

GOVERNANCE AND AUDIT COMMITTEE

15 MARCH 2022

Present: Hugh Thomas(Chairperson)
Gavin McArthur, David Price, Dr. Janet Wademan,
Councillors Cowan, Cunnah, Goodway and Williams

85 : APOLOGIES FOR ABSENCE

Apologies were received from Councillor Howells and Councillor Keith Jones.

86 : DECLARATIONS OF INTEREST

No declarations of interest were received.

87 : MINUTES

The minutes of the meeting held on 25 January 2022 were approved by the Committee as a correct record, subject to three minor typographical amendments.

88 : UPDATE ON THE DIRECTORATE CONTROL ENVIRONMENT – EDUCATION AND LIFELONG LEARNING

The Committee received a report and presentation from Melanie Godfrey, the Director of Education and Lifelong Learning, providing an update on the control environment for the Education and Lifelong Learning directorate.

Members were advised that the Directorate has responsibility for the statutory duties, functions and services in relation to education in the city including the youth service but excluding post-16 provision in Further and Higher Education Institutions. The work of the Directorate is split into four main service areas: Achievement; Inclusion; Services to Schools; and School Organisation Access and Planning (SOP). The Director of Education is supported by an Assistant Director and Programme Director for SOP. The central education service has 574 FTE and there are 5,886 school-based staff.

Cardiff has 127 schools. There are 98 primary schools, including 15 that provide Welsh-medium education, 2 dual language and 3 maintained nursery schools. There are 18 secondary schools including 3 Welsh-medium schools. In addition, there are 7 special schools and one pupil referral unit.

The local authority's school improvement service is provided by the Central South Consortium. The Consortium provides school improvement services and acts on behalf of five local authorities - Bridgend, Cardiff, Merthyr Tydfil, Rhondda Cynon Taff and the Vale of Glamorgan.

The Director of Education and Lifelong Learning reported that the service area was subject to a full Estyn inspection commencing November 2021. This was the first local authority inspection since 2019 under the new inspection framework. The final inspection report was published in February 2022 and the report concluded that

Cardiff has demonstrated a sustained and incremental improvement in the quality and effectiveness of its education service.

The following recommendations for improvement were made:

- R1 To improve counselling services for children and young people
- R2 To improve the quality of self-evaluation across the directorate
- R3 To ensure that the work of the regional consortium is focused appropriately on Cardiff's strategic priorities
- R4 To ensure clear strategic leadership and oversight of the development of Welsh medium education.

Members were advised that actions to build upon the strengths identified in the report and to address the recommendations for improvement will be built into the Directorate Delivery Plan for the forthcoming year and will be carefully monitored through systematic performance evaluation processes. The Directorate will continue to report against steps outlined in the Council's Corporate Plan on a quarterly basis.

The Director reported on the review of the Cardiff 2030 vision and goals, that is currently being undertaken, and provided a summary of the Education Management Team (EMT) structure.

In terms of budget monitoring, Members were advised that in 2021-2022, the Council's net education budget £294,620,000. At month nine the budget monitoring position was £295,910,037. The delegated school budget per pupil in 2021-22 is £5,064, the 5th highest of all local authorities in Wales. The local authority spends above the indicator based assessment for education services. The local authority delegates the highest proportion (89.5%) of its education budget to schools of any council in Wales and has a comprehensive range of service level agreements in place with a large uptake of the services provided by schools.

Schools' balances overall significantly increased over the 2020-2021 financial year, although this was largely due to additional funding being received from Welsh Government. However, four schools were in deficit in 2021-22 and two schools brought forward a deficit balance. It was reported that the local authority has arrangements in place to work with the schools in deficit and has intervened appropriately.

There is a projected overspend of £1 million by the end of 2021-22. The main areas of overspend are home to school transport costs and provision for pupils educated other than at school.

Cardiff also has a significant capital programme in relation to schools both in terms of new school builds and investment in its existing schools' estate.

