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| Vale Valleys and Cardiff Adoption Collaborative |
| Unaudited Statement of Accounts 2022/23 Year Ended 31st March 2023  Published Subject to Audit |

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Vale, Valleys and Cardiff Adoption Collaborative

**Statement of Accounts 2022/23 Year Ended 31st March 2023**

# Narrative Report

### Introduction

This document presents the Statement of Accounts for Vale, Valleys & Cardiff Adoption Collaborative (VVC) in respect of financial year 2022/23 and is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

VVC is a collaborative service formed between Cardiff Council, Merthyr Tydfil County Borough Council, Rhondda Cynon Taff County Borough Council, and the Vale of Glamorgan Council on 1 June 2015. The Collaborative provides an adoption service on behalf of these partners and is one of five regional services which form part of the National Adoption Service in Wales (NAS).

The statutory basis and legal footprint for the Collaborative is set out in in the Adoption & Children Act 2002 (Joint Adoption Arrangements) (Wales) Directions 2015.

The overall governance of the Collaborative is by way of a Joint Committee which is comprised of one elected member from each of the partners. The Vale of Glamorgan Council became the Host Authority for the Collaborative upon the formation of the service. The Collaborative Agreement which was put in place in 2015 and executed by all partners outlines the arrangements for how the service is to be delivered.

The Collaborative Agreement sets out the range of delegated functions which the service provides and those which remain the responsibility of the partner agencies. The Agreement also sets out the terms of reference and membership of the other tiers of governance within the service i.e., the Management Board and the Operational Group. The Collaborative Agreement outlines the overall framework in which the service is to be delivered detailing the expectations and responsibilities of all partners in respect of the following aspects:

* The legislative basis.
* The services provided.
* The membership and function of the Joint Committee, Management Board and Operational Group.
* The role and responsibilities of the Regional Adoption Manager.
* Financial arrangements.
* Premises.
* Staffing.
* Reporting requirements.
* Records and access to information including Data Protection and Information governance.
* Health & safety.
* Audit requirements.
* Termination of agreement.

The Joint Committee meets twice a year in May & December to approve the end of year accounts and budget for the forthcoming year. Meetings of the Management Board and Operational Group are held on a quarterly basis.

The narrative report provides insight into the funding and expenditure appertaining to VVC in the year, the key financial issues and pressures and a look to future years.

Information contained within these accounts provides the user with clarity on the nature of transactions in respect of the financial year ended 31st March 2023, and its financial composition as at that date.

These accounts will present:

* The financial statements legally required and their supporting notes; and
* The accounting policies that have been applied when preparing the accounts

The following chart graphically represents the 2022/23 total budgeted contribution made to VVC by the Partner Authorities.

### Summary of Financial Performance

The financial position of VVC is regularly reported to VVC Management Board and Joint Committee, with the same reports also being forwarded on a timely basis to the nominated senior manager of each Authority during the year.

Expenditure incurred by VVC is predominantly split into three main elements, the Core budget, the Regional Adoption Grant and the utilisation of any agreed underspend from previous years.

### VVC’s 2022/23 gross expenditure core budget is shown in the following table.

|  |  |  |
| --- | --- | --- |
| **Authority** | **Participant** | **Agreed Core Budget** |
|  | **Apportionment** | **2022/23** |
|  | **%** | **£'000** |
| City and County of Cardiff | 40.5% | 778 |
| Vale of Glamorgan | 15.5% | 297 |
| Merthyr Tydfil CBC | 12.6% | 243 |
| Rhondda Cynon Taff CBC | 31.4% | 603 |
| **Total** | **100.00%** | **1,921** |

The agreed use of reserves budget of £149k is in addition to the above and is funded from previous years underspends that have been transferred into a reserve.

The service has been awarded an Adoption Services grant from Welsh Government of £537k. The grant is to be claimed by the VVC from National Adoption Service (NAS). The allocation is to be distributed to partners as shown in the table below.

|  |  |
| --- | --- |
|  |  |
| **Grant Recipient** | **Allocation** |
|  | **£000** |
| City and County of Cardiff | 131 |
| Vale of Glamorgan | 49 |
| Merthyr Tydfil CBC | 33 |
| Rhondda Cynon Taff CBC | 131 |
| Vale, Valleys and Cardiff Adoption Service | 193 |
| **Total** | **537** |

The table below illustrates the actual expenditure and income incurred for the period 1st April 2022 to 31st March 2023.

|  |  |  |  |
| --- | --- | --- | --- |
| **Category** | **Actual** | **Actual** | **Contribution to/(from)** |
|  | **Expenditure** | **Income** | **Reserves** |
|  | **£'000** | **£'000** | **£'000** |
| Core Budget | 1,959 | (2,024) | 65 |
| Utilisation of Previous Years Underspend | 103 | (18) | (85) |
| Adoption Service Grant | 537 | (537) | 0 |
| **Total** | **2,599** | **(2,579)** | **(20)** |

**Core Budget**

In relation to the Core budget the outturn position as at 31st March 2023 is an underspend of £64k. The main reasons for this are outlined below:-

Employees – Underspent at year end by £39k. When the budget was set for 2022/23 a 2% uplift for the pay award was assumed however the pay award offer of a flat £1,925 per employee is equivalent to circa 6%. Due to a delay in establishing and recruiting the new Social Care Officer roles, and other staff vacancies alongside some staff member not yet reaching the top of scale, the service was able to absorb the pay award uplift for 2022/23 in year within the existing budget and this has also contributed to the staffing underspend in year. The Business Support restructure has not yet been fully implemented which again has contributed to the staffing underspend. In the latter part of the year a hold was placed on filling vacant posts to help mitigate the pressure of realising the savings that need to be found during 2023/24.

Travel – Underspent at year end by £16k. This has occurred as a result of a reduction in staff travel due to hybrid working.

Supplies and Services – Overall this budget was underspent at year end by £3k. The main variances are printer costs (£9k underspend) as there is a move to online working, adopter training budget (£4k underspend) as training has continued to be delivered virtually, software licence fees (£20k overspend) mainly due to an increase in cost in relation to the Microsoft Licences, postage (£4k underspend) due to the fact that less postage is now required due to the increased use of emails, software maintenance (£7k underspend), subscriptions (£11k overspend) as costs have increased, translation costs (£2k overspend) and adoption expenses (£12k underspend) due to varying accommodation rates and need.

Other Income - Underspent at year end by £7k in relation to the DWP Kickstart scheme grant payments, this offsets costs within the staffing budget for a Kickstart worker.

The Regional Adoption Service does not have any capital expenditure.

**Utilisation of Previous Years Underspend**

The draft outturn position as at 31st March 2023 is an underspend of £63k.

The Independent Assessments budget was underspent by £30k, this was partly due to the fact that the staff time extensions that were required to assist with the independent assessments have been coded to the Social Worker detail code, resulting in that budget line being shown as £5k overspent. The Independent Assessments did not cost as much as first anticipated and spend was put on hold towards the end of the year to help mitigate the pressure of realising the savings that need to be found during 2023/24.

Some equipment that was required was purchased within the core budget resulting in a £3k underspend. Subscriptions underspent by £6k as the cost of the subscription to Connected has been absorbed within the Core budget. Adoption Support underspent by £11k as this was put on hold towards the end of the year to help mitigate the pressure of realising the savings that need to be found during 2023/24. The service was awarded grant funding in March of £18k from Welsh Government, via NAS, to assist with adoption support. This has offset some of the staff costs against the Social Worker budget.

**Adoption Services Grant**

The draft outturn position as at 31st March 2023 is a breakeven position.

**Impact of the Current Economic Climate**

Over the last year, inflation has risen sharply and continues to remain at a very high level. There are also great pressures on VVC budget in respect of potential 2023/24 wage increase which is yet to be agreed. The majority of the overall budget relates to staff costs therefore, anything in excess of the budgeted 5% pay award will have a detrimental effect on the 2023/24 budget position. The Bank of England has increased interest rates every month for the last year, which is leaving the overall financial environment feeling uncertain. The Service will continue to monitor and manage risks as the impact of these issues becomes clearer during the year.

**Pension Liability**

Pensions are provided under the Local Government Pension Scheme and the VVC is a member of the Cardiff & Vale Pension Fund, which is administered by Cardiff County Council. Employees and Employers contribute into the fund, along with investment income and growth generated. A triennial valuation is carried out on the Fund. The value of the pension liability as at the 31st March 2023 being £520k.

**Service Provision**

The range of delegated functions provided by VVC are outlined in the Collaborative Agreement and are delivered by way of three functional teams:

1. Recruitment & Assessment Team responsible for the recruitment, training and assessment of prospective adopters and non-agency adopters.
2. Family Finding Team responsible for the placement finding and matching of children requiring an adoptive placement.
3. Adoption Support Team responsible for the support of adoptive families post adoption, facilitating indirect and direct post adoption contact and supporting adopted adults

seeking their adoption records .

A dedicated Business Support Team supports the business functions underpinning these services.

Staff within the service are aligned to a particular service area and specialism.

**Performance Reporting**

Under a nationally agreed Performance Management Framework the service is required to report against a range of performance measures to the National Adoption Service on a quarterly basis. The service is also required by regulation to provide a six monthly report of the quality of care. In addition, the Collaborative Agreement requires the service to prepare an annual report which is provided to the Management Board, Joint Committee and Scrutiny Committees in each of the partner authorities.

The Performance Framework contains over seventy performance measures. In view of the number of measures VVC Management Board agreed the key measures they wish to consider on a quarterly basis in respect of the performance of the region.

VVC is also required to report to the National Adoption Service on the performance of the grant funded posts within the region on a six monthly basis.

**Summary of Performance**

The key performance measures agreed by VVC Management Board relate to:

1. Number of referrals of children for adoption, the number of children placed and those waiting for placement.
2. Provision of life journey work provided for children with a plan for adoption.
3. Number of adopter enquiries received, and the number approved.
4. Number of referrals for post adoption support services

The end of year position for 2022/23 in respect of these measures was as follows:

1. 162 children were referred for adoption during the year but over 50% of these referrals were withdrawn due to alternative care plans being put in place. VVC has seen a decrease in referrals in line with other regions but successfully placed 65 children during the year. Over 70% of the children were placed within the region which has reduced reliance upon the need to secure external placements. The reduction in referrals and placement activity has resulted in a reduction in the number of children waiting for placement at year end.
2. A significant proportion of the regional grant has been dedicated to employ workers within the partner agencies to support the provision of life journey work. A significant improvement in the provision of this work has been seen as a result of this investment with one of the performance measures resulting in 100% compliance.
3. 210 adopter enquiries were received during the period which is a 40% reduction compared to the previous two years. This is in line with the national trend but has resulted in a reduction in the number of adopters being approved. 47 adopters were approved during the year.
4. 70 referrals for post adoption support services were received during the period which is a similar level to the previous year. 49 referrals were received for access to birth records and intermediary support which represents a significant increase on the previous year.

