



City and County of Swansea

Notice of Meeting

You are invited to attend a Meeting of the

Audit Committee

At: Committee Room 5 - Guildhall, Swansea

On: Tuesday, 11 December 2018

Time: 2.00 pm

Chair: Paula O'Connor (Independent Chair)

Membership:

Councillors: C Anderson, P M Black, T J Hennegan, P R Hood-Williams, O G James, P K Jones, J W Jones, E T Kirchner, M B Lewis, S Pritchard, W G Thomas, L V Walton and T M White

Agenda

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Next Meeting: Tuesday, 12 February 2019 at 2.00 pm

Huw Evans

Huw Evans
Head of Democratic Services
Tuesday, 4 December 2018

Contact: Democratic Services: - 636923

Agenda Item 3



City and County of Swansea

Minutes of the **Audit Committee**

Committee Room 5 - Guildhall, Swansea

Tuesday, 9 October 2018 at 2.00 pm

Present: Paula O'Connor (Independent Chair) Presided

Councillor(s)

C Anderson
O G James
M B Lewis

Councillor(s)

T J Hennegan
P K Jones
W G Thomas

Councillor(s)

P R Hood-Williams
J W Jones
T M White

Officer(s)

Samantha Clements
Nick Davies
Huw Evans
Tracey Meredith
Jeremy Parkhouse
Kelly Small

Wales Audit Office
Principal Auditor
Head of Democratic Services
Chief Legal Officer
Democratic Services Officer
Head of Funding and Information Unit

Apologies for Absence

Councillor(s): P M Black, E T Kirchner and L V Walton

46 Disclosures of Personal and Prejudicial Interests.

In accordance with the Code of Conduct adopted by the City and County of Swansea, the following interests were declared: -

Councillor P K Jones – Minute No.51 – Wales Audit Office – Annual Improvement Report 2017/18 - My wife heads modern language interpretation at Swansea University and my son has his own language / interpreting / translation business – personal.

Councillor M B Lewis – Minute No.50 – Annual Report of School Audits 2017/18 – School Governor and Minute No. 51 – Wales Audit Office – Annual Improvement Report 2017/18 – Member of the Pension Fund Committee – personal.

Councillor T M White - Minute No.50 – Annual Report of School Audits 2017/18 – Member of School Governing Body (Pentrehafod Comprehensive) and Minute No. 51 – Wales Audit Office – Annual Improvement Report 2017/18 – Member of the Local Pension Board and benefactor of the Pension Fund – personal.

Paula O'Connor – Agenda as a whole – Head of Internal Audit to Abertawe Bro Morgannwg University Health Board – Personal.

47 Minutes.

Resolved that the Minutes of the previous meeting of the Audit Committee were approved as a correct record.

Minute No.40 – Internal Audit Monitoring Report

The Chair queried when an update would be received from the Interim Head of Digital and Transformation Services on the IT Disaster Recovery Policy and Recovery Plan due to it being a high-risk area.

It was explained that Internal Audit would follow up the report in Quarter 3.

The Vice-Chair commented that assurances were provided at the meeting that progress had been made.

Resolved that the Interim Head of Digital and Transformation Services provides an update to the Committee in Quarter 3.

48 Work of Policy Development Committees.

Huw Evans, Head of Democratic Services presented a report to provide feedback to the Audit Committee in relation to its questions about the Work of the Policy Development Committees (PDC's).

It was outlined that the Leader of the Council (Councillor R C Stewart) provided an update on the progress of the Policy Development & Delivery Committees to the Audit Committee on 10 April 2018. It was added that the Policy Development & Delivery Committees were abolished at the Annual Meeting of Council on 24 May 2018. The 5 Committees were replaced with 5 Policy Development Committees namely:

- Economy & Infrastructure;
- Education & Skills;
- People;
- Poverty Reduction;
- Transformation & Future Council.

The terms of reference of the PDC's were set out at Appendix A. Appendix B contained Principle D "Determining the interventions necessary to optimise the achievement of the intended outcomes" of the Annual Governance Statement 2017-2018". Appendix C provided the Policy Development & Delivery Committees Annual Report 2017-2018 and Appendix D the Policy Development Committees - Work Plans.

Discussions took place regarding the following: -

- Referral of work to and from Scrutiny and avoiding duplication of work;
- The development of a document being drafted by the Scrutiny Manager to clarify the differences between Scrutiny and PDC's;

- How PDC Work Plans were agreed and monitored;
- Comparisons with other local authorities.

Resolved that the contents of the report be noted.

49 For Information: Scrutiny Work Programme 2018-19.

Councillor M H Jones, Chair of the Scrutiny Programme Committee provided a report on the work of scrutiny for the Municipal year 2017-18 and highlighted scrutiny activities planned for 2017/18. The report was provided in order to support the developing relationship between Scrutiny and the Audit Committee.

She praised the work of the Scrutiny Team, the work of the Scrutiny Committee and Panels and referred to the positive response received from the Wales Audit Office review. She added that it would be beneficial to meet with Policy Development Committee Chairs in order to avoid any overlaps in work.

She referred to the 5 Scrutiny improvement objectives and highlighted the need for the work to be publically visible. She also emphasised the short timescale available to undertake pre-decision scrutiny in order to comment upon or influence reports.

The Committee asked questions of the Chair of Scrutiny, who responded accordingly. The following was discussed: -

- The different work programmes of Scrutiny and Policy Development Committee's;
- How the weekly agenda planning process examined the Scrutiny and Policy Development Committee work plans to avoid duplication;
- The wide availability of Policy Development Committee work plans on the Council website, which were easily accessible;
- Insufficient time to examine reports as part of the pre-decision scrutiny process;
- The Head of Democratic Services sharing with the Chair of Scrutiny Programme Committee the PDC Work Plans.

Resolved that the contents of the report be noted.

50 Annual Report of School Audits 2017/18.

The Principal Auditor presenting the report provided a summary of the school audits undertaken by the Internal Audit Section during 2017/18 and identified some common issues found during the audits.

It was outlined that an audit of each primary, secondary and special school in Swansea was undertaken every 3 years. A standard audit programme existed for each school sector.

For a number of years, a report summarising the school audits undertaken each year had been prepared for the Director of Education and Audit Committee. The report also identified the common themes which had been found during the audits.

The School Audits Annual Report 2017/18 was attached at Appendix 1.

The Committee asked a number of questions of the Principal Auditor and Head of Funding and Information Unit, who responded accordingly. Discussions centred around the following: -

- Schools being concerned that the Procurement SLA was not value for money and the review of the SLA being undertaken by Procurement;
- Schools not using in-house services due to the cost;
- Some schools not being aware of Contract Procedure Rules;
- Schools finding difficulty in obtaining quotations and the ongoing need for them to show best value;
- The Authority providing a catalogue for schools to purchase supplies;
- Schools using local suppliers;
- The need for all schools to appoint finance sub-committees to oversee budget / procurement issues;
- The opinion of the Internal Audit Section concluded that the financial management systems established in schools continue to provide a generally high level of assurance, subject to procurement compliance issues.

Resolved that: -

- 1) The contents of the report be noted;
- 2) Education / Procurement provide the Audit Committee with a finalised catalogue within 3 months.

51 Wales Audit Office - Annual Improvement Report 2017/18.

Samantha Clements, Wales Audit Office presented the Annual Improvement Report 2017-18 – City and County of Swansea.

Details of 2017-18 performance audit work were provided and Exhibit 1 contained the audit, regulatory and inspection work reported during 2017-18. It was highlighted that the Auditor General believed that the Council was likely to comply with the requirements of the Local Government Measure (2009) during 2018-19. It was added that while the Auditor General did not make any formal recommendations, a number of proposals for improvement were made and were included at Appendix 3.

The Chair referred to the Appendix 3 – National report recommendations 2017-18 and sought clarification regarding how the Wales Audit Office would monitor and make best use of the recommendations.