Members were advised that the Directorate leads on the management of Corporate risks relating to School Improvement, the School Organisation Programme and Schools Delegated Budget. EMT reviews the Directorate Risk Register on a quarterly basis. Members of the EMT are charged with the responsibility to identify, manage and review the risks for their respective areas, with appropriate escalation.

The Directorate Risk Register is reviewed annually alongside the setting of Corporate Plan and Directorate Delivery Plan priorities.

EMT also receives regular reporting updates on the schools buildings investment programme and renewals to the existing estate. Reporting of programme risks are assessed at the School Organisation Programme Board. In addition, EMT receives regular reporting updates on progress to deliver the strategy for improving outcomes for learners with Additional Learning Needs and a half-termly update report from the Schools Causing Concern (SCC) process.

The Director's report provided a summary of the position in relation to the following risks that received the highest risk rating in the Directorate Risk Register:

- Discontinuation of grant funded posts that deliver essential services;
- Sufficiency of secondary school places according to parental choice;
- Sufficiency of places for learners with Additional Learning Needs (ALN)
- Increasing numbers of learners not in appropriate full time education;
- The number of children and young people receiving face to face counselling via the Education Psychology Service.

The report also provided an overview of the directorate's internal audit engagement and response and the wider control environment.

The Chairperson opened the debate on this item, and Members were invited to comment, seek clarification or raise questions. Those discussions are summarised as follows:

- A Member noted the increase in learners not in appropriate full-time education. They asked why the increase had occurred and whether there were any early warning signs that may be recognised to avoid this. The Director clarified that education other than at school means that children are receiving alternative provision in terms of their education, it does not mean that they are not being educated. The Director assured Members that those children receive targeted support and the directorate also liaises with Children Services.
- The Director was asked to comment on the outstanding actions in terms of internal audit recommendations, particularly in terms of the level of support schools receive. The Director stated that this issue is addressed at All School Risk meetings. A number of key areas are looked at including finance, HR, Safeguarding, audit, Estyn inspection outcomes, etc. Officers representing each of those areas attend the All School Risk meetings, where actions are agreed that are undertaken with the school. Persistent issues are picked up at Assistant Director level and these are escalated to the Director if they aren't addressed.
- A Member welcomed the commentary on value for money set out in the report. They indicated that they would welcome more extensive quantification of the subject in future iterations of the report.
- A Member asked for clarification of the legal status of schools; whether they have a legal status in their own right and whether there is a variation between the

different types of schools. The Director stated that legislation governs the roles and responsibilities for schools, the LEA and for ministers. The School Standards and Organisation Wales Act 2013 sets the powers of intervention in terms of what the authority can require governing bodies in schools to do. School governing bodies primarily hold the school to account. Schools are defined as organisations by statute but legal advice would be required on the question of whether they are legal entities in their own right. Those held to account would depend on the nature of the failing. The Member requested that the Director of Education provide legal clarification of the party (or parties) who could be held responsible for Corporate Manslaughter in schools.