Six monthly reports have been provided to NAS in respect of the performance of the grant funded posts to ensure that funding is maintained.

### Looking Forward

A revenue budget of £1.974m for 2023/24 was approved by the VVC Joint Committee on the 23rd January 2023.

The VVC Regional Adoption Service does not hold a capital budget.

### Further Information

Further information regarding the accounts is available from the Section 151 Officer of the Vale of Glamorgan Council who is appointed as Treasurer of the Joint Committee and is located within the Corporate Resources Directorate, Civic Offices, Holton Road, Barry, CF63 4RU.

# Statement of Responsibilities for the Statement of Accounts for VVC Adoption Collaborative

### The Vale of Glamorgan Council (as Host) Responsibilities

The Council is required:

* To make arrangements for the proper administration of its financial affairs and secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Head of Finance; and
* To manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets.

The Joint Committee’s Responsibilities

* To approve the Statement of Accounts.

Signature:



Date: 5th February 2024

Chair of VVC Joint Committee

Vale of Glamorgan Council

Civic Offices

Holton Road

Barry

CF63 4RU

### Responsibilities of the Head of Finance as Treasurer of the Joint Committee

The Head of Finance is responsible for the preparation of the Statement of Accounts. In accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

1. **In preparing the Statement of Accounts, the Head of Finance has:**

* Selected suitable accounting policies and then applied them consistently.
* Made judgements and estimates that were reasonable and prudent.
* Complied with the local authority Code.

1. **The Head of Finance has also throughout the financial year:**

* Maintained proper accounting records that were kept up to date.
* Taken reasonable steps for the prevention and detection of fraud and other irregularities.

1. **Certificate of the Head of Finance as Treasurer of the Joint Committee**

I certify the Statement of Accounts give a true and fair view of the financial position of the Joint Committee as at 31st March 2023, and its income and expenditure for the period then ended.

**Signature:**

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**Date**: 5th February 2024

Matt Bowmer

Head of Finance/Section 151 Officer

Vale of Glamorgan Council

Civic Offices

Holton Road

Barry

CF63 4RU

# The report of the Auditor General for Wales to the members of the Vale, Valleys and Cardiff Adoption Collaborative Joint Committee.

**Opinion on financial statements**

I have audited the financial statements of Vale, Valleys and Cardiff Adoption Collaborative Joint Committee for the year ended 31 March 2023 under the Public Audit (Wales) Act 2004.

The Vale, Valleys and Cardiff Adoption Collaborative Joint Committee financial statements for the year ended 31 March 2023 comprise the Expenditure and Funding Analysis, Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023.

In my opinion, in all material respects, the financial statements:

* give a true and fair view of the financial position of the Vale, Valleys and Cardiff Adoption Collaborative Joint Committee as at 31 March 2023 and of its income and expenditure for the year then ended; and
* have been properly prepared in accordance with legislative requirements and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023.

**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.

My staff and I are independent of the Vale, Valleys and Cardiff Adoption Collaborative Joint Committee 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 Vale, Valleys and Cardiff Adoption Collaborative Joint Committee’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 annual 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 annual 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.

**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 is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023;
* The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with guidance.

**Matters on which I report by exception**

In the light of the knowledge and understanding of the Vale, Valleys and Cardiff Adoption Collaborative Joint Committee and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Annual Governance Statement.

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

* I have not received all the information and explanations I require for my audit;
* adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my team; or
* the financial statements are not in agreement with the accounting records and returns.

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for:

* the preparation of the statement of accounts which give a true and fair view and comply with proper practices;
* maintaining proper accounting records;
* internal controls as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error; and
* assessing the Vale, Valleys and Cardiff Adoption Collaborative Joint Committee’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 the responsible financial officer anticipates that the services provided by the Vale, Valleys and Cardiff Adoption Collaborative Joint Committee will not continue to be provided in the future.

**Auditor’s responsibilities for the audit of the financial statements**

My responsibility is to audit the financial statements in accordance with the Public Audit (Wales) Act 2004.

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 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, internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Vale, Valleys and Cardiff Adoption Collaborative Joint Committee 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. As part of this discussion, I identified potential for fraud in the following areas: the posting of unusual journals;
* Obtaining an understanding of the Vale, Valleys and Cardiff Adoption Collaborative Joint Committee framework of authority as well as other legal and regulatory frameworks that the Joint Committee 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 the Vale, Valleys and Cardiff Adoption Collaborative Joint Committee.
* Obtaining an understanding of related party relationships.

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 legal advisors about actual and potential litigation and claims;
* reading minutes of meetings of those charged with governance;
* 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 members 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 Vale, Valleys and Cardiff Adoption Collaborative Joint Committee’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](https://www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor%e2%80%99s-responsibilities-for). This description forms part of my auditor’s report.

**Other auditor’s responsibilities**

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

**Certificate of completion of audit**

I certify that I have completed the audit of the accounts of name of the Vale, Valleys and Cardiff Adoption Collaborative Joint Committee in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales’ Code of Audit Practice.

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Adrian Crompton 1 Capital Quarter

Auditor General for Wales Tyndall Street

9 February 2024 Cardiff, CF10 4BZ

# VVC Adoption Collaborative Expenditure and Funding Analysis 2022/23

The objective of the Expenditure and Funding Analysis is to demonstrate to the Partners how funding available to VVC in the year has been used in providing services in comparison with those resources consumed or earned by the service in accordance with generally accepted accounting practices. The detailed breakdown of the adjustments between accounting and funding are illustrated for both 2021/22 and 2022/23 in Notes 7. Further information is shown about this note on page 16.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Expenditure and Funding Analysis 2022/23** | **Net Expenditure Chargeable to General Fund Balances** | **Adjustments Between Accounting and Funding Basis** |  | | **Comprehensive Income and Expenditure** |
|  | **£'000** | **£'000** |  | **£'000** | |
|  |  |  |  |  | |
| Core Budget | 1,857 | 302 |  | 2,159 | |
| Regional Adoption Service Grant | 0 | 0 |  | 0 | |
| Utilisation of Previous Years Underspend | 85 | 0 |  | 85 | |
|  |  |  |  |  | |
| **Net Cost of Services** | **1,942** | **302** |  | **2,244** | |
| **Financing and Investment Income and Expenditure** |  |  |  |  | |
| Contribution from Other Local Authorities | (1,921) | 0 |  | (1,921) | |
| Interest Receivable | 0 | 0 |  | 0 | |
| Repayment of Prior Year Underspend | 0 | 0 |  | 0 | |
| Pensions Interest Payable | 0 | 90 |  | 90 | |
|  |  |  |  |  | |
| **(Surplus) or Deficit on the Provision of Services** | **21** | **392** |  | **413** | |
|  |  |  |  |  | |
| Opening General Fund Balance at 31 March 2022 | 163 |  |  |  | |
| Less Deficit on General Fund Balance in Year | (21) |  |  |  | |
|  |  |  |  |  | |
| **Closing General Fund Balance at 31 March 2023** | **142** |  |  |  | |

# 

# VVC Adoption Collaborative Expenditure and Funding Analysis 2021/22

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Expenditure and Funding Analysis 2021/22** | **Net Expenditure Chargeable to General Fund Balances** | **Adjustments Between Accounting and Funding Basis** |  | | **Comprehensive Income and Expenditure** |
|  | **£'000** | **£'000** |  | **£'000** | |
|  |  |  |  |  | |
| Core Budget | 1,615 | 347 |  | 1,962 | |
| Regional Adoption Service Grant | 0 | 0 |  | 0 | |
| Utilisation of Previous Years Underspend | 37 | 0 |  | 37 | |
|  |  |  |  |  | |
| **Net Cost of Services** | **1,652** | **347** |  | **1,999** | |
| **Financing and Investment Income and Expenditure** |  |  |  |  | |
| Contribution from Other Local Authorities | (1,738) | 0 |  | (1,738) | |
| Interest Receivable | 0 | 0 |  | 0 | |
| Repayment of Prior Year Underspend | 0 | 0 |  | 0 | |
| Pensions Interest Payable | 0 | 90 |  | 90 | |
|  |  |  |  |  | |
| **(Surplus) or Deficit on the Provision of Services** | **(86)** | **437** |  | **351** | |
|  |  |  |  |  | |
| Opening General Fund Balance at 31 March 2021 | 77 |  |  |  | |
| Plus Surplus on General Fund Balance in Year | 86 |  |  |  | |
|  |  |  |  |  | |
| **Closing General Fund Balance at 31 March 2022** | **163** |  |  |  | |

# VVC Adoption Collaborative Movement in Reserves Statement 2021/22 and 2022/23

This statement shows the movement in the year on the different reserves held by VVC, analysed into “Usable Reserves” (i.e. those that can be applied to fund expenditure) and “Unusable Reserves”. Further information on this statement is shown on page 16.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Unusable Reserves** | | | |  |
| **Movement in Reserves Statement** | **Total Usable Reserves** | **Notes** | **Accumulated Absence Account** | **Pensions Reserve** | | **Total Unusable Reserves** | **Total Reserves** |
| **Regional Adoption Service** | **£’000** |  | **£’000** | **£’000** | **£’000** | | **£’000** |
|  |  |  |  |  |  | |  |
|  |  |  |  |  |  | |  |
| **Balance at 31 March 2021 Carried Forward** | **77** | **15,16** | **-42** | **-4,040** | **-4,082** | | **-4,005** |
| Movement in Reserves during 2021/22 |  |  |  |  |  | |  |
| **Total Comprehensive Income & Expenditure** | **-351** |  | **0** | **1,020** | **1,020** | | **669** |
| Adjustments between Accounting Basis & Funding Basis | 437 | 9 | 23 | -460 | -437 | | 0 |
|  |  |  |  |  |  | |  |
| **Increase / (Decrease) in Year** | **86** |  | **23** | **560** | **583** | | **669** |
| **Balance as at 31st March 2022 Carried Forward** | **163** | **15,16** | **-19** | **-3,480** | **-3,499** | | **-3,336** |
| Movement in Reserves during 2022/23 |  |  |  |  |  | |  |
| **Total Comprehensive Income & Expenditure** | **-413** |  | **0** | **3,350** | **3,350** | | **2,937** |
| Adjustments between Accounting Basis & Funding Basis | 392 | 9 | -2 | -390 | -392 | | 0 |
|  |  |  |  |  |  | |  |
| Increase / (Decrease) in Year | **-21** |  | **-2** | **2,960** | **2,958** | | **2,937** |
| **Balance as at 31st March 2023 Carried Forward** | **142** | **15,16** | **-21** | **-520** | **-541** | | **-399** |