The Committee asked questions of the Wales Audit Office representative, who responded accordingly. Discussions centred around the following: -

- The Authority working successfully in partnership with outside agencies, e.g. homelessness;
- Wales Audit Office monitoring and following up previous recommendations;
- The poor track record of the Authority in identifying and delivering against financial savings plans;

- Budget variations being reported to the Audit Committee.

Resolved that: -

- 1) The contents of the report be noted;
- 2) The Wales Audit Office updates the Committee regarding how the Council monitors and makes the best use of recommendations from the National Shared Learning Agenda;
- 3) The Chief Finance Officer be requested to report future budget variations to the Committee.

52 City & County of Swansea - Audit Committee Update – October 2018.

Samantha Clements, Wales Audit Office presented Wales Audit Office Update Report – October 2018.

Details provided included Financial Audit Work and Pension Fund Audit Work 2017-18 and Performance Audit work.

The Chair requested that the Wales Audit Office reports be added to the Audit Committee Work Programme when they were due.

The Committee highlighted the amount of bureaucracy that existed and the potential cost to the Wales Audit Office.

Resolved that: -

- 1) The contents of the report be noted;
- 2) The potential cost of bureaucracy be highlighted to the Wales Audit Office.

53 Audit Committee Action Tracker Report. (For Information)

The Audit Committee Tracker Report was reported 'for information'.

54 Audit Committee Work Plan. (For Information)

The Audit Committee Work Plan was reported 'for information'.

The Chair stated that she had met the Chief Executive to discuss the Wales Audit Office Escalation Process and the Assurance Framework. The meeting was very productive and the Chief Executive would attend the Committee to discuss governance and risk management. Future regular meetings with the Chief Executive would also be scheduled.

The Chair added that she and the Vice-Chair would be attending Cardiff Council's Audit Committee in November and requested that an Officer also attended.

It was noted that the Trusts & Charities Update Report would be reported to the next scheduled meeting.

Resolved that: -

- 1) The Trusts & Charities Update be reported to the next scheduled meeting;
- 2) An Officer be requested to accompany the Chair and Vice-Chair to the Cardiff Council Audit Committee.

The meeting ended at 3.30 pm

Chair

Agenda Item 4



Report of the Head of Digital and Transformation

Audit Committee – 11 December 2018

Implementation of Internal Audit Recommendations for Disaster Recovery Plan 2017/18

| | |
|-----------------------------|---|
| Purpose: | To update on Implementation of Internal Audit Recommendations for Disaster Recovery Plan 2017/18. |
| Report Author: | Jo Harley |
| Finance Officer: | Ben Smith |
| Legal Officer: | Tracey Meredith |
| Access to Services Officer: | Rhian Millar |

For Information

1. Introduction

1.1 Following concerns raised by the Audit Committee in 2014, that recommendations by some services were not being implemented, any internal audit recommendations that were raised as a medium risk, would be monitored at PFM meetings. In order to provide assurance to Members that actions are taken to address the issues, Heads of Service will also attend Audit Committee.

2. Disaster Recovery Audit 17/18

2.1 The final report for the Disaster Recovery audit was issued on the 26th June 2018, with a moderate level of assurance. There were 21 recommendations, 12 classified as medium risks.

2.2 The medium risk recommendations are detailed in Appendix A. **All recommendations have now been implemented.** However, this audit merely focused on the Disaster Recovery Plan. It did not take account of resilience work already undertaken / underway and the strategy around Disaster Recovery. These focus on long term cost effective solutions to provide full Disaster Recovery for the Council, taking advantage of new technological solutions that have recently become available.

3. Resilience Work Undertaken / Underway

- 3.1 A new state of the art storage array was implemented in 2017 which provided a huge step in ensuring that the majority of the Council's data is resilient. It provides resilience for all users' data including all virtually hosted applications. This storage in the Civic centre is replicated in the Guildhall in real time. Therefore if there is a hardware failure there is a copy elsewhere which can be restored quickly.
- 3.2 To provide resilience for the aging servers, many of these have been migrated to the new VMWare virtual server farm. This means that performance and resilience is spread across multiple servers so if one failed another one would automatically take over. This also has the added benefit on an environmental and licensing cost basis as the VMWare virtual server farm requires less power and reduced licence costs.
- 3.3 Currently a modern, resilient backup solution for any residual on premise hardware is being investigated. This will improve efficiencies by cutting down on back up times and allowing more data to be backed up in a time frame therefore enabling quicker restore times in any DR situation.
- 3.4 A core infrastructure refresh on server and network equipment is being undertaken to aid resilience of the Council's network and will feed into the Disaster Recovery Plan.

4. Disaster Recovery (DR) Strategy

- 4.1 The Digital Strategy centres on a cloud first principle. This also relates to providing a long term DR solution. Microsoft have been commissioned and completed an investigation to review what can be transferred to the cloud once Swansea's internet infrastructure is upgraded by BT. Until this is completed any cloud migration will not be possible.
- 4.2 A number of areas still need investigating/completing before the business case on investment can be determined, including:
- Auditing all the services currently used and their configuration
 - BT upgrade Swansea infrastructure. This will then provide internet connectivity to enable server cloud migration
 - Investigation of cloud based back-up solutions
 - Analysis of the Microsoft report for server cloud migration to identify what should and can move to a cloud based infrastructure e.g Azure and what will need to remain on premise. This hybrid approach will be key to providing a more cost effective Disaster Recovery solution.

5. Equality and Engagement Implications

Lack of appropriate DR can impact frontline services. However, the implementation of the IT solutions in themselves do not have equality or engagement implications as they are all back office activities.

6. Legal Implications

The Council is considering partnership working wherever possible. Legal implications may therefore apply in the future if any DR solutions can be delivered in collaboration.

7. Financial Implications

There will be future financial implications of the wider DR work, which are not currently known. Any investment proposals will need a full business case.

Background Papers: None.

Appendices: Appendix A

Appendix A – Medium Risk Recommendation as per Audit

| REP REF | RECOMMENDATION | CLASS (HR; MR; LR; GP) | AGREED ACTION/ COMMENTS | RESPONS FOR IMPLEM | IMP DATE | CURRENT POSITION |
|---------------------------------------|--|------------------------|--|--------------------|--------------|---|
| Ownership and Management | | | | | | |
| 2.1.2 a) | Terms of Reference should be established. | MR | Agreed – Terms of reference will be established and issued to staff. | M Powney | 30 Sept 2018 | Actioned BC & DR Plan updated 09/18 section 7 |
| c) | Regular reviews of the plan should be carried out by the team. | MR | Agreed | M Powney | 30 Sept 2018 | Actioned BC & DR Plan updated 09/18 section 3 |
| Risk Assessment and Prevention | | | | | | |
| 2.2.1 | The Plan should be reviewed on at least an annual basis. | MR | Agreed – Annual review to be carried out | M Powney | April 2019 | Actioned Last reviewed and updated Sept 18, next due Sept 19. |
| 2.2.5 b) | An indication of the length of time the Council could survive without the system should be recorded. | MR | Agreed – For all systems times will be recorded. | M Powney | 30 Sept 2018 | Actioned BC & DR Plan updated 09/18 section 8.1 |
| c) | Details of the minimum resources required to get the system up and running should be recorded. | MR | Agreed – Minimum resources needed will be recorded | M Powney | 30 Sept 2018 | Actioned |

