5	5	All actions completed

9 outstanding actions - commentary is included in paragraphs 16 to 21 of the report



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# Senior Management Assurance



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- Directorate primarily assessed as “mixed” or strong” application across all areas of the Senior Management Assurance Statement.
- Recently completion of COVID-19 recovery self assessment.
- Partnership and governance arrangements in place across multi-agency initiatives, for example:
  - Regional Partnership Board
  - Regional Safeguarding Board
  - Youth Justice Board
  - Starting Well Partnership
- Budget monitoring ongoing and supported by colleagues from the corporate finance team.
- Two primary risk areas for the Directorate are:
  - Placements and bespoke support arrangements for children looked after.
  - Appointment of agency social workers to cover permanent social worker vacancies.



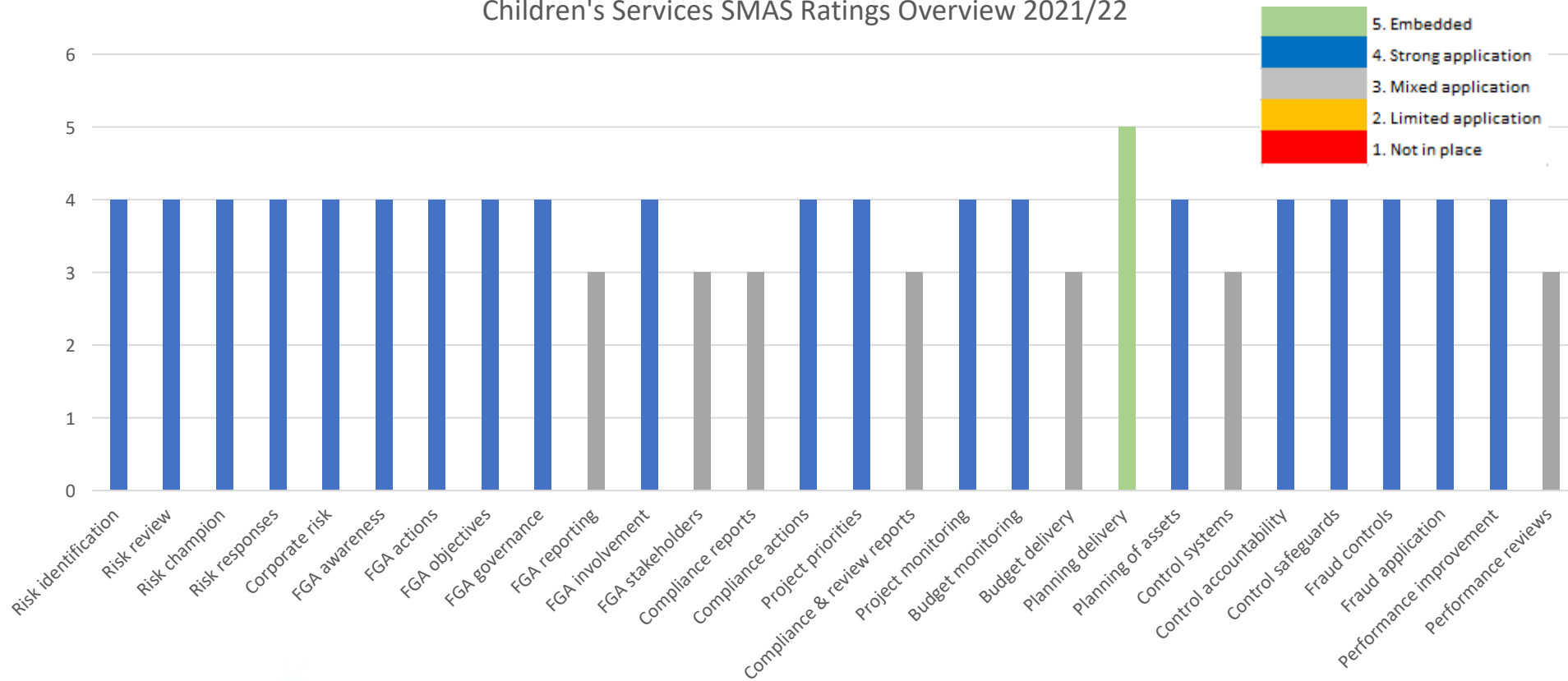
# Senior Management Assurance



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Children's Services SMAS Ratings Overview 2021/22