# VVC Adoption Collaborative Comprehensive Income and Expenditure Statement 2022/23

This statement records all of VVC income and expenditure throughout the year, and consequently shows the accounting cost of providing services during the year in line with generally accepted accounting practices. The net expenditure is analysed by cost centre, with the income received from the local authorities shown within the Finance & Investment Income and Expenditure section. The full breakdown of the gross income and expenditure within this statement is illustrated in Note 8. Further information on this statement is shown on page 16.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Period Ended**  **31st March 2023** | | |  | **Period Ended**  **31st March 2022** | | | |
|  |
| **Gross Expt.** | **Gross Income** | **Net Expt.** |  | **Gross Expt.** | **Gross Income** | **Net Expt.** |
| **£000's** | **£000's** | **£000's** |  | **£000's** | **£000's** | **£000's** |
| 2,261 | (102) | **2,159** | Core Budget | 2,091 | (129) | **1,962** |
| 537 | (537) | **0** | Regional Adoption Service Grant | 541 | (541) | **0** |
| 103 | (18) | **85** | Utilisation of Previous Years Underspend | 37 | (0) | **37** |
| **2,901** | **(657)** | **2,244** | **Net Cost of Services (Note 8)** | **2,669** | **(670)** | **1,999** |
|  |  |  | **Finance & Investment Income and Expenditure** |  |  |  |
| 0 | (1,921) | **(1,921)** | Contributions from Local Authorities | 0 | (1,738) | **(1,738)** |
| 90 | 0 | **90** | Pension Interest Payable (**Note 17)** | 90 | 0 | **90** |
| **90** | **(1,921)** | **(1,831)** | **Financing & Investment Income & Expenditure** | **90** | **(1,738)** | **(1,648)** |
|  |  |  |  |  |  |  |
| 2,991 | (2,578) | **413** | **(Surplus) / Deficit on Provision of Services** | 2,759 | **(2,408)** | **351** |
|  |  |  |  |  |  |  |
|  |  |  | **Other Comprehensive Income & Expenditure** |  |  |  |
|  |  | (3,350) | Re-measurement of Pension Liability (**Note 17**) |  |  | **(1,020)** |
|  |  | **(3,350)** | **Other Comprehensive Income & Expenditure** |  |  | **(1,020)** |
|  |  | **(2,937)** | **Total Comprehensive Income & Expenditure** |  |  | **(669)** |

# VVC Adoption Collaborative Balance Sheet as at 31st March 2023

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of VVC (Assets less Liabilities) are matched by the reserves held by VVC. Reserves are reported in two categories: Usable and Unusable Reserves. Further information on this statement is shown on page 16 of this report.

|  |  |  |  |
| --- | --- | --- | --- |
| **31st March** | **Note** | **Balance Sheet as at 31st March 2023** | **31st March** |
| **2023** |  | **Regional Adoption Service** | **2022** |
| **£'000** |  |  | **£'000** |
|  |  | **Long Term Non-Current Assets** |  |
| 0 |  | Property, Plant and Equipment | 0 |
| 0 |  | Intangible Assets | 0 |
| 0 |  | Long Term Debtors | 0 |
| **0** |  | **Total Non-Current Assets** | **0** |
|  |  |  |  |
| 807 |  | Short Term Debtors | 791 |
| 0 |  | Short Term Payment in Advance | 0 |
| 0 |  | Short Term Debtors Cash Owing from Host Authority | 0 |
| **807** | 13 | **Current Assets** | **791** |
|  |  |  |  |
| (399) |  | Short Term Creditors | (364) |
| (21) |  | Accumulated Absence Provision | (19) |
| (266) |  | Short Term Cash | (264) |
| **(686)** | 14 | **Current Liabilities** | **(647)** |
|  |  |  |  |
| (520) | 17 | Pensions Liability | (3,480) |
| 0 |  | Other Long Term Liabilities | 0 |
| **(520)** |  | **Long Term Liabilities** | **(3,480)** |
|  |  |  |  |
| **(399)** |  | **Net Assets** | **(3,336)** |
|  |  |  |  |
| **142** | 15 | **Usable Reserves** | **163** |
|  |  |  |  |
| (21) | 18 | Accumulated Absences | (19) |
| (520) | 17 | Pensions Reserve | (3,480) |
| **(541)** |  | **Unusable Reserves** | **(3,499)** |
|  |  |  |  |
| **(399)** |  | **Total Reserves** | **(3,336)** |

# VVC Adoption Collaborative Cash Flow Statement 2022/23 and 2021/22

The Cash Flow Statement shows the change in cash and cash equivalents of VVC during the reporting period. The statement shows how VVC generates and uses cash and cash equivalents by classifying cash flows into operating and investing and financing activities. The function of this statement is detailed on page 17 of this report.

|  |  |  |
| --- | --- | --- |
| **31st March 2023** |  | **31st March 2022** |
| **£'000** |  | **£'000** |
|  |  |  |
| **(413)** | **Net Surplus/(Deficit) on the provision of service** | **(351)** |
|  |  |  |
|  | **Adjust net surplus or deficit on the provision of services for non-cash movements** |  |
| 37 | Increase/ (Decrease) in Creditors | 339 |
| (16) | (Increase)/Decrease in Debtors | (378) |
| 390 | Movement on Pension Liability | 460 |
| **411** | **Total adjustments to net surplus or deficit on the provision of services for non-cash movements.** | **421** |
|  |  |  |
|  | **Adjust for items included in the net surplus or** |  |
|  | **deficit on the provision of services that are** |  |
| **0** | **investing and financing activities** | **0** |
|  |  |  |
| **(2)** | **Net Cash-flows from operating activities** | **70** |
|  |  |  |
|  | **Investing activities** |  |
| 0 | Purchase of property, plant and equipment, investment property and intangible assets | 0 |
| 0 | Other receipts from investing activities | 0 |
| **0** | **Total Investing Activities** | **0** |
|  |  |  |
| **0** | **Financing activities** | **0** |
|  |  |  |
|  | **Net (increase)/decrease in cash and cash** |  |
| **(2)** | **Equivalents** | **70** |
|  |  |  |
|  | Cash and cash equivalents at the beginning of the |  |
| (264) | reporting period | (334) |
|  |  |  |
|  | **Cash owed To/(From) Host Authority as at** |  |
| **(266)** | **31st March** | **(264)** |

# Introduction to the Financial Statements

### Statement of Accounting Policies

The purpose of this statement is to explain the basis of the figures in the accounts. It outlines the accounting policies adopted.

### Statement of Responsibilities for the Statement of Accounts

This statement sets out the responsibilities of the Council as the administering Authority and the Head of Finance (Section 151 Officer) for the preparation of the Statement of Accounts. The Statement has to be signed and dated by the presiding member of the Joint Committee.

### Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to the funding partners (Merthyr Tydfil County Borough Council, The City of Cardiff Council, the Vale of Glamorgan Council and Rhondda Cynon Taff County Borough Council) how the available funding has been used in providing services in comparison with those resources consumed or earned by the authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the different elements of VVC structure. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

### Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Collaborative and analysed into ‘Usable Reserves’ (i.e. those that the Collaborative may use to provide services subject to the need to maintain a prudent level of reserves, and the statutory limitations on their use) and ‘Unusable Reserves’. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Collaborative’s Services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

### Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices rather than the amount funded by budgeted contributions. The budgeted funding contributions are shown in both the Expenditure and Funding Analysis and on the Movement in Reserves Statement.

### Balance Sheet

The Balance Sheet shows the assets and liabilities recognised by the Collaborative at the Balance Sheet date. The net assets of the Collaborative (Assets less Liabilities) are matched by the reserves held by the Collaborative. Reserves are reported in two categories. The first category of reserves are Usable Reserves i.e., those reserves that VVC may use to provide services, subject to the need to maintain a prudent level of reserve and any statutory limitations on their use. The second category of reserves are called Unusable Reserves and cannot be accessed by VVC to fund the provision of services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line “Adjustments between accounting basis and funding basis and regulations”.

### Cash Flow Statement

The Cash Flow Statement shows the change in cash and cash equivalents of the Collaborative during the reporting period. The statement shows how the Collaborative generates and uses cash and cash equivalents by classifying cash flows into operating and investing activities. The amount of net cash flows arising is a key indicator of the extent to which the operations of the Collaborative are funded by the recipients of the services provided.

### Annual Governance Statement

The statement sets out the framework within which the Vale of Glamorgan Council as the administering authority manages and reviews internal control. It outlines the components of the framework, including the arrangements for Internal Audit and how the consortium has complied with the various elements of the framework.