| REP REF | RECOMMENDATION | CLASS (HR; MR; LR; GP) | AGREED ACTION/ COMMENTS | RESPONS FOR IMPLEM | IMP DATE | CURRENT POSITION |
|---------------------------|--|------------------------|--|--------------------|--------------|---|
| | | | | | | BC & DR Plan updated 09/18 section 8.1 |
| 2.2.6 | For each system, information as to how the IT service would address the various systems objectives should be recorded. | MR | Agreed – How system objectives will be achieved will be recorded. | M Powney | 30 Sept 2018 | Actioned BC & DR Plan updated 09/18 section 8.1 |
| 2.2.7 | Each risk highlighted should be detailed individually in the Councils Risk Registers. | MR | Agreed – IT service Risks will be recorded. Risk in relation to individual systems will be recorded in service risk registers . See report ref 2.4.1 | M Powney | 30 Sept 2018 | Actioned Email issued on 6/11/11 to all Heads of Service by Head of Digital and Transformation |
| The Corporate Plan | | | | | | |
| 2.3.1 | | | | | | |
| b) | Full details of any Risk Assessments carried out should be fully recorded. | MR | Agreed – Assessments will be recorded. | M Powney | 30 Sept 2018 | Actioned No Risk Assessments have been carried out, but assurance given that they will be fully recorded. |
| c) | Recovery sites should be established. | MR | Agreed – The Costs of recovery sites will be established and forwarded to Senior Management. | M Powney | 30 Sept 2018 | Actioned Report taken to CMT by Head of |

| REP REF | RECOMMENDATION | CLASS (HR; MR; LR; GP) | AGREED ACTION/ COMMENTS | RESPONS FOR IMPLEM | IMP DATE | CURRENT POSITION |
|-------------------------|--|------------------------|---|--------------------|--------------|--|
| | | | | | | Digital and Transformation |
| IT Users Plans | | | | | | |
| 2.4.1 | The IT department should liaise with all system owners to ensure each Business Continuity Plan has addressed the potential loss of hardware and software implications. | MR | Agreed – Systems Users will be contacted and they will be informed whether Recovery Sites are in place and how long system access is anticipated to be down. Also that system users are responsible for addressing this risk in their individual Business Continuity Plans. | M Powney | 30 Sept 2018 | Actioned Email issued on 6/11/11 to all Heads of Service by Head of Digital and Transformation |
| Resourcing | | | | | | |
| 2.5.2 | Adequate insurance should be in place and maintained to ensure cover in a disaster. | MR | Agreed – Insurance section will be contacted to clarify the insurance in place to cover a disaster situation | M Powney | 30 Sep 2018 | Actioned Insurance section have been contacted and cover confirmed. |
| Testing the Plan | | | | | | |
| 2.7.1 | Regular testing of the plan should take place. | MR | Agreed – testing for low to medium risk disasters. For major disasters costs will be taken into consideration | M Powney | 30 Sept 2018 | Actioned Emergency Management Team have agreed to undertake training next year. |



Report of the Deputy Chief Executive / Director of Resources

Audit Committee – 11 December 2018

Overview of the Overall Status of Risk - Quarter 2 2018/19

| | |
|-----------------------------|--|
| Purpose: | The report presents an overview of the status of risk in the Council during Quarter 2 2018/19 to provide assurance to the Committee on the operation of the risk management policy and framework within the Council. |
| Report Author: | Richard Rowlands |
| Finance Officer: | Paul Roach |
| Legal Officer: | Debbie Smith |
| Access to Services Officer: | Rhian Millar |
| For Information | |

1. Background

- 1.1 Audit Committee requested on the 11th July 2017 an overview every quarter on the overall status of risk in the Council to give assurance that the risk management process is being followed.
- 1.2 This report at Appendix A covers the Quarter 2 2018/19 period and compared to the position at Quarter 1 2018/19.

2. Corporate & Directorate Risk Registers

- 2.1 Following on from discussions at Audit Committee concerning access to the Council's Corporate Risk Register, Corporate Management Team (CMT) has now given approval to include the Directorate Risk Register, in addition to the Corporate Risk Register, into the public reports pack for Audit Committee.
- 2.2 The Corporate & Directorate Risk Registers (dated 16/11/18) are attached at Appendix B and Appendix C respectively.

2. Equality and Engagement Implications

2.1 There are no direct equality and engagement implications from this report.

3. Legal Implications

3.1 There are no legal implications.

4. Financial Implications

4.1 There are no financial implications.

For Information

Background papers: *None*

Appendices: Appendix A - Summary of the overall status of risk within the Council Quarter 2 2018/19.

Appendix B – Corporate Risk Register dated 16/11/18

Appendix C – Directorate Risk Register dated 16/11/18

Audit Committee – 11th December 2018

Summary of the overall status of risk within the Council – Quarter 2 2018/19

The following report summarises the overall status of risk within Swansea Council.

Overall Risk Status – Quarter 2 2018/19

The table below illustrates overall risk status as at Quarter 1 and Quarter 2 2018/19.

| | Low Risk | Medium Risk | High Risk |
|-----------------|----------|-------------|-----------|
| Quarter 1 18/19 | 14 | 132 | 30 |
| Quarter 2 18/19 | 21 | 135 | 29 |
| + - change | +7 | +3 | -1 |

Summary – changes to the Risk Registers

- **98%** of the risks that were in place as at Quarter 1 2018/19 were recorded as having been reviewed as at Quarter 2 2018/19 (3 were not updated).
- This is an improvement over the position at Quarter 1 2018/19 where 85% of risks had been reviewed since Quarter 4 2017/18.



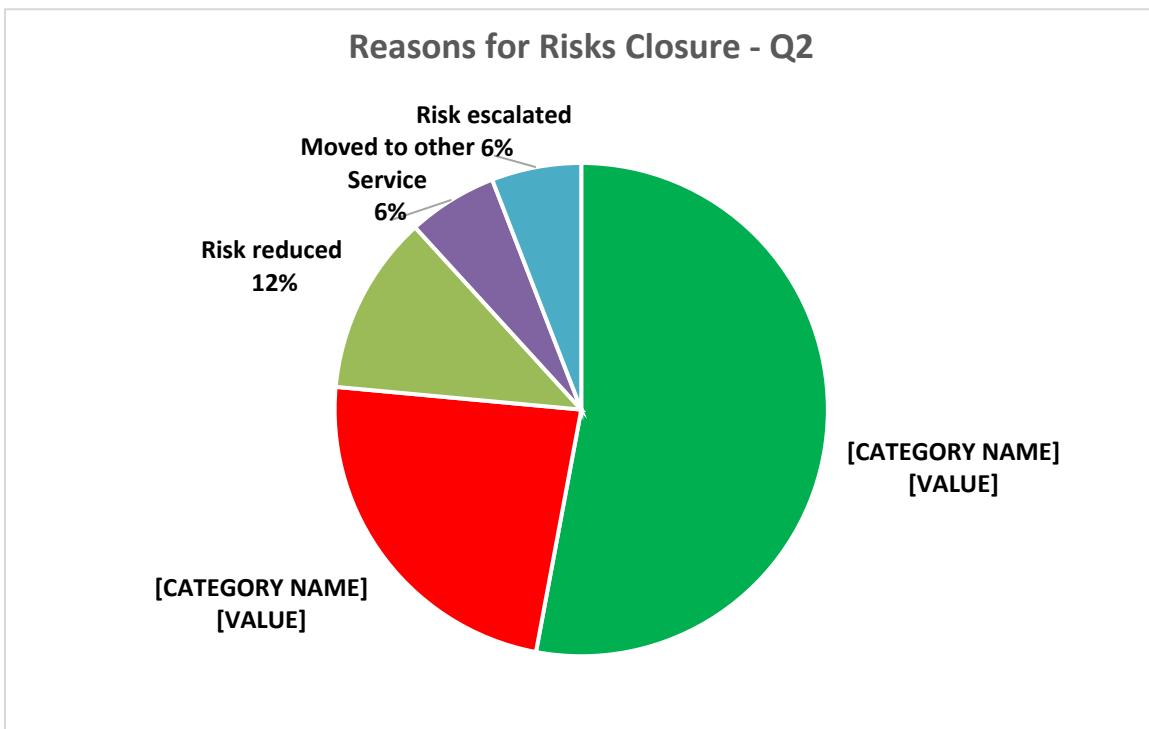
- 26 new risks were added to the registers.

| Low Risk | Medium Risk | High Risk |
|----------|-------------|-----------|
| 5 | 18 | 3 |

- 17 risks were closed.

| Low Risk | Medium Risk | High Risk |
|----------|-------------|-----------|
| 1 | 13 | 3 |

- 17 out of the 17 risks (**100%**) that were closed had reasons/comments for doing so recorded, compared to **92%** in Quarter 1 2018/19. Reasons for closure displayed in the chart below:



- One risk was escalated in Q2, whereas none were in Quarter 1 2018/19.
- The overall RAG status of 6 risks were changed. Of these 3 showed a reduction in risk level and 3 showed an increase.