- A Member questioned whether the directorate has undertaken a formal process to identify its stakeholders; how it engages with them and how it reviews stakeholder perception of performance. The Director stated that stakeholder mapping has not been undertaken on a wholistic basis across the directorate. However, it had been undertaken in each specific service area. The scope and breadth of the work undertaken by the directorate means that it will have different stakeholders and methods of engaging with them. However, adopting the MSP standard in future will require profiling stakeholders and stakeholder engagement.
- Members noted the comments in the report relating to risk associated with the sufficiency of school places for pupils with Additional Learning Needs. Members asked for further details of the plans for further provision, particularly in the secondary sector. The Director stated that plans are brought forward annually to inform the provision of places in the forthcoming years and for the Admissions Team to allow those places to be filled. It was acknowledged that planning for ALN places has its difficulties as it now including emotional health and well being and there has been an increase in demand in the area as a consequence of the pandemic. It is necessary to plan and to also be reactive and therefore sufficient capacity needs to be built in to enable reactive provision.
- A Member requested further information on the governance of the Central South Consortium; how that organisation is held to account for its performance and how Cardiff's needs are met. The Director stated that there is an overarching framework governing the Central South Consortium which is overseen by a joint committee led by a Council Leader and with suitable members drawn from the partnering authorities, generally the Cabinet Member for Education alongside key officers. Supporting the Joint Committee there are a number of boards and a comprehensive business plan. Delivery is held to account against the business plan. Cardiff Council will provide a list of its priorities in terms of education and these will inform the business plan. Estyn has recognised that there is further work to be done to ensure that the regional improvement service can provide bespoke support that addresses the priorities for Cardiff.
- A Member raised a question regarding the provision of Universal Free School Meals. Concerns were raised that some schools in Cardiff have not provided a cooked meal for approximately 2 years. Some kitchens were no longer considered by the Member to be fit for purpose, and there were concerns also about staffing numbers. The Member asked how this would be addressed in under future plans to provide universal free school meals. The Director indicated that an audit is underway that will identified the needs in each school to be able to

deliver universal free school meals. The outcome of the audit will identify what is needed and potentially the cost implications. The timeline is defined by the Welsh Government but the initial focus will be on early years. The offer of a hot meal was paused in some parts of the city as a result of the pandemic due to supply and staff shortages. The Director agreed to brief the member directly on the schools concerned following the meeting.

- Members also raised concerns regarding a number of outstanding actions in relation to the Music Service and asset management.

RESOLVED – That the Director of Education provide legal clarification of the party (parties) who could be held responsible for Corporate Manslaughter in schools.

89 : FINANCIAL UPDATE INCLUDING RESILIENCE ISSUES

The Corporate Director Resources presented an update on current issues including financial resilience, Covid-10 pandemic, the Month 9 position, Budget Strategy 2022/23 and the Medium Term Financial Plan (MTFP).

Members received an update on the financial impact of the pandemic including the level of support received to date (approximately £120 million). The Welsh Government Hardship fund would no longer be in place in 2022/23 and this represents a significant financial risk to the Council. The 2022/23 will need to be sufficiently robust to cope with Covid-19 related pressures.

An overspend of £0.101 million was projected at Month 9. Directorate overspends of £2.701 million were offset by the £3 million contingency budget. The position has improved on Month 6 and is expected to improve further by year-end. Furthermore, a variance of £26.402 million was reported in the capital programme (mainly slippage).

Members received summary details of the 2022/23 approved by Council. Members were asked to note the allowances made for employees, price inflation, a covid recovery budget and for policy growth. Details of the Capital Investment Programme were also provided.

The Corporate Director stated that the Medium Term Financial Plan estimates a budget gap of in excess of £69 million to 2026/27. The budget gap for 2023/24 is £23.931 million based on current modelling. An updated MTFP will be provided during the year.

RESOLVED – That the report be noted.

90 : STATEMENT OF ACCOUNTS 2021/22: ACCOUNTING POLICIES AND TIMESCALES

The Committee received a report providing Members with the proposed timescales for the 2021/22 Statement of Accounts. The report also highlighted the draft accounting policies on which the Statement of Accounts for 2021/22 will be based; the key changes expected to be implemented for the 2021/22 accounts arising from the 2021/22 CIPFA Code of Practice (the Code); and additional items with implications for the Statement of Accounts.

Members were advised that the statutory deadlines in relation to the accounts have been extended in recognition of the continue impact of the Covid-19 pandemic on local authority and external audit resources. The report included the key timescales within which officers would produce the final Statement of Accounts within which the Committee would be able to provide comments.

The report also highlighted the draft accounting policies, the key assumptions made and a change in the CIPFA code relating to interest rate benchmarking reform. Members were asked to note a number of additional issues that have implications for the Statement of Accounts, including the introduction of CIPFA's Financial Management Code in 2020 and a CIPFA consultation in respect of changes to the Local Authority Code of Accounting Practice as a result of feedback received that three months after the 30 September 2021 statutory deadline more local bodies had failed to meet, than had complied with, the statutory deadline to complete audits and publication of the accounts.