# Notes to the Financial Statements

## Accounting Policies

|  |  |  |
| --- | --- | --- |
| (a) | **Accounting Policies** | VVC is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014 (Amended), which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, and the Service Reporting Code of Practice for Local Authorities 2022/23 (SeRCOP) and supported by International Financial Reporting Standards (IFRS) and statutory guidance. The accounts are prepared on a going concern basis. |
| (b) | **Revenue Income and Expenditure** | The transactions of VVC are accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:   * Revenue from the sale of goods is recognised when VVC transfers the significant risks and rewards of ownership to the purchaser, and it is probable that the economic benefits or service potential associated with the transaction will flow to VVC; * Revenue from the provision of services is recognised when VVC can measure reliably the percentage of completion of the transaction, and it is probable that economic benefits or service potential associated with the transaction will flow to VVC; * Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made; and * Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a change made to revenue for the income that might be collected.   There are certain exceptions to this principle. The main items are: -   1. Electricity charges, telephone expenses, leasing and similar periodic payments are included in the Accounts on a payments basis and not accrued to the 31st March each year. Payments in respect of a full 12 months are included; and 2. The amount included in the accounts for the Budgeted Contributions are on the basis of cash received.   The difference between the amounts charged annually to the Revenue Accounts in respect of items (a) and (b) and the amounts that would be charged if they were accrued to the 31st March each year is not significant. |
| (c) | **Cash and Cash Equivalents** | All cash transactions are administered by the Vale of Glamorgan Council as VVC does not operate its own Bank Account. |
| (d) | **Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors** | A change in the accounting policies or to correct a material error can result in a prior period adjustment. Changes in accounting estimates do not give rise to a prior period adjustment but are accounted for prospectively.  Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, or other events and conditions of VVC’s financial position or financial performance. Where a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always applied.  Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. |
| (e) | **Charges to Revenue for Non-Current Assets** | The does not hold any Non Current Assets at 31st March 2023. |
| (f) | **Employee Benefits** | Benefits Payable during Employment Short term employee benefits are those due to be settled within 12 months of the year end. An accrual is made for the cost of holiday entitlements (or any form of leave) earned by employees but not taken before the year end which employees can carry forward into the next financial year. Holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.  **Termination Benefits**  Termination benefits are amounts payable as a result of a decision by VVC to terminate an officer’s employment before the normal retirement date or an officer’s decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or where applicable to Non-Distributed costs.  **Post-Employment Benefits**  Employees of the Joint Committee are members of the Local Government Pension Scheme, administered by Cardiff County Council Pension Authority. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees who worked for the Joint Committee. The Local Government Pension Scheme **The Local Government Scheme is Accounted for as a Defined Benefits Scheme**   * The liabilities of the Cardiff and Vale Pension Fund attributable to the Joint Committee are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc., plus projections of projected earnings for current employees. * Liabilities are discounted to their value at current prices, using a discount rate. * The assets of the Cardiff and Vale Pension Fund attributable to VVC are included in the Balance Sheet at their fair value. * The actuarial valuation carried out at 31st March 2019 used the roll-forward method to 31st March 2023.   The change in the net pension’s liability is analysed into the following components.  **Service Cost Comprising of**   * **Current Service Cost** – the increase in liabilities as a result of a year of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the service(s) to which the employee worked. * **Past Service Cost** – the increase in liabilities as a result of the scheme amendment of curtailment whose effect relates to years of service earned in earlier years. Debited to the surplus or deficit of services in the Comprehensive Income and Expenditure Statement as part of the Non-Distributed Costs. * **Net Interest** on the net defined benefit liability (asset), i.e., net increase expense for VVC – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit (asset) during the period as a result of contribution and benefit payments.  Re-measurements Comprising of  * The return on plan assets, excluded in net interest on the net defined liability (asset), charged to the Pensions Reserve as Other Comprehensive Income and Expenditure. * Actuarial gains and losses, changes in the net pension’s liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. This is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.   Statutory provisions require the Joint Committee Fund balance be charged with the amount payable by VVC to the pension fund or directly to pensioners in the year in relation to retirement benefits. Discretionary Benefits VVC also has restricted powers to make discretionary awards of retirements benefits in the event of early retirements. |
| (g) | **Events After the Balance Sheet Date** | These are events, both favourable and unfavourable that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Such events could result in the Statement of Accounts being adjusted. Two types of events can be identified:   * Those that provide evidence of conditions that existed at the end of the reporting period. The Statement of Accounts is adjusted to reflect such events; and * Those that are indicative of conditions that arose after the reporting period, the Statement of Accounts is then adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect. |
| (h) | **Government Grants and Contributions** | Government Grants, Third Party Contributions and Donations are recognised as due to VVC when there is reasonable assurance that:   * VVC will comply with the conditions attached to the payments; and * The grant(s) or contributions will be received.   Grants and contributions advanced for which conditions have not been satisfied are carried in the Balance Sheet as creditors. Once conditions are satisfied, the grants or contributions are credited to the Comprehensive Income and Expenditure Statement. |
| (j) | **Leases** | VVC does not have any operating or finance leases in 2022/23. |
| (k) | **Overheads and Support Costs** | The cost of VVC Overheads and Support services apportioned out within the Comprehensive Income and Expenditure Statement. These costs now sit with the relevant groupings within the statements concerned. |
| (i) | **Inventories** | VVC did not hold any inventory as at 31st March 2023. |
| (j) | **Property Plant and Equipment** | VVC did not hold any Property, Plant and Equipment as at 31st March 2023. |
| (k) | **Provisions, Contingent Liabilities and Contingent Assets** | **Provisions**  Provisions are made when an event has taken place that gives VVC a legal or constructive obligation that probably requires settlement by a transfer of economic benefit or service potential, and a reliable estimate can be made of the amount of the obligation.  Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and expenditure Statement in the year that the becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.  When payments are eventually made, they are charged to the provision carried in the Balance Sheet. VVC did not hold any provisions as at 31st March 2023.  **Contingent Liabilities**  A contingent liability arises where an event has taken place that gives VVC a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly in the control of VVC. Contingent liabilities also arise in circumstances where a provision would otherwise be made, but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.  Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.  **Contingent Assets**  A contingent asset arises where an event has taken place that gives VVC a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of VVC.  Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential. |
| (l) | **Specific Reserves** | These reserves represent sums of money that are voluntarily set aside for specific purposes. |
| (m) | **Value Added Tax** | Income and expenditure exclude any amounts related to Value Added Tax (VAT), as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them. |

## Accounting Standards that have been issued but have yet to be adopted

At the balance sheet date, there are no new relevant standards or amendments to existing standards that have been published but not yet adopted by the Code that will have any impact upon the financial statements. However, the following details are provided for information purposes: -

IFRS 16 - Leases: This Standard removes the previous lease classifications of operating and finance leases and will require local authorities that are lessees to recognise all leases on their balance sheets as right-of-use assets (there are exemptions for short-term and low value leases) with a corresponding lease liability representing the lessee's obligation to make lease payments for the asset. However, it should be noted that CIPFA/LASAAC have again deferred implementation of IFRS 16 for local government to 1 April 2024.

Infrastructure Assets – Temporary Relief: Following a consultation in the summer of 2022, CIPFA/LASAAC issued a code update on 29 November 2022. The update amends both the 2021/22 and 2022/23 Codes and includes specifications for future codes on the disclosure of gross cost and accumulated depreciation for infrastructure assets. The Code has been updated to include a temporary relief from the Code’s core requirement to disclose gross cost and accumulated depreciation of infrastructure assets until 31 March 2025.

As the Regional Adoption Service does not hold any lease arrangements or infrastructure assets, it is not expected that there will be any material impact on the Joint Committee accounts from the implementation of this standard.

## Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out above, VVC would have made certain judgements about complex transactions or those involving uncertainty about future events. However, there are none known at the date of the report.

There is a high degree of uncertainty about future levels of funding for local government and this will be addressed as part of the annual budget cycle.

## Events after the Balance Sheet Date

The Audited Statement of Accounts was authorised for issue by the Head of Finance (Section 151 Officer) on 5th February 2024

Events taking place after this date are not reflected in the financial statements or notes. There have been no post balance sheet events prior to this date that have been reflected in the Statement of Accounts. Such events could result in the Statement of Accounts being adjusted. Two types of events can be identified.

* + Those that provide evidence of conditions that existed at the end of the reporting period, the Statement of Accounts is adjusted to reflect such events.
  + Those that are indicative of condition that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

## Prior Period Adjustments

A change in accounting policies or to correct a material error can result in a prior period adjustment. Changes in accounting estimates do note give rise to a prior period adjustment but are accounted for prospectively.

Changes in accounting policies are only made when required by proper accounting practices, or the change provides more reliable or relevant information about the effect of the transactions, other events and condition of VVC’S financial position or financial performance. When a change is made it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by VVC about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Joint Committee’s Balance Sheet at 31st March 2023 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

**Debtors**

There are no significant debts held by VVC in excess of a year old as at the 31st March 2023.

**Pensions Liability**

Pensions are provided under the Local Government Pension Scheme, with VVC being a member of the Cardiff and Vale Pension Fund, administered by Cardiff Council. Employees and employers contribute to the fund, along with investment income and growth generated.

Estimation of the net liability to pay pensions depends on a number of complex judgements related to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the Cardiff and Vale Pension Fund with expert advice about assumptions to be applied. The actuarial report is based on a roll forward of the triennial valuation carried out at 31st March 2023.

The actuarial report confirms that they are maintaining a watching brief in relation to Covid-19 developments and the possible impact on defined benefit pension scheme liabilities.

The 2022/23 VVC element of the Pension Scheme has reduced by £2.960m in the year, which is reflected on the Balance Sheet. The estimated impact of the McCloud judgement has been accounted for within the 2022/23 pension valuation.

**Future Period Budget Pressures**

In accordance with the Collaborative, as signed by all partner authorities on the 1st June 2015, the draft revenue budget must be agreed by the 31st December in the year preceding the year to which it relates an extension to this period was agreed by all partner authorities for 2023/24 with the Final Budget being agreed by 23rd January 2023. All amendments to the revenue budget are progressed in the following financial year.

**Material Items of Income and Expenditure**

VVC does not have any material items of income and expenditure to report that require any further explanation.

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Notes to the Expenditure and Funding Analysis 2022/23** | | | | | | | |  | | |
| **Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts** | | | | | | | | | | |
|  | **Pension Interest Adjustment £’000** | **Adjustments for Capital Purposes £’000** | | **Net Change for Pensions Adjustment**  **£’000** | | | **Accrued Annual Leave**  **£’000** | | **Total Adjustment**  **£’000** | |
| Core Budget | (90) | 0 | | 390 | | | 2 | | **302** | |
| Regional Adoption Service Grant | 0 | 0 | | 0 | | | 0 | | **0** | |
| Utilisation of Previous Years Underspend | 0 | 0 | | 0 | | | 0 | | **0** | |
| **Net Cost of Services** | **(90)** | **0** | | **390** | | | **2** | | **302** | |
| Contributions from Las | 0 | | 0 | | 0 | 0 | | | | **0** |
| Interest Receivable | 0 | | 0 | | 0 | 0 | | | | **0** |
| Pensions Interest Payable | 90 | | 0 | | 0 | 0 | | | | **90** |
| **Difference between the General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or deficit** | **0** | **0** | | **390** | | | **2** | | **392** | |

## Note to the Expenditure and Funding Analysis

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Notes to the Expenditure and Funding Analysis 2021/22** | | | | | | | |  | | |
| **Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts** | | | | | | | | | | |
|  | **Pension Interest Adjustment £’000** | **Adjustments for Capital Purposes £’000** | | **Net Change for Pensions Adjustment**  **£’000** | | | **Accrued Annual Leave**  **£’000** | | **Total Adjustment**  **£’000** | |
| Core Budget | (90) | 0 | | 460 | | | (23) | | **347** | |
| Regional Adoption Service Grant | 0 | 0 | | 0 | | | 0 | | **0** | |
| Utilisation of Previous Years Underspend | 0 | 0 | | 0 | | | 0 | | **0** | |
| **Net Cost of Services** | **(90)** | **0** | | **460** | | | **(23)** | | **347** | |
| Contributions from Las | 0 | | 0 | | 0 | 0 | | | | **0** |
| Interest Receivable | 0 | | 0 | | 0 | 0 | | | | **0** |
| Pensions Interest Payable | 90 | | 0 | | 0 | 0 | | | | **90** |
| **Difference between the General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or deficit** | **0** | **0** | | **460** | | | **(23)** | | **437** | |

**Net Change for the Pensions Adjustments**

This adjustment relates to the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income which means:

* The replacement of the employer pension contributions with current service costs and past service costs.
* The net interest on the defined benefit liability is charged to the Other Income and Expenditure line.