Other observations

- Controls and actions are in place for all risks on the registers.
- Cabinet and Corporate Management Team (CMT) jointly reviewed the Corporate Risks on 7th August in line with the approved Risk Management Policy.

Appendix B

Corporate Risk Register Report 16/11/18

| Risk Id | Risk Title | Category | Responsible Officer | Date Last Updated | Overall RAG |
|---------|---|---------------------------|---------------------|-------------------|-------------|
| CR 79 | Local Government Reorganisation | Corporate Governance | phil roberts | 16/10/2018 | G |
| CR 80 | Financial Control and Sustainable Swansea | Corporate Finance | ben smith | 14/11/2018 | R |
| CR 81 | City Centre | Corporate Plan Priorities | martin nicholls | 15/11/2018 | A |
| CR 82 | Safeguarding | Corporate Plan Priorities | david howes | 02/10/2018 | A |
| CR 83 | Pupil attainment and achievement | Corporate Plan Priorities | nick williams | 30/09/2018 | A |
| CR 84 | Tackling poverty | Corporate Plan Priorities | david howes | 08/11/2018 | A |
| CR 85 | Workforce Strategy | Corporate Governance | sarah caulkin | 15/11/2018 | A |
| CR 86 | Digital, data and cyber security | Corporate Governance | sarah caulkin | 28/09/2018 | A |
| CR 87 | Emergency Planning, Resilience and Business Continuity | Corporate Governance | phil roberts | 16/10/2018 | A |
| CR 88 | Health & Safety | Corporate Governance | phil roberts | 16/10/2018 | A |
| CR 89 | New legislative and statutory requirements | Corporate Governance | tracey meredith | 22/10/2018 | A |
| CR 90 | Decision to leave the European Union (BREXIT) | Corporate Finance | ben smith | 15/11/2018 | R |
| CR 91 | Tax evasion | Corporate Finance | ben smith | 24/09/2018 | A |

CR 79: Local Government Reorganisation

Risk Description:

If there is no clarity or clear timescale for local government re-organisation, then we could be distracted from business as usual and service delivery could be disrupted.

Risk added 27/03/18 following review of production of Corporate Plan 2017/22 and subsequent review of Corporate Risks

Category:

Corporate Governance

Controls in Place:

- Good understanding locally and regionally of the proposals for local government re- organisation.
- Using political channels effectively to influence decision-making.
- Seeking to influence proposals through WLGA / SOLACE.
- Collaborating regionally with other local authorities on our response and taking a proactive and leadership role.
- Maintaining a clear focus on our own service delivery.
- Having a 'can do' organisational culture and approach where we are open to change and making things work.

Actions to be taken:

- Green Paper proposals now dropped by Welsh Government in relation to compulsory merger
- Promotion of regional collaboration now the most likely WG direction
Council position on merger established but neighbouring council views are unclear
Greater clarity now given around regional collaboration through ERW, WB and City Deal

Responsible Officer: phil roberts

Current Likelihood: Very Low

Current Impact: Medium

Overall RAG Status: Green

Report Date: 16/11/2018 14:17:59

CR 80: Financial Control and Sustainable Swansea**Risk Description:**

If we fail to deliver Sustainable Swansea and maintain sufficient financial control, then we will not be able to respond appropriately to continuing austerity, demographic pressures, increasing demand and changing public expectations.

Risk added 27/03/18 following review of production of Corporate Plan 2017/22 and subsequent review of Corporate Risks. Supersedes risks CR46 and CR47.

Category:

Corporate Finance

Controls in Place:

- An agreed plan and a process for corporate level monitoring in place.
- An agreed budget.
- Clear governance and reporting in place.
- Prevention Strategy.

- Regular monthly monitoring at P&FMs.
- Reporting, monitoring and review at FSTG.
- Audit Committee providing challenge, oversight and assurance.
- Collaborative officer and Member budget setting process in place.
- MTFP.
- Dedicated Scrutiny Service Improvement and Finance Performance Panel consider and scrutinise the budget on a quarterly basis

Actions to be taken:

- The budget position is tracked and reported to CMT, P&FMs and FSTG on a monthly basis to monitor progress and highlight risks to meeting savings early.
- Fewer generic savings.
- Cross-cutting Commissioning Reviews.
- Continue to embed the Sustainable Development Principle into the budget setting process forming part of Budget Week in September 2018.
- Involve the public in co-producing and setting the budget.
- Aspire to collaborate more with other local authorities
- Join-up information so outcomes and delivery are clear to the public
- Review of schools SLAs in response to underlying shortfall on delegated schools budget

BGS Update 26/6 - budget position is being tracked to try and early capture and warn on all delivery risks not just financials - financial pressures remain severe given draw from reserves 17-18 outturn, emerging pressures for 18-19

BGS 24/9 - position remains stable compared to first quarter for 19/20 but has not materially improved. Risks for the future have increased especially around ending of public sector pay cap, partial funding only of teacher pay award, pending substantial increases to teacher employer costs, ongoing social care pressures. LG settlement 9 October - and extent to which there will be recognition and funding - will be key

BGS 14/11 - provisional settlement like for like cash £18k - allocation not adequate to address pressures. Develop ongoing budget proposals in light of this provisional settlement. Await further announcements and final settlement around 20th December.

Responsible Officer: ben smith

Current Likelihood: Very High

Current Impact: Very High

Overall RAG Status: Red

Report Date: 16/11/2018 14:17:59

CR 81: City Centre

Risk Description:

If we are unable to attract sufficient external investment and financial support

and do not regenerate the city centre, then there will be a detrimental impact on the Swansea economy and reputational damage for the Council.

Risk added 27/03/18 following review of production of Corporate Plan 2017/22 and subsequent review of Corporate Risks. Supersedes risk CR58.

Category:

Corporate Plan Priorities

Controls in Place:

- City Deal
- City Centre Strategic Framework and resources to deliver it.
- Political mandate, leadership and support.
- Corporate priority.
- Developer confidence reflected in their actions taking forward schemes.
- The BID and buy-in from city centre businesses.
- Financial control of the revenue budget providing financial headroom for capital schemes

Actions to be taken:

- Cabinet approved funding via FPR 7 for next stage of projects on the 21st June
- Cabinet approved joint committee report on the 21st June with Council on the 26th July
- Contract award report for Phase 1 contractor appointment (stage 1) due to by end of July. delayed due to eb considered during august but under delegation so no affect on overall timescales

- City Deal Governance Structure now agreed and private sector board appointed (Sept 18)
- City Deal joint committee now constituted
- Business cases being finalised with UK and WG (further queries received)
- Further FPR report planned for cabinet in November
- Planning achieved 2nd October.
- Awaiting formal confirmation of City Deal terms
- Further report required on future funding requirements by end of 2018
- RAG status on likelihood changed to RED to reflect delay in confirming City Deal monies and subsequent FPR report

Responsible Officer: martin nicholls

Current Likelihood: High

Current Impact: Medium

Overall RAG Status: Amber

Report Date: 16/11/2018 14:17:59

CR 82: Safeguarding

Risk Description:

If our safeguarding arrangements are not sufficiently robust, then we will not be doing everything we possibly can to prevent the death, injury or neglect of a child or vulnerable adult and consequential reputational damage.