Members were invited to comment on the report. Members noted that additional meetings of the Committee may potentially be required in order to comply the timescales. Audit Wales confirmed that there were no concerns in relation to the accounting policies and key assumptions.

RESOLVED – the timescales proposed for the 2021/22 accounts the draft accounting policies, the assumptions to be used in preparing the statement of accounts for 2021/22 and the key changes in the Code of Practice for 2021/22 and changes in the medium term be noted.

91 : CORPORATE RISK MANAGEMENT (Q3)

The Head of Finance presented a report providing an update on the risk management position at quarter three 2021/22. A summary of the Corporate Risk Register was included at Appendix A of the report and the Detailed Corporate Risk Register was included at Appendix B.

Members were advised that 210 directorate risks were reported. Escalated and de-escalated risks were discussed at Senior Management Team (SMT) on 8 March 2022. Ten risks were escalated. Members were asked to note that of the 210 directorate risks, 71 were Covid-19 related.

Members were also asked to note that the risk rating for the Climate Change residual risk was reduced from A1 to B2 and the risk rating for the Financial Resilience residual risk was reduced from B2 to C2. The report provided an explanation as to why the risk rating was reduced in each instance.

Committee was advised that there was a discussion at SMT regarding the escalating energy costs. It was agreed that the mitigations already in place and those to be undertaken, combined with an assessment of the impact of these increasing energy costs, would be considered during the quarter four risk management review. The relevant risk registers would be updated accordingly and reported on at quarter four.

At the November 2021 meeting the Committee suggested that all proposed management actions, for each corporate risk, should have estimated completion dates so that progress could be monitored. Members were advised that the Risk Management Team have asked all Directorates to review their proposed management actions for the respective corporate risks and allocate estimated completion dates as part of their quarter four review.

Members asked whether there were any risk register or treasury management implications arising from the conflict in Ukraine. The Head of Finance stated that there was potential for increased energy, refugees and other costs as a result of the conflict. In terms of treasury management there was no exposure to Russian banks and funds. In terms of the pension fund, the Wales Pension Partnership had announced that whilst there was a small exposure to Russian investments, the Partnership was seeking to disinvest from those.

A Member noted comments in the Corporate Risk Register in relation to behavioural change promotion in respect of clean air targets. The Member asked whether the Council has a register of behavioural change promotion possibilities. The Head of Finance agreed to seek clarification from the Director of Strategic Planning and Environment.

A Member referred to comments made by the Corporate Director for Resources regarding the continued significant risk from the unknown financial impact of the Covid-19 pandemic. However, the Corporate Risk Register has de-escalated that risk, albeit with an action to establish the financial implications. The Head of Finance stated that the risk was still significant and was rated C2 – red/amber. However, the likelihood of a high impact risk has been reduced.

RESOLVED – Details of the behavioural change programme to be provided to the Committee in respect of the Clean Air Strategy, as referenced on the corporate risk register.

92 : UPDATE ON THE ROLES OF GOVERNANCE AND AUDIT COMMITTEE AND SCRUTINY COMMITTEES

The Director of Governance and Legal presented a report in relation to the Committee's responsibilities and the roles of the Council's Scrutiny Committees. The report was prepared in the context of new responsibilities for the Governance and Audit Committee introduced through the Local Government and Elections (Wales) Act 2021.

Through the Act, the Committee is required to review and make recommendations on the Annual Wellbeing Report (the Council's statutory self-assessment report) each year, and the Panel Performance Assessment Report including the Council's draft response, at least once during an electoral cycle. The focus of these reviews relate to a high level consideration of issues around securing performance requirements using the governance infrastructure of the Council, rather than on service area performance issues which fall within the remit of Scrutiny Committees.

Members were reminded that the Governance and Audit Committee terms of reference have been updated to reflect its new responsibilities and that it continues to be based on CIPFA best practice guidance.