**Accrued Annual Leave**

* Adjustments are made for accrued staff annual leave. There was a £2k variation to the overall calculated accrued annual leave balance value between 2021/22 and 2022/23.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **2022/23** | **Employee** | **Other** | **Gross** | **Grant** | **Fees &** | **Gross** | **Net** |
|  | **Expenses** | **Expenses** | **Expenditure** | **Income** | **Charges** | **Income** | **Expenditure** |
|  | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
|  |  |  |  |  |  |  |  |
| Core Budget | 2,026 | 235 | **2,261** | (7) | (95) | **(102)** | **2,159** |
| Regional Adoption Service Grant | 185 | 352 | **537** | (537) | 0 | **(537)** | **0** |
| Utilisation of Previous Years Underspend | 45 | 58 | **103** | (18) | 0 | **(18)** | **85** |
| **Net Cost of Services** | **2,256** | **645** | **2,901** | **(562)** | **(95)** | **(657)** | **2,244** |
| **Finance & Investment Income & Expenditure** | |  |  |  |  |  |  |
| Contributions from Local Authorities |  |  | **0** |  |  | **(1,921)** | **(1,921)** |
| Repayment of Prior Year Underspend |  |  | **0** |  |  | **0** | **0** |
| Repayment of Implementation Reserve |  |  | **0** |  |  | **0** | **0** |
| Pension Interest Payable (**Note 24**) |  |  | **90** |  |  | **0** | **90** |
| **Financing & Investment Income & Expenditure** | |  | **90** |  |  | **(1,921)** | **(1,831)** |
| **(Surplus)/Deficit on Provision of Services** |  |  | **2,991** |  |  | **(2,578)** | **413** |

## Note to the Comprehensive Income and Expenditure Statement

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **2021/22** | **Employee** | **Other** | **Gross** | **Grant** | **Fees &** | **Gross** | **Net** |
|  | **Expenses** | **Expenses** | **Expenditure** | **Income** | **Charges** | **Income** | **Expenditure** |
|  | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
|  |  |  |  |  |  |  |  |
| Core Budget | 1,924 | 167 | **2,091** | (54) | (75) | **(129)** | **1,962** |
| Regional Adoption Service Grant | 190 | 351 | **541** | (541) | 0 | **(541)** | **0** |
| Utilisation of Previous Years Underspend | 27 | 10 | **37** | **0** | 0 | **0** | **37** |
| **Net Cost of Services** | **2,141** | **528** | **2,669** | **(595)** | **(75)** | **(670)** | **1,999** |
| **Finance & Investment Income & Expenditure** | |  |  |  |  |  |  |
| Contributions from Local Authorities |  |  | **0** |  |  | **(1,738)** | **(1,738)** |
| Repayment of Prior Year Underspend |  |  | **0** |  |  | **0** | **0** |
| Repayment of Implementation Reserve |  |  | **0** |  |  | **0** | **0** |
| Pension Interest Payable (**Note 24**) |  |  | **90** |  |  | **0** | **90** |
| **Financing & Investment Income & Expenditure** | |  | **90** |  |  | **(1,738)** | **(1,648)** |
| **(Surplus)/Deficit on Provision of Services** |  |  | **2,759** |  |  | **(2,408)** | **351** |

## Adjustments between Accounting Basis and Funding Basis Analysis

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **2022/23** | **Usable Reserves**  **£’000** | | **Accumulated Absence Account**  **£’000** | **Pensions Reserve**  **£’000** | **Total Unusable Reserves**  **£’000** |
| Accrued Staff Annual Leave | **2** | (2) | | 0 | **(2)** |
| Reversal of Items Relating to retirement benefits debited or credited to the CIES | **700** | 0 | | (700) | **(700)** |
| Employers pension contributions and direct payments to pensions payable in year | **(310)** | 0 | | 310 | **310** |
|  | **392** | **(2)** | | **(390)** | **(392)** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **2021/22** | **Usable Reserves**  **£’000** | **Accumulated Absence Account**  **£’000** | **Pensions Reserve**  **£’000** | **Unusable Reserves**  **£’000** |
| Accrued Staff Annual Leave | **(23)** | 23 | 0 | **23** |
| Reversal of Items Relating to retirement benefits debited or credited to the CIES | **750** | 0 | (750) | **(750)** |
| Employers pension contributions and direct payments to pensions payable in year | **(290)** | 0 | 290 | **290** |
|  | **437** | **23** | **(460)** | **(437)** |

## Related Party Transactions

In accordance with IAS 24, the Joint Committee has a duty to disclose any material transactions with a related party. This is to ensure that financial statements contain the disclosures necessary to draw attention to the possibility that the reported financial position and results may have been affected by the existence of related parties and by material transactions with them.

All cash transactions are administered by the Vale of Glamorgan Council (Host Authority) as VVC does not operate its own bank account. As at the 31st March 2023, the Joint Committee owes £266k to the host authority relating to these transactions. During the year, transactions with Related Parties arose and are shown in the following table while debtor and creditor balances at year end are detailed in **Notes 13 and 14.**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **2022/23** | | |  | **2021/22** | | |
| **Expenditure** | **Other** | **Contribution** |  | **Expenditure** | **Other** | **Contribution** |
|  | **Income** | **Income** |  |  | **Income** | **Income** |
| **£'000** | **£'000** | **£'000** |  | **£'000** | **£'000** | **£'000** |
| 181 | (555) | (778) | The City of Cardiff Council | 155 | (560) | (699) |
| 101 | 0 | (297) | Vale of Glamorgan Council | 49 | 0 | (266) |
| 33 | 0 | (243) | Merthyr Tydfil Council | 28 | 0 | (211) |
| 132 | 0 | (603) | Rhondda Cynon Taff Council | 131 | 0 | (562) |
| 0 | (95) | 0 | Other Local Authorities | 0 | (72) | 0 |
| **447** | **(650)** | **(1,921)** | **Total** | **363** | **(632)** | **(1,738)** |

Pension contributions are made to Cardiff and the Vale Pension Fund in respect of Joint Committee Employees. Interests of Members of the Joint Committee are maintained in a register held by their own Local Authority.

In 2022/23 VVC received two grants totalling £555k from the National Adoption Service that is administered by Cardiff County Council, these are included in the table above.

## Audit Fees

|  |  |  |
| --- | --- | --- |
| **2022/23** |  | **2021/222** |
| **£'000** |  | **£'000** |
| 16 | Audit Wales Fees | 1 |
| **16** | **Total** | **1** |

## Leases

There are no long-term agreements as at the Balance Sheet date. VVC holds no leased assets.

## Debtors

|  |  |  |
| --- | --- | --- |
| **2022/23** |  | **2021/22** |
| **£'000** |  | **£'000** |
| 0 | General | 0 |
| 121 | Merthyr Tydfil County Borough Council | 53 |
| 350 | Cardiff Council | 557 |
| 302 | Rhondda Cynon Taf County Borough Council | 140 |
| 0 | Vale of Glamorgan Council | 0 |
| 34 | Other Local Authorities | 41 |
| 0 | Central Government Bodies | 0 |
| **807** | **Balance as at 31st March** | **791** |

There are no unpaid debtor balances that are in excess of a year old, therefore, a provision for Bad and Doubtful Debt has not been included within the 2022/23 accounts.

## Creditors

|  |  |  |
| --- | --- | --- |
| **2022/23** |  | **2021/22** |
| **£'000** |  | **£'000** |
| (9) | General | (18) |
| (34) | Merthyr Tydfil County Borough Council | (34) |
| (192) | Cardiff Council | (149) |
| (131) | Rhondda Cynon Taf County Borough Council | (135) |
| (29) | Vale of Glamorgan Council | (25) |
| (4) | Central Government Bodies | (3) |
| (266) | Cash owed to Host Authority | (264) |
| (21) | Accumulated Absences | (19) |
| **(686)** | **Balance as at 31st March** | **(647)** |

## Movement on Usable Reserves

The General Fund balance is a distributable revenue reserve, which consists of the accumulated surpluses of VVC’s operations.

|  |  |
| --- | --- |
|  | **General** |
|  | **Reserves** |
|  | **£'000** |
| **Balance as at 1st April 2021** | **77** |
| Drawdown from reserve for approved spend | (37) |
| Transfer 2021/22 Underspend | 123 |
| **Balance as at 31st March 2022** | **163** |
|  |  |  |
| **Balance as at 1st April 2022** | **163** |  |
| Drawdown from reserve for approved spend | (85) |  |
| Transfer 2022/23 Underspend | 64 |  |
|  |  |  |
| **Balance as at 31st March 2023** | **142** |  |

## Movement on Unusable Reserves

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Pension** | **Accumulated** | **Total Unusable** |
|  | **Reserves** | **Absences** | **Reserves** |
|  | **£'000** | **£'000** | **£'000** |
| **Balance as at 1st April 2021** | **(4,040)** | **(42)** | **(4,082)** |
| Increase/(Decrease) | 560 | 23 | 583 |
| **Balance as at 31st March 2022** | **(3,480)** | **(19)** | **(3,499)** |
|  | **(3,480)** | **(19)** | **(3,499)** |
| **Balance as at 1st April 2022** |
| Increase/(Decrease) | 2,960 | (2) | 2,958 |
| **Balance as at 31st March 2023** | **(520)** | **(21)** | **(541)** |

## Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different accounting for post-employment benefits and for funding benefits in accordance with statutory provisions.

|  |  |  |
| --- | --- | --- |
| **2022/23** | **Pensions Reserve** | **2021/22** |
| **£’000** |  | **£'000** |
| **(3,480)** | **Balance as at the 1st April** | **(4,040)** |
| 3,350 | Re-measurements of net defined liability/(asset) | 1,020 |
|  |  |  |
| (700) | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES | (750) |
|  |  |  |
| 310 | Employers pension contribution and direct payments to pensioners payable in the year | 290 |
| **(520)** | **Balance as at the 31st March** | **(3,480)** |

## Short Term Accumulated Absence Account

The short term accumulated absence account absorbs the differences that would otherwise arise on VVC reserves from accruing for compensated absences earned but not yet taken in the financial year i.e. annual leave carried forward at 31st March. Statutory arrangements require that the impact on the VVC’s Fund Balance is neutralised by transfers to/from the Account.

|  |  |  |
| --- | --- | --- |
| **2022/23** | **Accumulated Absences Account** | **2021/22** |
| **£’000** |  | **£'000** |
| **(19)** | **Balance as at 1st April** | **(42)** |
| **(21)** | Amounts accrued at the end of the current year | **(19)** |
| 19 | Amounts by which officer remuneration charges to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance with the statutory requirements. | 42 |
| **(21)** | **Balance as at 31st March** | **(19)** |

## Capital Adjustment Account

VVC does not have any capital assets or capital expenditure.