Risk added 27/03/18 following review of production of Corporate Plan 2017/22 and subsequent review of Corporate Risks. Supersedes risk CR45.

Category:

Corporate Plan Priorities

Controls in Place:

- Sufficient numbers of trained adult and children services staff.
- Corporate Safeguarding Policy and Group.
- Strong performance monitoring and reporting arrangements.
- Positive engagement and support from Cabinet and Council.
- Corporate safeguarding training in place for staff and Members.
- Commitment to invest in social care is strong.
- Corporate priority.
- Regional and multi-agency safeguarding partnerships.
- Safeguarding leads identified across all Council services, including schools.
- Separate safeguarding arrangements in place in schools.
- Two dedicated scrutiny panels in place to scrutinise social services work and performance.
- New and revised Safeguarding Policy following a review undertaken by the Safeguarding PDDC'

Actions to be taken:

- Strengthen safeguarding arrangements in Adult Social Services through restructuring and development of a safeguarding team

Updated 12.09.18 - Ffion Larsen

Updated 02.10.18 - Ffion Larsen

Responsible Officer: dave howes

Current Likelihood: Low

Current Impact: Very High

Overall RAG Status: Amber

Report Date: 16/11/2018 14:17:59

CR 83: Pupil attainment and achievement

Risk Description:

If we cannot get schools to improve pupil attainment and achievement at a time of reduced resources and increasing demand, then pupils will not get the qualifications and skills they need to succeed in life and there will be a

detrimental impact on the future Swansea economy.

Risk added 27/03/18 following review of production of Corporate Plan 2017/22 and subsequent review of Corporate Risks. Supersedes risk CR59.

Category:

Corporate Plan Priorities

Controls in Place:

- Positive engagement and support from Cabinet and Council.
- Commitment to invest in Education.
- Corporate priority.
- Good school-to-school support.
- Effective partnership working.
- School Improvement Strategy and Partnership.
- New EOTAS Strategy & programme.
- Attendance Strategy.
- Renewed focus through the Child Protection Board on the educational achievement of LAC.
- Strong school building programme.
- Strong leadership commitment to influencing the ERW agenda.
- Commissioning Review on ALN.
- Dedicated scrutiny panel to scrutinise education work and performance.
- Education Skills Co-ordinator appointed.

Actions to be taken:

- Managing the review of ERW and strong KS4 outcomes in 2018.

Responsible Officer: nick williams

Current Likelihood: Medium

Current Impact: Medium

Overall RAG Status: Amber

Report Date: 16/11/2018 14:17:59

CR 84: Tackling poverty

Risk Description:

If we do not implement a strategy that sufficiently impacts on poverty, then there will continue to be negative consequences for current and future generations, high demand for Council services and a continuing detrimental impact on the Swansea economy.

Risk added 27/03/18 following review of production of Corporate Plan 2017/22 and subsequent review of Corporate Risks. Supersedes risk CR44.

Category:

Corporate Plan Priorities

Controls in Place:

- Reviewed and revised Tackling Poverty Strategy agreed by Cabinet
- Cross Council Delivery Plan in place and performance framework being introduced
- Council Poverty Forum renewed, chaired by Chief Executive
- Partnership Poverty Forum in place, and action plan being delivered
- Explorations of social investment options for key services being undertaken
- Scrutiny Inquiry undertaken 2016 and report recommendations largely accepted
- Tackling Poverty a Corporate Priority

Actions to be taken:

- Implement revised Tackling Poverty Strategy.
- Poverty Forums meeting regularly
- Partnership Poverty Forum has action plan and strong involvement
- Poverty has been included in the PSB Wellbeing Plan
- Update RR 28/07/18 - Responsible Officer changed to Dave Howes following Chris Sivers leaving the Authority.
- Updated 03.10.18 - Rachel Moxey
- Updated 08.11.18 - Rachel Moxey

Responsible Officer: david howes

Current Likelihood: Medium

Current Impact: Medium

Overall RAG Status: Amber

Report Date: 16/11/2018 14:17:59

CR 85: Workforce Strategy**Risk Description:**

If we do not have a robust workforce strategy in place, then we will not have staff with sufficient capacity and the right knowledge and skills to manage change, deliver transformed services and ensure statutory compliance.

Risk added 27/03/18 following review of production of Corporate Plan 2017/22 and subsequent review of Corporate Risks. Supersedes risk CR43.

Category:

Corporate Governance

Controls in Place:

- Workforce Planning
- Corporate Plan Sustainable Development principles embedded in the objectives
- Service Planning
- Gender pay gap and project plan
- Apprenticeship / traineeships strategy

Actions to be taken:

Reviewed November 2018

- Organisational Development (OD) strategy and implementation plan in place
- OD Board meets monthly to monitor progress on delivery
- Tracking and monitoring of OD plan and delivery through new ICT systems and processes
- New reporting through revised CMT/Cabinet governance
- New reporting through Leadership Team
- HR Policy review underway
- Sustainable Swansea programme review underway including culture, change plan and workforce planning
- Gender pay gap analysis and plan part of Policy Development Committee work plan
- Corporate Plan refreshed - sustainable development principles embedded into objectives

Responsible Officer: sarah caulkin

Current Likelihood: Medium

Current Impact: Medium

Overall RAG Status: Amber

Report Date: 16/11/2018 14:17:59

CR 86: Digital, data and cyber security**Risk Description:**

If we do not have robust digital, data and cyber security measures and systems and behaviours in place, embedded and working as best as they can be, then we will be vulnerable to cyber threats, disruption to service delivery, possible loss of information including confidential information and associated fines and reputational damage.

Risk added 27/03/18 following review of production of Corporate Plan 2017/22 and subsequent review of Corporate Risks. Supersedes risk CR66.

Risk revised 18/09/18 following attendance at a cyber-event with the police and receiving information from the WLGA regarding what Local Authorities should be demonstrating as basic measures.

Category:

Corporate Governance

Controls in Place:

- Public Services Network (PSN) compliance certificate (tested annually)
- Mandatory data protection and cyber security training for all staff and Councillors
- Communications and awareness raising to all staff and Councillors monthly on good practice
- SIRO identified
- Information Governance Unit (IGU) established

- Identified GDPR project team and actions delivered to meet requirements
- Created a register of processing activities to identify what personal data we control and process
- Updated the data breach process to align with GDPR requirements
- Created a GDPR compliant privacy notice to be placed on our public website
- Created a Data Protection Impact assessment measuring the impact to individual rights to privacy
- Data Protection Officer required by GDPR regulations now appointed and in place.
- GDPR information for schools published on Staffnet
- 6 months Communications programme started in November 2017.

added 18/09/18

- Externally hosted email filtering service to prevent the sending and receiving of emails which contain known and suspected virus infections.
- Firewalls and filtering software as our first line of defence to monitor incoming and outgoing network traffic.
- Software patching to enable systems to stay updated and secure from weaknesses and unauthorised access.
- Encryption is used on mobile devices as a security measure that makes data unreadable if it's stolen.
- Up-to-date anti-virus software installed on all Council PC's and laptops to detect and remove malicious software.
- A variety of ICT policies and procedures to ensure staff are responsible for their actions when using technology.
- Staff only granted access to social media / networking for specific business reasons in a work-related professional capacity.
- Council data is backed up and taken off-site.
- Staff on Mobile working and remote access have the facilities to work outside their office and still have the same secure setup as if they were sitting at their desks.
- More use of secure cloud storage.

Actions to be taken:

Reviewed July 2018

- Revised Security Policy
- General Data Protection Regulation (GDPR) compliance monitoring and reporting through P&FMs and new CMT/Cabinet governance
- GDPR project complete

Added 18/09/18

- Digital Services working with internal audit and emergency planning to further improve the ICT Disaster recovery plan.
- Members of Digital Services, Communications and emergency planning attended a cyber-security training event with the police which included senior officers from various local authorities interacting in an event of a real cyber incident.
- Cyber Security strategy created and ready for engagement with staff.