# External Assurance



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External Audit / Inspection Area	Provider	Report Date	Rating / Opinion	Number of Actions	Completed Actions	Management Comments
Children's Services	Care Inspectorate Wales	November 2020	N/A	12	5	Implementation of work in relation to the 2020 report is ongoing and monitored regularly.
Youth Justice Service	Her Majesty's Inspectorate of Probation	February 2022	Requires improvement	7	0	7 actions from HMIP – 4 for the Youth Justice Board, 3 for the Youth Justice Service. A wider updated action plan is in place and monitored regularly.



# Value for Money



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- Work with providers to address market sufficiency.
- Prudent social work.
- Hybrid approach to working:
  - Reduced travel time.
  - Reduced printing costs.
  - Hybrid mail.
- Adherence to recent corporate guidelines re: expenditure.





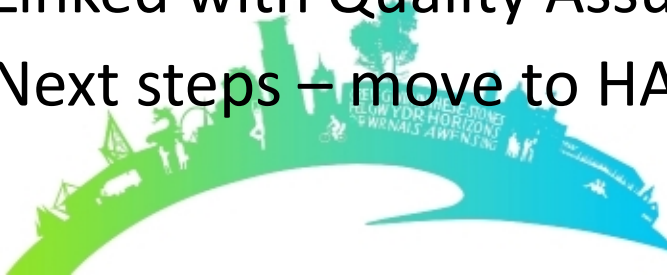
# Complaints



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- Complaints Officer is in post to manage the complaints and representations process with support of a lead Operational Manager.
- Stage 1 complaints – responses drafted in conjunction with Operational and Team Managers and signed off by Director before being issued.
- Stage 2 complaints – formal investigation by an independent external investigator.
- Final stage – Public Services Ombudsman for Wales.
- Annual report produced – linked to Local Authority Social Services Annual Report.
- Linked with Quality Assurance Framework to ensure lessons learned.
- Next steps – move to HALO.



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## Governance and Audit Committee Action Plan and Recommendations

(Updated following meeting held on 27 September 2022)

### 1. Action Plan

Minute No. /Agenda No.	Actions	Timeline	Action Owner
	<b>Finance (Budget)</b>		
	<b>Governance &amp; Risk Management</b>		
	<b>Audit Wales (AW)</b>		
19.07.22	Finance and Democratic services to provide an initial position statement in respect to progress in making improvements in process and the risk identified in the Audit Wales Audit Plan for the Council in relation to related parties' disclosure requirements.		
	<b>Internal Audit</b>		
	<b>Treasury Management</b>		
	<b>Operational Items</b>		
23.03.21	Committee to be provided, in due course, with information on the preparation for 'IFRS 16 – Leases' for the Statement of Accounts 2022/23.		AH
02.04.19	Once disciplinary procedures have concluded within the Waste Management Service, Audit Committee to be informed of the terms of reference and approach for delivering the associated Post Investigation Review.	Interim confidential assurance briefing paper circulated 3.06.2021	CL / CP
	<b>AW Tracker/Other Studies</b>		
	<b>Performance</b>		
19.07.22	Audit Manager to liaise with the Chair and Vice Chair and to arrange a report on Social Services and Education Complaints handling arrangements.	Completed 19.10.22 (update provided to Members via email)	CP
19.07.22	Committee to be provided with the suite of complaints handling KPIs once approved by the Halo Board.		IB
	<b>Work Programme</b>		
	<b>Outstanding Actions</b>		
	<b>Correspondence</b>		
	<b>Scrutiny Engagement / Letters</b>		