## Retirement Benefits Defined Benefit Schemes

### Local Government Pension Scheme Funded Benefits

The disclosures below relate to the funded liabilities within the Cardiff and Vale of Glamorgan Pension Fund (the Fund) which is part of the Local Government Pension Scheme (the LGPS). The LGPS is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits after 31 March 2014 are based on a Career Average Revalued Earnings scheme. Details of the benefits to be paid for the period covered by this disclosure are set out in the ‘Local Government Pension Scheme Regulations 2013’ and ‘The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014’.

The funded nature of the LGPS requires the Employer and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in LGPS Regulations 2013 and the Fund’s Funding Strategy Statement. The last actuarial valuation was at 31 March 2022 and the contributions to be paid until 31 March 2024 resulting from that valuation are set out in the Fund’s rates and adjustment certificate.

The Fund Administering Authority, City and County of Cardiff, is responsible for the governance of the Fund.

**Local Government Pension Scheme Unfunded Benefits**

The disclosures below also relate to the unfunded pension arrangements established by The Vale of Glamorgan Council. These are termination benefits made on a discretionary basis upon early retirement in respect of members of the Local Government Pension Scheme (LGPS) under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations and members of the Teachers’ Pension Scheme.

The latest actuarial valuation of unfunded benefits took place as at 31 March 2022. Liabilities have been estimated by the independent qualified actuary basis on an actuarial basis using the projected unit credit method.

**Key Issues impacting the actuarial calculation**

**2022 Actuarial Valuation**

These results allow for the 2022 Actuarial Valuation of the Cardiff and Vale Pension Fund. The effect of this is shown in the Actuarial (gains)/losses due to liability experience and the Return on plan assets (in excess of)/below that recognised in net interest and is reflected in the balance sheet position. The demographic assumptions have also been adjusted, and the Current Service Cost has also been updated to reflect the employer’s membership data as at the 2022 valuation.

**McCloud Judgement**

All employers will have accounted for McCloud in previous years and there is therefore no requirement to recognise an additional past service cost in relation to this.

**Assets Returns**

Asset Returns over the accounting period have been lower than expected.  This has led to a loss on assets over the accounting period and a worsening balance sheet position before allowance for the 2022 Actuarial Valuation.

**Financial Assumptions**

All inflation linked benefits are determined by reference to CPI. The recommended CPI Inflation at each duration has been calculated using the Aon UK Gilts Prices RPI curve adjusted for the RPI-CPI wedge, establishing an equivalent average CPI inflation rate for the four sample schemes.

The defined benefit obligation has been adjusted for actual CPI inflation being higher (or lower) than assumed. Over this accounting period the adjustment is based on actual CPI inflation of 13.8% between September 2021 and February 2023.

The defined benefit obligation has been adjusted to allow for salary increases of 7% per annum in line with the average settlement for 2022 under the National Joint Council negotiations. This impacts the value of active members’ liabilities that remain linked to final salary.

**Demographic Assumptions**

All mortality assumptions are based on an analysis of the Fund’s recent mortality experience that was carried out in advance of the 2022 valuation of the Fund using Aon’s demographic horizon’s longevity model.

Other demographic assumptions are the rates of withdrawal and ill health retirements (for active members). The allowance made for cash commutation on retirement, the proportion of members whose death gives rise to a dependent’s pension and the assumed levels of promotional salary increases. These assumptions have been kept as the same level as in the 2022 valuation.

**Impact of Covid-19 on Mortality**

The 2022 valuation reflects the impact of the Covid-19 on mortality rates.

**Key Assumptions**

The principle assumptions used by the actuary in updating the latest valuation of the Fund for IAS purposes were:

|  |  |  |
| --- | --- | --- |
|  | **31st March 2023** | **31st March 2022** |
|  | **% per annum** | **% per annum** |
| Discount Rate | 4.60% | 2.70% |
| CPI Inflation | 2.60% | 2.90% |
| Rate of Increase to Pensions in Payment | 2.60% | 2.90% |
| Pension Accounts Revaluations Rate | 2.60% | 2.90% |
| Rate of Increase in Salaries | 3.60% | 3.90% |

* The duration of the liabilities is the average period between the calculation date and the date at which benefit payments fall due.  Durations will be calculated based on the output of the most recent valuation exercise of the Employer’s funded liabilities.
* Employers may also prepare a separate disclosure note for their unfunded benefit schemes’ which pay pensions awarded at retirement on a discretionary basis.  The duration of the unfunded liabilities will usually be shorter than the duration of the LGPS benefits.  In the interest of pragmatism and practicality it is recommended that the financial assumptions used to report the unfunded scheme liabilities are the same as those used for valuing funded benefits.
* Pension increases on pension in excess of the Guaranteed Minimum Pension in payment where appropriate.
* It is recommended that the assumption for the revaluation rate of pension accounts is set equal to the assumption for pension increases.
* The defined benefit obligation has been adjusted to allow for salary increases of 7% pa in line with the average settlement for 2022 under National Joint Council negotiations. This impacts the value of active members’ liabilities that remain linked to final salary.
* The mortality tables shown apply to normal health retirements.  Different rates may apply to retirements in ill health

### Post Retirement Mortality (Retirement in Normal Health)

The mortality assumptions are based on actual mortality experience of members within the Fund based on analysis carried out as part of the 2022 Actuarial Valuation and allow for expected future mortality improvements. Sample life expectations at age 65 in normal health resulting from these mortality assumptions are shown below.

|  |  |  |
| --- | --- | --- |
| **Post Retirement Mortality** | **31st March 2023** | **31st March 2022** |
| **Males** |  |  |
| Member Aged 65 at Accounting Date | 22.6 | 22.1 |
| Member Aged 45 at Accounting Date | 23.2 | 23.2 |
| **Females** |  |  |
| Member Aged 65 at Accounting Date | 24.7 | 24.6 |
| Member Aged 45 at Accounting Date | 25.8 | 26.0 |

The majority of the Fund’s obligations are to provide benefits for the life of a member following retirement, so increases in life expectancy will result in an increase in the approximate split of assets for the Fund as a whole (based on data supplied by the Fund Administering Authority) is shown in the table below. The assets allocated to the employer in the Fund are notional and the assets are assumed to be invested in line with the investments of the Fund set out below for the purposes of calculating the return to be applied to those notional assets. The Fund is large and largely liquid and as a consequence there will be no significant restriction on realising assets if the situation arises. The assets are invested in a diversified spread of investments and the approximate split for the Fund as a whole is included in the disclosures.

The Administering Authority does not invest in property or assets related to itself. It is possible, however, that assets may be invested in shares relating to some of the private sector employers participating in the Fund if it forms part of their balanced investment strategy.

### Asset Allocation

|  |  |  |
| --- | --- | --- |
|  | **Asset Split as at** | **Asset Split as at** |
|  | **31st March 2023** | **31st March 2022** |
| Equities | 67.90% | 67.50% |
| Property | 7.20% | 6.90% |
| Government Bonds | 8.80% | 9.20% |
| Corporate Bonds | 7.60% | 8.40% |
| Multi Asset Credit | 5.30% | 5.70% |
| Cash | 3.20% | 2.30% |
| Other | 0.00% | 0.00% |
| **Total** | **100.00%** | **100.00%** |

### Reconciliation of Funded Status to Balance Sheet

|  |  |  |
| --- | --- | --- |
|  | **Value at** | **Value at** |
|  | **31st March 2023** | **31st March 2022** |
|  | **£M** | **£M** |
| Fair Value of Assets | 5.12 | 4.89 |
| Present Value of Funded Defined Benefit Obligation | (5.64) | (8.37) |
| **Funded Status** | **(0.52)** | **(3.48)** |
| Unrecognised Asset | 0.00 | 0.00 |
| **(Liability) Recognised on the Balance Sheet** | **(0.52)** | **(3.48)** |

The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows:

Active Members 70%

Deferred Pensioners 15%

Pensioners 15%

Employers who leave the Fund (or their guarantor) may have to make an exit payment to meet any shortfall in assets against their pension liabilities. If the employer (or guarantor) is not able to meet this exit payment the liability may in certain circumstances fall on other employers in the Fund. Further the assets at exit in respect of ‘Orphan Liabilities’ may in retrospect not be sufficient to meet the liabilities. This risk may fall on other employers. ‘Orphan Liabilities’ are currently a small proportion of the overall liabilities in the Fund.

### Maturity Profile of the Defined Benefit Obligation

The Employer’s regular contribution to the Fund for accounting period ended 31st March 2024 are estimated to be £0.29m, with the duration of liabilities being 23.1 years.