- Part of the Wales WARP (Warning Advice and Reporting Point) to share cyber threats and defences with other public bodies.
- Member of the CISP (Cyber Security Information Sharing Partnership) which is a joint industry and government initiative set up to exchange cyber threat information.

Responsible Officer: sarah caulkin

Current Likelihood: Low

Current Impact: Very High

Overall RAG Status: Amber

Report Date: 16/11/2018 14:17:59

CR 87: Emergency Planning, Resilience and Business Continuity

Risk Description:

If we do not have sufficient emergency planning, resilience and business continuity arrangements in place, then we will not be able to respond effectively in an emergency, provide the necessary civic leadership or continue to run vital services and ensure compliance with the legal requirements of the Civic Contingencies Act 2004 as a Category 1 Responder.

Risk added 27/03/18 following review of production of Corporate Plan 2017/22 and subsequent review of Corporate Risks. Supersedes risk CR48.

Category:

Corporate Governance

Controls in Place:

- Major Incident Plan
- Flood Management Plan
- Mass Fatality Plan
- Temporary Mortuary Arrangements
- Crisis Media Plan
- Rest Centre Plan & Arrangements
- Recovery Plan
- Offsite COMAH Plan & Exercising
- Risk Profiling
- Project Griffin Training
- Vehicle Mitigation & Protective Security Advice
- Multi Agency Exercising & Training
- Call Out & Activation Protocols/action Cards
- Continual Review of Plans & Protocols
- Service and Corporate Business Impact Assessments and Business Continuity Plans
- RAG alert system across H&S, emergency management

Actions to be taken:

- Continual review and update of policies
 - Continual development of further toolkits to support managers and schools
 - Emergency Planning exercise
 - Commissioned Emergency Control Centre
 - Monitoring and reporting of emergency management to P&FM, escalating to CMT where appropriate
- Ensuring senior staff training and roles are clear
Greater responsibility allocated to Deputy CEO

Responsible Officer: phil roberts

Current Likelihood: Low

Current Impact: Very High

Overall RAG Status: Amber

Report Date: 16/11/2018 14:17:59

CR 88: Health & Safety**Risk Description:**

If we fail to have robust Health & Safety policies and arrangements in place, then there could be a health and safety breach identified as a corporate failing with associated legal, financial and reputational consequences.

Risk added 27/03/18 following review of production of Corporate Plan 2017/22 and subsequent review of Corporate Risks. Supersedes risk CR50.

Category:

Corporate Governance

Controls in Place:

- Health & Safety (H&S) Policies
- H&S Toolkits
- RIDDOR procedures for reportable incident to the HSE
- H&S audit plan
- Well-being Policies
- Member of British Association of Counsellors and Psychotherapists (BACP)
- SEQOSH accreditation by Faculty of Occupational Medicine
- Noise, Dust, Lighting, Humidity & Vibration sampling
- Directors H&S Committees & Sub safety Groups
- RAG alert system across H&S, emergency management and well-being

Actions to be taken:

- H&S e-learning
- Continual review and update of policies
- Continual development of further toolkits to support managers and schools
- Swansea Council RAG Fire Risk Profiling for all Premises.
- Improved online reporting
- Monitoring and reporting of H&S and well-being to P&FM, escalating to CMT

where appropriate

Responsible Officer: phil roberts

Current Likelihood: Low

Current Impact: High

Overall RAG Status: Amber

Report Date: 16/11/2018 14:17:59

CR 89: New legislative and statutory requirements

Risk Description:

IF the council cannot respond adequately to new legislative and regulatory requirements due to reduced resources, then it will be open to external challenge and may suffer reputational damage and fines.

Risk added 27/03/18 following review of production of Corporate Plan 2017/22 and subsequent review of Corporate Risks. Supersedes risk CR62.

Category:

Corporate Governance

Controls in Place:

- Corporate Plan: captures major change and meets duties under the Well-being of Future Generations Act 2015 to set well-being objectives and establish steps to meet them.
- Service Planning: use of the SWOT/PESTLE process to capture external legislative changes and threats, etc. and embed the Well-being of Future Generations Act 2015.
- Role of Directors/Heads of Service: duty to horizon scan and bring forward papers on new changes and to resource accordingly and act in accordance with the Sustainable Development Principle established by the Well-being of Future Generations Act 2015.
- Regular policy briefing developed and widely circulated.
- Regular Policy foresighting briefing - policy perspectives, new ideas and emerging ways of working - developed and widely circulated.
- Monitoring of new legislation by legal department and democratic services.
- Lawyers in Local Government Update on new legislation, consultation and constitutional matters circulated by Head of Legal to CMT on regular basis. Legal implications inserted into decision making reports.

Actions to be taken:

- Strategic Delivery Unit: horizon scan and give advice on our response to new legislation and other major external change.
- Legislative duties and legal obligations incorporated into reports to committees and decision makers with all reports signed off by Legal and Access to Services.
- Embedding legislative duties at the earliest stages of decision-making

Responsible Officer: tracey meredith

Current Likelihood: Low

Current Impact: Medium

Overall RAG Status: Amber

Report Date: 16/11/2018 14:17:59

CR 90: Decision to leave the European Union (BREXIT)

Risk Description:

If there continuing uncertainty from the decision to exit the European Union (BREXIT), then there may be a risk to investment in the region due to the loss of grants and decisions affecting strategic inward investment.

Risk added 27/03/18 following review of production of Corporate Plan 2017/22 and subsequent review of Corporate Risks. Supersedes risk CR64.

Category:

Corporate Finance

Controls in Place:

- A risk outside directly of Council control/influence.
- Maximise existing grant take ups/explore alternative sources of grant/investment
- Event horizon scanning of all media, parliamentary decisions, negotiations.
- Lobbying through WLGA, professional associations for UK/WG government grant/other decisions to attract inward investment via alternative means e.g. City Deal, Tidal Lagoon (despite UK government rejection of financial support re latter)

Arrangements we are putting place to manage them:

- Corporate - Work with the WLGA and welsh Government to ensure there is a collective and consistent approach across Welsh local government in responding to BREXIT; the Leader for the Council also leads for WLGA on Europe, which will be beneficial to the Council in identifying means to address risks. Lobby via WLGA, professional associations for locally retained business rates.
- Economic development and regeneration - Increase level of marketing and promotion of city centre projects and opportunities; increase awareness of Business support offer available to local companies and local supply chain opportunities; exploring alternative funding sources and methods of funding.
- Information management: We will follow ICO guidance with regard to Brexit.
- Records management: We will ensure any European project records are secured and up to date for the period stipulated by the EU regardless of Brexit but also expect there may be guidance from WEFO on this.
- ICT/Digital: We have been ensuring UK based data centres in our move to

Cloud to mitigate any impact of Brexit as well as ensuring data security. Brexit may impact patching of software where we have large global suppliers such as Oracle. A fundamental global change to the system as a result of EU legislative changes may still need to be delivered by us (unless suppliers release a UK version which is yet unknown). We've seen ICT contract costs gradually rising over the past 18 months due to concern in the market on the impact of Brexit. We have been mitigating against contract inflation in the budget and MTFP wherever possible.

- Social care - Relevant staff are participating in briefings on the national schemes set up to mitigate that impact and communicating directly with local providers to better assess likely impact.
- HR - Joined the national teleconferences with the Home Office around EEA nationals and residency. Undertaken a risk assessment and identified potentially impacted employees and areas of work. Plans to communicate to managers information to help by providing useful and reassuring information to staff (FAQs, considering discussing in meetings i.e. one-to one's). Established a working group to prepare an action plan to ensure that we are able to manage a migrant workforce and making business decisions on how to potentially support employees to regularise their stay or apply to become British citizens. Attending Home Office seminars, in relation to plans to pilot their Settled Status Scheme systems with UK health and social care staff ahead of the systems becoming fully operational and open to all from 30 March 2019; this pilot will run from 29 November until 21 December this year Ensuring that we remain updated in line with CIPD advice and legal guidance.