On 20 July 2021, in considering new performance related duties, wider roles and the benefits of engaging as appropriate with Scrutiny Committees on relevant matters of business, the Governance and Audit Committee Chairperson advised Members of his intention to engage with the Chairs of the Council's five Scrutiny Committees in order to develop and maintain a close working arrangement, the outcome of which was reported on 25 January 2022.

Members were advised that the terms of reference of the Governance and Audit Committee and the Council's Scrutiny Committees have been discussed by Legal Services and Internal Audit. Consideration was given to work programmes and the lines of enquiry during the current year since new responsibilities started to come into force. Officers are satisfied that Scrutiny and Governance and Audit Committees are operating within their respective terms of reference. Officers were also satisfied that Committees understand their roles and responsibilities sufficiently applying their respective existing terms of reference.

It was proposed that a review of the Governance and Audit Committee and Scrutiny Committee terms of reference be undertaken at the end of the 2022/23 municipal year.

RESOLVED – That the Committee agreed the proposed approach and timescale for reviewing its terms of reference.

93 : AUDIT AND INVESTIGATION TEAM PROGRESS UPDATE

The Committee received a progress report providing an update on the work and performance of the Internal Audit and Investigation Teams for January and February 2022.

The Internal Audit Progress Report (Annex 1) set out performance in relation to the Internal Audit Plan and summarised the work performed, the priority recommendations raised, the critical findings, emerging trends, and relevant value for money findings across the Council for the assurance of the Governance and Audit Committee. The Investigation Team Progress Report (Annex 2) focused on proactive and reactive fraud awareness, detection and investigation activities, including participation in initiatives, such as National Fraud Initiative (NFI) data matching exercises.

The Audit Manager provided a summary of the key findings.

Members sought reassurance that the carry forward work was manageable and won't impact on future planning significantly. The Audit Manager stated that the expectation was that there would be no significant impact. A number of audits are at a mature stage and will be completed on time. There will be a number of audits that are in progress but won't be completed within the quarter. This is where elements of field work are incomplete, and a level of carry forward work is anticipated to be concluded in quarter one.

RESOLVED – That the report be noted.

94 : INTERNAL AUDIT CHARTER AND AUDIT PLAN 2022/23

The Audit Manager presented a report on the Draft Internal Audit Charter for 2022/23 and appendices, including a draft Governance and Audit Committee Terms of Reference 2022/23. The report also provided the Draft Audit Plan for 2022/23, and the Audit Strategy which sets out the strategic intentions of the Internal Audit Service for planning and delivery in accordance with PSIAS Standard 2010.

The Committee received the Draft Internal Audit Charter and Summary Audit Plan 2022/23 at its meeting on 25 January 2022. The Audit Plan was further developed applying a risk-based methodology to identify the planned activities for 2022/23.

The Audit Manager summarised the key issues set out in the report.

RESOLVED – That Committee:

(1) notes the Audit Strategy

(2) approves the Internal Audit Charter 2022/23 (including the Governance and Audit Committee Terms of Reference 2022/23, ahead of a request for approval by Council)

(3) approves the Internal Audit Plan, 2022/23

95 : TREASURY MANAGEMENT PRACTICES

Members received a report providing Governance and Audit Committee Members with the proposed Treasury Management Practices (TMP's) to apply from April 2022.

RESOLVED – That the public be excluded from consideration of this item as it contains exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972.

RESOLVED – That the Governance and Audit Committee notes the Treasury Management Practices to be applied from April 2022.

96 : OUTSTANDING ACTIONS

RESOLVED – That the report be noted.

97 : CORRESPONDENCE

RESOLVED – That the report be noted.

98 : WORK PROGRAMME UPDATE

RESOLVED – That the report be noted.

99 : URGENT ITEMS (IF ANY)

No urgent items.

100 : DATE OF NEXT MEETING

The next meeting is scheduled for 19 July 2022 (subject approval by Council in May).

The meeting terminated at 6.45 pm