## 2. Recommendations

Committee Meeting Date	Agenda Item	Recommendation	Date Raised	Management Response	Target Action Date	Status
27.09.22	Paul Orders, Chief Executive  Draft Well-being (Self-Assessment) Report 2021/22	1. We recommend that the draft Strategic Assessments under each Wellbeing Objective are reviewed to: -  a. ensure the overall evaluative conclusions are explicitly recorded, b. consider if they provide sufficient emphasis on outcomes.	10.10.22	Accepted - For each Well-being Objective section of the draft report, the Strategic Evaluation section has been reviewed following Committee and amended to provide a stronger evaluative assessment of performance. The Council commits to work in consultation with the Committee on further implementing this recommendation in the forthcoming mid-year assessment and in future Annual Well-being Reports.	17.10.22	Open
		2. The Committee recognises the well-structured and comprehensive self-assessment process. However, we recommend the Council considers if the Annual Well-Being Report adequately records conclusions on the extent to which it meets its "performance requirements" namely: -  a. It is exercising its functions effectively, b. It is using its resources economically, efficiently and effectively, c. Its governance is effective for securing the above		Accepted - The Council has clarified in the revised draft report that it considers that the self-assessment process and the Annual Well-being Report ensures that Council is meeting the statutory performance requirements. The Council commits to work in consultation with the Committee on continuing to strengthen the Council's approach to future Annual Well-being Reports.	17.10.22	Open
		3. It is considered that the narrative self-assessment within the "Key Successes" sections have an emphasis on input activities, we recommend that for future annual Self-Assessment Reports, that the Council consider whether a stronger focus on outcomes can be applied.		Accepted - The Council will review the Key Successes sections of future reports to ensure an appropriate balance between input, output and outcomes is presented.	15.12.22	Open

## Correspondence

The Governance and Audit Committee and each of the Council's Scrutiny Committees have established an arrangement to share and inform each other of their work programmes, enquiries and outcomes, in accordance with the steps agreed at the Scrutiny Chairs' Liaison Forum on 6 December 2021.

As part of this process, the Chair of the Governance and Audit Committee and the Audit Manager have been copied into the following Scrutiny Committee letters over the reporting period. Where responses have been received at the time of reporting, these are also included for information.

Each of the letters have been reviewed by the Audit Manager who has provided comments to the Committee Chairperson.

The information contained within the letters published is useful for Governance and Audit Committee Member awareness of the activities and lines of enquiry of the Council's Scrutiny Committees.

**In considering the terms of reference of the Governance and Audit Committee, and the correspondence received, it is not considered that any updates to the Committee work programme are required.**

For the information of the wider Committee, the published letters circulated to the Chair of the Governance and Audit Committee and the Audit Manager since the last Committee meeting were as follows.

**Chris Pyke**

**Audit Manager  
4 November 2022**

### Children and Young People Scrutiny Committee

Committee Date	Agenda Item No.	Item Background Papers	Correspondence Following Committee Meeting
Wednesday 19 October 2022	Agenda item 4	<a href="#">Youth Justice Service Update</a>	<a href="#">Link to Correspondence</a> (pages 9-14)
Wednesday 19 October 2022	Agenda item 5	<a href="#">Local Authority Social Services Annual Report 2021/22;</a>	<a href="#">Link to Correspondence</a> (pages 3-8)
	Agenda item 6	<a href="#">Children's Services Q1 Performance 2022/23;</a>	<a href="#">Link to Correspondence</a> (pages 3-8)
	Agenda item 7	<a href="#">Commitment to Unpaid Carers</a>	<a href="#">Link to Correspondence</a> (pages 3-8)

### Community and Adult Services Scrutiny Committee

Committee Date	Agenda Item No.	Item Background Papers	Correspondence Following Committee Meeting
Monday 17 <sup>th</sup> October 2022	Agenda item 6	<a href="#">Implementation of the Renting Homes (Wales) Act 2016</a>	<a href="#">Link to Correspondence</a> (pages 3-5)
Monday 17 <sup>th</sup> October 2022	Agenda item 4	<a href="#">Commitments to Unpaid Carers and Local Authority Social Services Annual Report 2021/22</a>	<a href="#">Link to Correspondence</a> (pages 7-12)