Actions to be taken:

- Lobby via WLGA, professional associations for locally retained business rates

BGS Update 26/6/18 - Personally fed into Welsh Assembly Finance Committee budget roadshow on matter, WLGA and professional bodies continue lobbying, still await material detail and devolution consequentials - remains difficult to assess the overall risk - especially the impact score - remains unchanged for now but impact score may increase as time progresses and detail becomes clearer.

- Work with the WLGA and Welsh Government to ensure there is a collective and consistent approach across Welsh local government in responding to BREXIT.
- Convene a group / committee tasked with mitigation of impacts in regards to BREXIT
- Undertake a BREXIT impact assessment.

BGS 24/9/18 - given lack of progress in the past 3 months pan UK - this has been increased to very high likelihood of uncertainty pervading and the risks

and impact of the permutations of Brexit deals and no deals has also deteriorated

BGS 14/11

Key implications risks and opportunities:

- Legal – no immediate specific issues as all EU laws segue into or are already UK law
- Contracted services – EU nationals employed by your contractors. Probably have higher numbers of non-EU non-UK nationals especially in care sector.
- Care sector - increased fragility of the domiciliary and residential care market due to workforce impacts.
- HR – own workforce we have around 100 EU nationals. There is a proposed settlement fee of £554 per worker. Expectation is we as employer would pay fees even if no legal obligation.
- Civil Contingency - civil unrest locally unlikely but everything is still contingency planned for locally, regionally and nationally; can be escalated as needs be.
- EU funds – after 2022/23 structural funds and programmes dry up. Loss of EU Structural Funds currently £30m of schemes in progress particularly supporting economic development, capital and skills initiatives. There is no indication of how this funding would be replaced and very limited alternative funding from Welsh Government and other sources. Shared Prosperity Fund as replacement vague as to implications – policy vacuum. In economic development & poverty and prevention, we have around 45 of our staff funded by EU funds. Impact on wider work creation programmes. Wider Welsh issues are E.g. Welsh Development Bank part funded by ERDF.
- State Aid Regime – currently tied to EU rules – but in a “no deal” Brexit we would default to WTO rules, which are arguably even more onerous.
- Agency and workforce - need to actively engage with both for a post EU Brexit, no discrimination policy etc. .
- Risks – are currently too finance focussed and need to widen to procurement, staff, HR, civil contingency etc. and actions to mitigate.
- Money – zero grant losses from EU factored into MTFP post 2022-23. Unknown.
- Port Health Authority - becomes potentially hard border – implications for goods and food/waste transit etc.,
- Swansea Airport – we are landowner not operator but still a port of entry – albeit small scale
- Data – where will it be held - Microsoft e.g. only just opened British Data centres. What is the legal regime for services in cloud in future?
- Health, Environment – long-term risk re climate change, agriculture etc.
- Public Health – monitoring water, power - significant resource issues re certification of meat, food, livestock, vaccines etc. if EU certification schemes end.
- Local economy risks: Lower levels of inward investment due to the uncertainty of financial markets and changing regulations created by Brexit. Market uncertainty also affects ability to attract developers and investors to commit to city centre regeneration schemes. Potential effect on businesses

ability to trade with EU companies impacting on employment levels.

- Procurement - cost inflation due to a no-deal. Current UK Gov position is to make a deal based on a 'customs union', so there may be some inflation on our contracts; but too early to tell as the detail is not yet apparent. If 'no deal' then likely higher inflation for a period as the supply base reacts to new tariffs etc. Loss of EU labour may cause cost increases too, but again given the settled status regime proposed by UK Gov, that may be a longer-term problem.

Responsible Officer: ben smith

Current Likelihood: Very High

Current Impact: Medium

Overall RAG Status: Red

Report Date: 16/11/2018 14:17:59

CR 91: Tax evasion

Risk Description:

If the Council fails to prevent those who act for or on its behalf from knowingly or unknowingly facilitating (including failing to prevent) tax evasion, then the Council will be criminally liable and will face an investigation by HMRC with potential prosecution and unlimited financial liability.

Risk added 27/03/18 following review of production of Corporate Plan 2017/22 and subsequent review of Corporate Risks.

Category:

Corporate Finance

Controls in Place:

- VAT Manual, Guidance Notes and Accounting Instructions.
- VAT advice available via Principal Finance Partner and external VAT advisors.
- Financial Procedure Rules (FPRs) and Contract Procedure Rules (CPRs).
- IR35 guidance and procedure notes available.
- Procurement rules and procedures.
- Segregation of duties.

Actions to be taken:

- A briefing note discussed at CMT and circulated to senior management team, head teachers, finance managers and finance contacts to raise awareness.
- Head Teachers, finance managers / managers to establish policies, procedures and communication to follow financial rules, procedures and guidance and to prevent the risk.
- Audit/Corporate Fraud to incorporate this as part of their plans, investigations and audits.

BGS review 26/6/18 - no material identified cases - schools remain an

operational boundary risk for Council given budget/operational delegation - but on basis of current isolated incidence of risk identified, likelihood down rated to low

BGS Reviewed 24/9/18 - no change to likelihood assessment, impact reduced

Responsible Officer: ben smith

Current Likelihood: Low

Current Impact: Medium

Overall RAG Status: Amber

Report Date: 16/11/2018 14:17:59

Appendix C

Directorate Risk Register Report 16/11/18

| | Risk Title | Owner | Date Last Updated | Overall RAG |
|-------|---|---------------|-------------------|-------------|
| CS 41 | Outstanding Equal Pay Claims | Sarah Caulkin | 15/11/2018 | G |
| CS 83 | ICT Disaster Recovery | Sarah Caulkin | 15/11/2018 | A |
| CS 90 | 2019 Pay Award | Sarah Caulkin | 15/11/2018 | A |
| CS 91 | Corporate Governance | Adam Hill | 15/11/2018 | A |
| CS 92 | Sustainable Swansea Programme Delivery | sarah caulkin | 15/11/2018 | R |

CS 41: Outstanding Equal Pay Claims

Risk Description:

If the Authority does not resolve the outstanding Equal Pay Claims THEN it will face a far greater cost in respect of these liabilities at the Employment Tribunal at a later date.

Controls in Place:

Small number of remaining Equal Pay Claims & Back Pay being processed.

- Responsible Officer amended to Sarah Caulkin by S Rees 21.12.17.

Actions to be taken:

Reviewed November 2018:

All outstanding pay claims are in the system. Keeping the risk open and reviewing until end of the financial year.

Cabinet decision 16th July 2015 to extend the MOU agreed in November 2014 to all new in scope claimants received since November 2015 and potential in scope non-claimants.

Number of live claims at Employment Tribunal continues to reduce as we make settlements and/or ask for them to be struck out.

Only 60 claims outstanding as at December 2017.

Owner: Sarah Caulkin

Responsible Officer: sarah caulkin

Current Likelihood: Low

Current Impact: Low

Overall RAG Status: Green

Report Date: 16/11/2018 14:35:08

CS 83: ICT Disaster Recovery

Risk Description:

If full DR arrangements are not in place then the Council will have no access to system in the event of a disaster which will have a significant business impact

Controls in Place:

1. There are reliant aspects to a number of the core systems e.g. email.
2. UPS are on all servers to eliminate the risk of power spikes.
3. Backups are taken every day and disks stored off site
5. New approach to improve / increase resilience and DR in Digital Strategy approved by Cabinet in January 2016. Implementation underway.
6. New storage arrays installed
7. New hybrid cloud environment to improve resilience

Actions to be taken:

Reviewed and updated November 2018:

1. Information asset register created, next phase underway with asset owners
2. Plans are being developed to provide a full DR solution covering Schools and corporate services
3. ICT resilience significantly improved with implementation of digital strategy, i.e. Office 365, new infrastructure and network configuration, new storage and back-up storage
4. Project underway moving more services to cloud to improve resilience
5. ICT working with resilience staff to support services with their business continuity arrangements
6. New projects underway in 2018 as part of Digital Strategy review
7. Audit of DR completed in August 2018 - plan reflects actions listed above
8. Oil change in transformer successfully completed with no down time in November 2017

Responsible Officer: sarah caulkin

Current Likelihood: Low

Current Impact: Very High

Overall RAG Status: Amber

Report Date: 16/11/2018 14:35:08

CS 90: 2019 Pay Award

Risk Description:

If the 2019 pay award is not modelled correctly there are potential implications regarding additional cost, equal pay issues and employee relations issues.