### Breakdown of Amounts Recognised in Surplus/Deficit on the Provision of Services and Other Comprehensive Income

|  |  |  |
| --- | --- | --- |
|  | **Period Ended** | **Period Ended** |
|  | **31st March 2023** | **31st March 2022** |
| **Operating Cost** | **£M** | **£M** |
| Current Service Cost | 0.61 | 0.66 |
| Past Service Cost (including curtailments) | 0.00 | 0.00 |
| Settlement Cost | 0.00 | 0.00 |
| **Financing Cost** |  |  |
| Interest on Net Defined Benefit Liability/(Asset) | 0.09 | 0.09 |
| **Pension Expense Recognised in Surplus or Deficit** | **0.70** | **0.75** |
| **Re-measurements in Other Comprehensive Income** |  |  |
| Return on Plan Assets (in excess of)/below that recognised in Net Interest | 0.27 | (0.20) |
| Actuarial (Gains)/Losses due to Changes in Financial Assumptions | (3.80) | (0.77) |
| Actuarial (Gains)/Losses due to Changes in Demographic Assumptions | (0.03) | (0.08) |
| Actuarial (Gains)/Losses due to Liability Experience | 0.21 | 0.03 |
| **Total Amount Recognised in Other Comprehensive Income** | **(3.35)** | **(1.02)** |
| **Total Amount Recognised in Comprehensive Income & Expenditure** | **(2.65)** | **(0.27)** |

The current service costs included an allowance for the administration expenses of £0.01M at 31st March 2023.

**Changes to the Present Value of the Defined Obligation During the Period**

|  |  |  |
| --- | --- | --- |
|  | **Period Ended** | **Period Ended** |
|  | **31st March 2023** | **31st March 2022** |
|  | **£M** | **£M** |
| **Opening Defined Benefit Obligation** | **8.37** | **8.34** |
| Current Service Cost | 0.61 | 0.66 |
| Interest Expense on Defined Benefit Obligation | 0.23 | 0.18 |
| Contribution by Participants | 0.09 | 0.09 |
| Actuarial (Gains)/Losses due to Changes in Financial Assumptions | (3.80) | (0.77) |
| Actuarial (Gains)/Losses due to Changes in Demographic Assumptions | (0.03) | (0.08) |
| Actuarial (Gains)/Losses due to Liability Experience | 0.21 | 0.03 |
| Net Benefits Paid Out | (0.04) | (0.08) |
| Past Service Cost Including Curtailments | 0.00 | 0.00 |
| Net Increase in Liabilities from Disposals/Acquisitions | 0.00 | 0.00 |
| Settlements | 0.00 | 0.00 |
| **Closing Defined Benefit Obligation** | **5.64** | **8.37** |

### Changes to the Fair Value of Assets during the Accounting Period

|  |  |  |
| --- | --- | --- |
|  | **Period Ended** | **Period Ended** |
|  | **31st March 2023** | **31st March 2022** |
|  | **£M** | **£M** |
| **Opening Fair Value of Assets** | **4.89** | **4.3** |
| Interest Income on Assets | 0.14 | 0.09 |
| Re-measurements Gains/(Losses) on Assets | (0.27) | 0.20 |
| Contributions by the Employer | 0.31 | 0.29 |
| Contribution by the Participant | 0.09 | 0.09 |
| Net Benefits Paid out | (0.04) | (0.08) |
| Net increase in Assets from Disposals/Acquisitions | 0.00 | 0.00 |
| Settlements | 0.00 | 0.00 |
| **Closing Fair Value of Assets** | **5.12** | **4.89** |

### Actual Return on Assets

|  |  |  |
| --- | --- | --- |
|  | **Period Ended** | **Period Ended** |
|  | **31st March 2023** | **31st March 2022** |
|  | **£M** | **£M** |
| Interest Income on Assets | 0.14 | 0.09 |
| Re-measurements Gains/(Losses) on Assets | (0.27) | 0.20 |
| **Actual Return on Assets** | **(0.13)** | **0.29** |

### Sensitivity Analysis of Projected Service Costs 2022/23

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting periodand assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e., on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Projected service cost in the sensitivity analysis below is the projected service cost for the period ending 31st March 2024.

**Discount Rate Assumption**

|  |  |  |  |
| --- | --- | --- | --- |
| **Adjustment to Discount Rate** | **+0.1% p.a.** | **Base Figure** | **-0.1% p.a.** |
| Present Value of Obligation (£M) | 5.51 | 5.64 | 5.77 |
| % Change in Present Value of Total Obligation | (2.3)% |  | 2.3% |
| Projected Service Cost (£M) | 0.28 | 0.29 | 0.30 |
| Approximate % Change in Projected Service Cost | (4.0)% |  | 4.1% |

**Rate of General Increase in Salaries**

|  |  |  |  |
| --- | --- | --- | --- |
| **Adjustment to Salary Increase Rate** | **+0.1% p.a.** | **Base Figure** | **-0.1% p.a.** |
| Present Value of Total Obligation (£M) | 5.66 | 5.64 | 5.62 |
| % Change in Present Value of Total Obligation | 0.4% |  | (0.4)% |
| Projected Service Cost (£M) | 0.29 | 0.29 | 0.29 |
| Approximate % Change in Projected Service Cost | 0.0% |  | 0.0% |

**Rate of Increase to Pensions and Rate of Revaluation of Pension Accounts**

|  |  |  |  |
| --- | --- | --- | --- |
| **Adjustment to Pension Increase Rate** | **+0.1% p.a.** | **Base Figure** | **-0.1% p.a.** |
| Present Value of Total Obligation (£M) | 5.75 | 5.64 | 5.53 |
| % Change in Present Value of Total Obligation | 1.9% |  | (1.9%) |
| Projected Service Cost (£M) | 0.30 | 0.29 | 0.28 |
| Approximate % Change in Projected Service Cost | 4.1% |  | (4.0)% |

**Post Retirement Mortality Assumption**

|  |  |  |  |
| --- | --- | --- | --- |
| **Adjustment to Mortality Age Rating Assumption** | **- 1 year** | **Base Figure** | **+ 1 year** |
| Present Value of Total Obligation (£M) | 5.79 | 5.64 | 5.49 |
| % Change in Present Value of Total Obligation | 2.7% |  | (2.7)% |
| Projected Service Cost (£M) | 0.30 | 0.29 | 0.28 |
| Approximate % Change in Projected Service Cost | 3.6% |  | (3.6)% |

* A rating of +1 year means that members are assumed to follow the mortality pattern for the base table for an individual that is 1 year older than them.

## Employee Emoluments

### Officers Remunerated in Excess of £60,000

There were no employees whose remuneration, excluding employer’s pension contributions but including redundancy costs, were over £60,000 or more in 2021/22 and 2022/23. The Regional Adoption Managers salary is in the £50k to £55k bracket.

The Management Committee members of VVC are employed directly by the partner authorities and their remuneration is not reflected in the accounts or the remuneration disclosures.

The designated Section 151 Officer for the Joint Committee is the Section 151 Officer for the Vale of Glamorgan Council as host authority. No remuneration for this post has been charged to the accounts or is included in the disclosure notes.

### Exit Packages

There were no exit packages agreed in 2021/22 or 2022/23 by the service.

## Interest

Interest is paid based on monthly average cash balances due to/from the Vale of Glamorgan Council.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2022/23** |  | **2021/22** |  |
|  | **£** | **%** | **£** | **%** |
| Interest (Charged)/Received on the VVC Account Balances | 0.0 | n/a | £232 | 0.48% |

## Comprehensive Glossary

**Accounting Period**

The period of time covered by the accounts, typically a period of 12 months commencing on 1st April. The end of the accounting period is the balance sheet date.

**Accounting Policies**

The specific principles, bases, conventions, rules and practices applied by the Council on behalf of the Joint Committee in preparing and presenting its financial statements.

**Accruals**

Amounts included in the final accounts to recognise revenue and capital income and expenditures earned of incurred in the financial year, but for which actual payment had not been received or made as at 31st March.

**Actuarial Gains and Losses**

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because of events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses); or the actuarial assumptions have varied.

**Amortisation**

The gradual elimination of a liability, such as a loan, funded in regular payments over a specified period of time. Such payments must be sufficient to cover both principal and interest.

**Asset**

An item having value to the authority in monetary terms. Assets are classed as either current or non-current;

* A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock).
* A non-current asset provides benefits to the Authority and to the services it provides for a period of more than one year and may be tangible e.g. a building or vehicle, or intangible e.g. computer software licenses.

**Balance Sheet**

A statement in the recorded assets, liabilities and reserves at the end of the accounting period.

**Capital Financing**

Funds obtained to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

**Cash Equivalents**

Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

**Comprehensive Income and Expenditure Account**

The revenue account of VVC that reports the net cost for the year of the functions for which it is responsible, and demonstrates how that cost has been financed from budgeted contributions, grants and other income.

**Creditor**

Amount owed by VVC for works done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

**Current Service Cost (Pensions)**

The increase in the present value of a defined benefit pension scheme’s liabilities, expected to arise from employee service in the current period.

**Debtor**

Amount owed to VVC for works done, goods received, or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

**Defined Benefit Pension Scheme**

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

**Depreciation**

The measure of the cost of the wearing out, consumption or other reduction in the useful economic life of VVC’s non-current assets during the accounting period, whether from use, the passage of time, or obsolescence through technological or other changes.

**Discretionary Benefits (Pensions)**

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the Authority’s (Vale of Glamorgan Council as Host) discretionary powers such as the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007.

**Effective Interest Rate**

This is the rate of interest needed to discount the estimated stream of principal and interest cash flows through the expected life of a financial instrument to equal the amount at initial recognition.

**Employee Benefits**

All forms of consideration given by VVC in exchange for services rendered by its employees.

**Events After the Balance Sheet Date**

Events after the balance sheet date are those events, favourable or unfavourable, that arise between the balance sheet and the date when the Statement of Accounts is authorised for issue.

**Exceptional Items**

Material items which derive from affairs or transactions that fall within the ordinary activities of VVC and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

**Expected Return on Pension Assets**

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

**Extraordinary Items**

Material items, having a high degree of abnormality, which drive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur. They do not include exceptional items, nor do they include prior period items merely because they relate to a prior period.

**Fair Value**

The fair value of an asset is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm’s-length transaction.

**Financial Instruments**

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instruments of another. The term covers both financial assets and financial liabilities, from straightforward trade receivables (invoices owing) and trade payables (invoices owed) to complex derivatives and embedded derivatives.

**Going Concern**

The concept that the Statement of Accounts are prepared on the assumption that the VVC will continue in operational existence for the foreseeable future.

**Impairment**

A reduction in the value of a non-current asset to below its carrying amount on the balance sheet. Impairment may be caused by a consumption of economic benefit (economic benefit impairment) of a general fall in prices.

**Intangible Assets**

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are most frequently found in local authority computer software.

**Liability**

A liability is where the VVC owes payment to an individual or another organisation.

* A current liability is an amount which will become payable or could be called in within the next accounting period, e.g., creditors or cash overdrawn.
* A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an accrual sum over a period of time.