## Economy and Culture Scrutiny Committee

Committee Date	Agenda Item No.	Item Background Papers	Correspondence Following Committee Meeting
Tuesday 4 <sup>th</sup> October 2022	Agenda Item 21	<a href="#">Playgrounds/Play Areas Update</a>	<a href="#">Link to Correspondence</a> (pages 3-5)
Monday 17 <sup>th</sup> October 2022	Agenda item 5	<ul style="list-style-type: none"> <li>• <a href="#">Review of Leisure Services</a> (GLL)</li> </ul>	<a href="#">Link to Correspondence</a> (pages 3-5)
	Agenda item 4	<ul style="list-style-type: none"> <li>• <a href="#">Cabinet Response - Community Sport In Cardiff: Regional Sports Partnerships Inquiry</a></li> </ul>	<a href="#">Link to Correspondence</a> (page 7)
	Agenda item 6	<ul style="list-style-type: none"> <li>• <a href="#">Pre-decision scrutiny of the report to Cabinet titled 'Llanrumney Regeneration Scheme Update'</a></li> </ul>	<a href="#">Link to Correspondence</a> (pages 9-10)

## Environmental Scrutiny Committee

Committee Date	Agenda Item No.	Item Background Papers	Correspondence Following Committee Meeting
Thursday 13 <sup>th</sup> October 2022	Agenda item 3	<a href="#">Shared Regulatory Services Business Plan 2022/23</a>	<a href="#">Link to Correspondence</a> (pages 7-11)
Thursday 13 <sup>th</sup> October 2022	Agenda item 4	<a href="#">Electric Bus Scheme</a>	<a href="#">Link to Correspondence</a> (pages 3-5)

## Governance & Audit Committee

Committee Date	Agenda Item No.	Item Background Papers	Correspondence Following Committee Meeting
Tuesday 27 <sup>th</sup> September 2022	Agenda item 4	<a href="#">Governance and Audit Committee Recommendations and Observations - Draft Well-being (Self-Assessment) Report 2021/22</a> <ul style="list-style-type: none"> <li>• Letter to Chief Executive from the Chair</li> <li>• Response from Chief Executive</li> </ul>	<a href="#">Link to Correspondence</a>  (pages 3-5) (pages 7-8)

## Policy Review and Performance Scrutiny Committee

Committee Date	Agenda Item No.	Item Background Papers	Correspondence Following Committee Meeting
Tuesday 18 <sup>th</sup> October 2022	Agenda item 5	<a href="#">Annual Well-being Report 2021/22</a>	<a href="#">Link to Correspondence</a> (pages 3-6)
Tuesday 18 <sup>th</sup> October 2022	Agenda item 6	<a href="#">Budget Update 2023/24</a>	<a href="#">Link to Correspondence</a> (pages 7-10)
Tuesday 18 <sup>th</sup> October 2022	Agenda item 7	<a href="#">Socially Responsible Procurement Strategy</a>	<a href="#">Link to Correspondence</a> (pages 11-13)
Tuesday 18 <sup>th</sup> October 2022	Agenda items 4/5	<a href="#">Cardiff Public Services Board (PSB) Annual Report 2021/22 and to engage with the draft Well-being Plan 2023/28.</a>	<a href="#">Link to Correspondence</a> (pages 15-18)
Monday 26 <sup>th</sup> September 2022	Agenda Item 15 Agenda Item 16	<a href="#">Budget monitoring m4 2022/23</a> <a href="#">Annual Property Plan 2022-23</a>	<a href="#">Link to Correspondence</a> (pages 7-10) (pages 11-13)

## Scrutiny Work Programmes

Committee Date	Agenda Item No.	Item Background Papers	Correspondence Following Committee Meeting
Wednesday 19 <sup>th</sup> October 2022	Agenda Item 8	<a href="#">Children and Young People Scrutiny Committee</a>	<a href="#">Work Programme 2022/23</a>
Monday 17 <sup>th</sup> October 2022	Agenda Item 7	<a href="#">Community &amp; Adult Services Scrutiny Committee</a>	<a href="#">Work Programme 2022/23</a>
Tuesday 4 <sup>th</sup> October 2022	Agenda Item 22	<a href="#">Economy &amp; Culture Scrutiny Committee</a>	<a href="#">Work Programme 2022/23</a>
Monday 26 <sup>th</sup> September 2022	Agenda Item 13	<a href="#">Environmental Scrutiny Committee</a>	<a href="#">Work Programme 2022/23</a>
Monday 26 <sup>th</sup> September 2022	Agenda Item 17	<a href="#">PRAP Scrutiny Committee</a>	<a href="#">Work Programme 2022/23</a>

1. Current Work Programme 2022/23:

Area	Tuesday 19.07.22 (2pm)	Tuesday 27.09.22 (4.30pm)	Tuesday 15.11.22 (1pm)	Tuesday 29.11.22 (2pm)	Tuesday 24.01.23 (4:30pm)	Tuesday 21.03.23 (2pm)	Tuesday 18.07.23 (2pm) TBC
Audit Wales (AW)	Annual Audit Plan 2022			Summary Report of Assurance and Risk Assessment Work	Annual Audit Summary Report		Annual Audit Plan 2023
	Cardiff & Vale Pension Fund Audit Plan 2022		ISA 260 and Audited Statement of Accounts 2021/22 for Cardiff & Vale of Glamorgan Pension Fund	* ISA 260 and Audited Statement of Accounts 2021/22 for Cardiff Council including; Cardiff Harbour Authority & Trust Funds			Cardiff & Vale Pension Fund Audit Plan 2023
				Follow-up Waste Management Review			
				Follow-up Leisure Review			
				Combined Springing Forward Report			
	AW Work Programme and Timetable Update			AW Work Programme and Timetable Update	AW Work Programme and Timetable Update	AW Work Programme and Timetable Update	AW Work Programme and Timetable Update
Performance		Draft Year-End Self-Assessment Report 2021/22			Mid-Year Self-Assessment Report Update		Draft Year-End Self-Assessment Report 2022/23
	Council Complaints and Compliments – Arrangements and Annual Report 2021/22			Council Complaints – Mid Year Report			Council Complaints and Compliments – Arrangements and Annual Report 2022/23
Treasury Management		Treasury Management Annual Report	Half Year Report		Draft Treasury Management Strategy 2023/24	Treasury Management Practices	
Finance	Financial Update including Resilience Issues	Financial Update including Resilience Issues	Financial Update including Resilience Issues		Financial Update including Resilience Issues	Financial Update including Resilience Issues	Financial Update including Resilience Issues
	Draft Statement of Accounts 2021/22					Statement of Accounts 2022/23: Accounting Policies and Timescales	Draft Statement of Accounts 2022/23
Internal Audit	Audit and Investigation Team - Progress Update			Audit and Investigation Team - Progress Update	Audit and Investigation Team - Progress Update	Audit and Investigation Team - Progress Update	Audit and Investigation Team - Progress Update
	Internal Audit Annual Report 2021/22	Counter-Fraud Annual Report 2021/22			Draft Internal Audit Charter & Summary Audit Plan 2023/24	Audit Charter and Audit Plan 2023/24	Internal Audit Annual Report 2022/23
Governance and Risk Management	Governance and Audit Committee Annual Report 2021/22						Governance and Audit Committee Annual Report 2022/23
	Draft Annual Governance Statement 2021/22				Senior Management Assurance Statement and AGS Action Plan 2022/23 (Mid-Year)		Draft Annual Governance Statement 2022/23
	Corporate Risk Management (Year-End)	Corporate Risk Management Update		Corporate Risk Management 2022/23 (Mid-Year)		Corporate Risk Management (Q3)	Corporate Risk Management (Year-End)
	Recommendation Tracker – Reports of External Review Bodies				Recommendation Tracker – Reports of External Review Bodies		Recommendation Tracker – Reports of External Review Bodies
Senior Officer Updates (Operational Matters / Key Risks / Other)		Chief Executive – Update on the Council's Control Environment	Deborah Driffield - Update on Children's Services Directorate Control Environment		TBC – Melanie Godfrey - Update on Education & Lifelong Learning Directorate Control Environment	TBC – Jane Thomas - Update on Adults, Housing & Communities Directorate Control Environment	TBC - Chief Executive – Update on the Council's Control Environment

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2. Matters to be addressed outside of formal Committee meetings during 2022/23:

Governance and Audit Committee <ul style="list-style-type: none"> <li>Annual self-assessment workshop (24.01.23)</li> <li>Training and development sessions.</li> </ul>	General <ul style="list-style-type: none"> <li>Correspondence, publications and reports for information purposes</li> <li>Time sensitive consultation.</li> </ul>	Director / Senior Officer Assurance <ul style="list-style-type: none"> <li>Use of letters, correspondence, and video / telephone meetings as necessary.</li> </ul>
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\* Timing of item subject to completion of external audit

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