**Materiality**

The concept that the Statement of Accounts should contain all amounts which, if omitted, or misstated, could be expected to lead to a distortion of the financial statements and ultimately mislead the user of the accounts.

**Net Book Value**

The amount at which non-current assets are included in the balance sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation and impairment.

**Past Service Cost (Pensions)**

For a defined pension scheme, the increase in the present value of the scheme’s liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

**Pension Scheme Liabilities**

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

**Prior Year Adjustment**

Material adjustments relating to prior years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring correction or adjustments of accounting estimates made in prior years.

**Provision**

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur, but the amounts or dates of when they will arise are uncertain.

**Related Parties**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions.

**Re-measurement of Pension Liability**

Changes to the pension liability made to reflect the return on plan assets and because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions.

**Reserves**

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available can be spent or earmarked at the discretion of VVC.

**Residual Value**

The net realisable value of an asset at the end of its useful life.

**Useful Economic Life (UEL)**

The period over which VVC will derive benefits form the use of a non-current asset.

# Annual Governance Statement

# VVC Regional Adoption Service

**Annual Governance Statement 2022/23**

Vale, Valleys & Cardiff Adoption Collaborative (VVC) was established on 1 June 2015. VVC is one of five regional Collaboratives which form part of the National Adoption Service in Wales. VVC provides an adoption service on behalf of the Vale of Glamorgan Council, Cardiff Council, Merthyr Tydfil County Borough Council and Rhondda Cynon Taff County Borough Council.

The statutory basis and regional footprint for the Collaborative is set out in the Adoption & Children Act 2002 (Joint Adoption Arrangements (Wales) Directions 2015.

## Scope of Responsibility

The duty to provide a comprehensive adoption service is contained in a range of primary legislation and regulation. Schedule 7 of VVC’s Collaborative Agreement details the adoption functions which are delegated to VVC and those which remain the responsibility of the partner authorities.

## The Governance Framework

## Collaborative Agreement

On 1st June 2015 all parties formally signed the Collaborative Agreement which provides the governance framework within which the service operates and specifies the areas of responsibility and accountability.

The Collaborative Agreement which has been in place was varied in 2019 and extended to 31 May 2023. A revised Agreement has been prepared and the amendments agreed by the partner authorities. The authority to enter into the new Agreement is being presented to the Vale of Glamorgan Cabinet on 6 July 2023. It will then be executed by all parties.

The Collaborative Agreement is a detailed document which sets out the criteria and expectations for a range of matters which include:

* The legislative basis
* The services provided.
* The membership and function of the Joint Committee, Management Board and Operational Group.
* The role and responsibilities of the Regional Adoption Manager.
* Financial arrangements.
* Premises
* Staffing.
* Reporting requirements
* Records and access to information including Data Protection and Information governance.
* Health & safety
* Audit requirements
* Termination and rights to withdraw.

## The Host Authority

The Collaborative Agreement formally assigns the Vale of Glamorgan Council as the Host Authority for VVC. The Vale of Glamorgan Council employs all staff within the Collaborative and provides all support and employment services including :

* Financial (Section 151 Officer as defined by section 151 of the Local Government Act 1972, Accounts, Payroll, Creditors etc.)
* Human Resources
* Health & Safety
* Legal services
* Internal Audit

## Joint Committee

This is comprised of one elected member (and a suitable substitute if required) from each of the partners. The Chair of the Management Board, one Head of Service with responsibility for Children’s Services from each partner authority (and a suitable substitute if required) and the Regional Adoption Manager are required to attend the Joint Committee in a non-voting capacity .

The Joint Committee has responsibility for approving the annual Collaborative Plan and the Collaborative budget. Meetings of the Joint Committee are held in May and December. The Committee is chaired by an elected member from one of the partner authorities on a biennial basis.

The Terms of Reference for the Joint Committee are set out in Schedule 2 of the Collaborative Agreement.

## Management Board

The second tier of governance within VVC is the Management Board. This is comprised of one Head of Service from each of the partner authorities, the Regional Adoption Manager and representatives from Health, Education, a Voluntary Adoption Agency and the National Adoption Service. The Management Board is chaired by a Director of Social Services on a biennial basis. Meetings are held on a quarterly basis.

The membership and Terms of Reference for the Management Board are set out in Schedule 4 of the Collaborative Agreement.

## Operational Group

In 2016/17 a Best Value review of the service highlighted the need to develop a third tier of governance primarily to focus upon the operational delivery of the service and development of regional processes. The Deed of Variation undertaken in 2019 formalised this recommendation and established the third tier of governance.

The Operational Group is attended by an operational lead for adoption from each of the partner authorities alongside the Regional Adoption Manager and service leads from VVC. It is chaired by one of the partner Operational Managers on a rotational basis. Meetings are held on a quarterly basis.

The membership and Terms of Reference for the Operational Group are set out in Schedule 5 of the Collaborative Agreement.

## Financial Management

Schedule 6 of the Collaborative Agreement outlines the Financial Protocol and the framework within which the finances of the Collaborative are administered.

Under the terms of the Collaborative Agreement the Joint Committee shall be presented with a proposed budget for the Collaborative for the following financial year by 31st December prior to the start of each financial year for agreement by 7th March in each year, subject to final approval in accordance with the financial procedures and constitutional arrangements of each partner.

The formula for calculating partners contributions was reviewed during 2018/19 and a revised formula was agreed based on the activity and usage of each partner as it was considered to be a more realistic way of apportioning costs. In order to avoid large swings in contributions between years, it was considered appropriate for part of the apportionment to be based on a fixed charge, which would be the same for each partner, with the remainder being based on activity to reflect the demands being placed on the service. It was agreed that 20% of the costs would be treated as fixed with 80% of the costs being classed as variable. The new methodology has been used since 2019/20.

The following factors were agreed to be used to determine the variable element of the contribution as they were considered to be the main cost drivers for the service. It was also agreed that an average of the last 3 years activity would be used which has the intention of smoothing any peaks and troughs in activity.

* Children Looked After (CLA) Numbers
* Children referrals into the Service
* Children Placed for Adoption
* Requests for Adoption Support

Financial monitoring reports are taken to Management Board on a quarterly basis and to Joint Committee twice a year.

## Service Structure

At the commencement of the service on 1 June 2015 a small number of staff transferred under TUPE transfer arrangements leaving the majority of staff to be appointed through an open recruitment process. Since this time the service has grown considerably and now employs 48 full-time equivalent staff. The service is delivered via three functional teams which focus upon the recruitment of adopters, family finding for children referred into the service and the provision of adoption support services for adoptive families and adopted adults. The teams are supported by a dedicated Business Support Team.

In 2019 the service received a grant as part of the Welsh Government investment in adoption services. The grant is split between VVC and the partner authorities. Five specialist posts have been recruited to VVC as a result of these monies.

## Review of Effectiveness

Schedule 6, of the Collaborative Agreement outlines the audit requirements in respect of the service. The Host’s external auditor (Wales Audit Office) is also the external auditor for VVC. The Schedule states that, following each year-end, the Host is required to prepare the annual accounts for the Joint Committee and Management Board and ensure that all relevant information is available for external inspection.

VVC is required to report on a range of performance measures to the National Adoption Service on a quarterly basis under a national Performance Management Framework. In addition, there is a legal requirement for the service to report on the quality of care provided on a six monthly basis and the Collaborative Agreement requires the service to prepare an annual report. This report is provided to the Joint Committee, VVC Management Board and to each of the partners’ Scrutiny Committees.

VVC is also required to report to the National Adoption Service on the performance of the grant funded posts within the region on a six monthly basis.

## Internal Audit

Since its’ inception VVC has been subject to an annual audit process undertaken by the internal auditor for the Host authority. The objective of the audit is to provide the necessary assurance that the financial controls and governance framework for the service is operating effectively and in compliance with the Council’s Financial Procedure Rules.

The audit undertaken relating to the 2021/22 financial year highlighted a number of strengths and areas of good practice. Two issues of concern were identified relating to the status of VVC’s WASPI and the audit trail in respect of Pcard purchases and non-order invoices. As a result of these matters the auditor determined that the system of controls in place were felt to provide “ Reasonable Assurance”. A Management Action Plan was developed as a result of the audit and updates have been provided during the year to the auditor on the progression of the plan.

The audit undertaken for 2022/23 financial year has recently been concluded and a draft audit report has been received by the service. A number of strengths and areas of good practice were identified and the auditor determined that the system of controls in place were felt to provide “Substantial Assurance”.

Three issues of concern were identified, two of which related to compliance with the Collaborative Agreement which ended on 31 May 2023. The Auditor highlighted the requirement to meet with Directors of Social Services on a bi-annual basis and noted the change to the billing of the partner agencies from quarterly to six-monthly. A meeting was held between Management Board and Directors in July 2022 but it was agreed that these meetings were not required on an ongoing basis as internal communications mechanisms were already in place in the respective partner authorities. The six-monthly billing process had already been in place for some time as agreed by all partners. The revised Collaborative Agreement has formally removed the requirement to meet with Directors of Social Services and has formalised the billing process to six monthly.

The other issue of concern identified by the audit related to quoracy of Management Board meetings. There were two instances which occurred and due to short notice, it was not possible to arrange a substitute representative. A Management Action Plan will be developed in response to the findings and the finalised report will be presented to VVC Management Board in July 2023.

The 2022/23 Statement of the Accounts will be audited by the Vale of Glamorgan’s External Auditors (Wales Audit Office) and reported to the Joint Committee in accordance with the Collaborative Agreement.

## Significant Governance Issues

There were no significant governance issues to raise during 2022/23.

***Definitions***

***Definition of Governance****: A series of policies, roles, responsibilities and processes that set the way an organisation is directed, administrated and controlled.*

***Definition of a Significant Governance Issue****: A specific area of the Organisation’s work that requires Senior Management attention to ensure that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner, to support improved outcomes for local people.*

## Certification of Annual Governance Statement

We can confirm, to the best of our knowledge and belief, this statement provides an accurate and fair view of the overall governance arrangements for the Regional Adoption Services.



Signed:

Councillor Eddie Williams – Chair of the VVC Joint Committee

Signed: A black line drawing of a triangle

Description automatically generated with medium confidence

Matthew Bowmer – Section 151 Officer

A black line drawn on a white background

Description automatically generated

Signed:

Lance Carver – Chair VVC Management Board

Signed: C:\Users\tdkadach\Pictures\Saved Pictures\screenshot (2).jpg  Angela Harris – Regional Adoption Manager