Controls in Place:

- Pay modelling structures and processes
- Trade union consultation

Actions to be taken:

Reviewed November 2018:

Extensive pay modelling has been undertaken and an external view taken. The preferred pay structure has been determined and will be EIA assessed. Pay model discussed at CMT, trade union consultation starting.

Owner: Sarah Caulkin

Responsible Officer: sarah caulkin

Current Likelihood: Medium

Current Impact: High

Overall RAG Status: Amber

Report Date: 16/11/2018 14:35:08

CS 91: Corporate Governance

Risk Description:

If there is not robust corporate governance then the Council is at risk of not meeting its statutory obligations

Controls in Place:

- Code of Corporate Governance Framework
- Annual Governance Statement
- Council Constitution - procedural rules
- Corporate Plan
- Clear roles and decision making structures
- Risk management
- Financial reporting
- Audit Committee
- Scrutiny Committee
- Statutory Officers

Actions to be taken:

Reviewed November 2018

- Risk Owner and responsibility passed to Deputy Chief Executive
- Internal audit of governance assurance rating of substantial
- Updating and reviewing the governance / assurance framework
- Updating and reviewing the Constitution (continuous)
- New tracker around finance / MTFP delivery in place and scrutinised at CMT

away days

- Contract Procedure Rules (CPR) in the process of being updated
- Reviewing governance around major projects so high risk projects are visible through CMT
- Updating and reviewing Financial Procedure Rules (FPR)

Owner: Adam Hill

Responsible Officer: adam hill

Current Likelihood: Low

Current Impact: High

Overall RAG Status: Amber

Report Date: 16/11/2018 14:35:08

CS 92: Sustainable Swansea Programme Delivery

Risk Description:

If the Sustainable Swansea Programme does not deliver at the pace and scale as planned, then the Council is at risk of not meeting its financial and strategic plans

Controls in Place:

- MTFP
- Programme plan
- Robust programme governance and reporting
- Robust programme management for risks, issues, changes
- Links with Corporate Governance risk around risk reporting for major projects
- Annual programme review reflecting lessons learned into revised programme

Actions to be taken:

Reviewed November 2018:

- New tracker monitored at CMT away days monthly
- Pace and scale of savings across the Council continues to be a challenge alongside growing service pressures. CMT taking remedial action to mitigate the risk
- Programme governance and reporting reviewed
- Tracker informs Qtrly finance reporting
- New budget and programme review underway - this year reviewing original strategic principles and framework
- Commissioning review progress being presented at Scrutiny in December

Owner: sarah caulkin

Responsible Officer: sarah caulkin

Current Likelihood: Medium

Current Impact: Very High

Overall RAG Status: Red

Report Date: 16/11/2018 14:35:08

People Risk Register Report 16/11/18

| Id | Risk Title | Owner | Date Last Updated | Overall RAG |
|-----------|--|---------------|--------------------------|--------------------|
| PE 61 | Withdrawal or changes to grants at short notice | Dave Howes | 12/11/2018 | A |
| PE 83 | Capacity to transform services and deliverability of budget proposals | Nick Williams | 13/11/2018 | A |
| PE 84 | Increasing Demand for Specialist Services | Dave Howes | 08/11/2018 | A |
| PE 85 | Workforce Planning | Dave Howes | 15/11/2018 | A |
| PE 87 | Band B Programme funding envelope is reduced | Nick Williams | 20/09/2018 | A |
| PE 89 | Data Breaches of Confidentiality | Dave Howes | 12/11/2018 | G |
| PE 90 | Financial Stability of Social Care Market | Dave Howes | 15/11/2018 | A |

PE 61: Withdrawal or changes to grants at short notice

Risk Description:

If grants are withdrawn or reduced at short notice, then there are additional costs to the Council as well as planning challenges for reduction in service delivery.

Controls in Place:

- All services areas are profiling for loss of grants and developing a plan of action for this. HR process and consultation period arrangements are being negotiated with unions to enable managers to give contractual notice period only. Regular liaison with Welsh Government is taking place to identify potential loss of grants at an early stage. Existing overspends plans are in place, and will be reviewed at quarterly reporting stage. Some areas are already making reductions in anticipation of WG grant cut.
- Schools are being made fully aware of grant terms and conditions and any restrictions. Exit strategies are being prepared once a grant has been awarded.
- Grant applications are considered carefully and rejected if the terms and conditions are too restrictive.
- Continuing engagement is taking place with schools through the Education Strategy Group and Budget Forum.
- Models of delivery are reviewed where grants are removed e.g. EMAU.

Actions to be taken:

- Continued monitoring of grants - ongoing
- Profiling of potential grant reduction - ongoing for different areas

- Managers preparing for a future with no ring fencing of grants, in case these are included in the overall Revenue Support Grant.
- Continue monitoring and continued pressures as a result of budget announcement October 2018
- Lobbying of WG regarding MEAG by Chief Executive and Cardiff, Newport
- Three year budget strategies in place for all services
- EMAU service being reviewed and remodelled

Updated 02.10.18 - Chris Davies

Updated 12.11.18 - Chris Davies

Owner: Dave Howes

Responsible Officer: david howes

Current Likelihood: Medium

Current Impact: Medium

Overall RAG Status: Amber

Report Date: 16/11/2018 14:35:08

PE 83: Capacity to transform services and deliverability of budget proposals

Risk Description:

IF we do not have sufficient capacity to transform services THEN we will not balance the budget by year end

Controls in Place:

Requested regular reporting on budget proposal tracker to People PFM
 Proposals developed in good time for agreement with Cabinet
 Cabinet Members well briefed on the decisions that will need to be taken
 Capacity for invest to save built into the budget in November in some areas
 Improvement Plans in place for all service areas
 quarterly budget monitoring in line with PFM cycle
 National education grants are being rolled into a single Regional Consortium School Improvement Grant and its value is being reduced. Continuing engagement with stakeholders about funding prospects continues through Education Strategy Group and Schools Forum.

Actions to be taken:

Budget Tracker in development, should be complete and in PFM reporting by April 2018

recruitment of Invest to Save capacity by June 2018

13/11/18 - Colin Goddard Changed the responsible officer from Chris Sivers to Nick Williams (Director of Education) to fall in line with organisational restructure. Future Updates will be given by Nick Williams.

Owner: Nick Williams
Responsible Officer: nick williams
Current Likelihood: Medium
Current Impact: High
Overall RAG Status: Amber
Report Date: 16/11/2018 14:35:08

PE 84: Increasing Demand for Specialist Services

Risk Description:

IF we cannot predict and reduce demand effectively THEN specialist services will struggle to cope and there will be insufficient resources to meet that demand

Controls in Place:

Predictive modelling taking place for some services
Prevention Strategy agreed
Budget savings tracker in preparation for reporting to PFMs

Actions to be taken:

Implementation of commissioning strategies to ensure supply matches demand. Completion of commissioning reviews for LD, MH and YAPD services to ensure adequate sustainable services

Updated 09.10.18 - Peter Field

Updated 08.11.18 - Peter Field

Owner: Dave Howes
Responsible Officer: david howes
Current Likelihood: Medium
Current Impact: High
Overall RAG Status: Amber
Report Date: 16/11/2018 14:35:08

PE 85: Workforce Planning

Risk Description:

IF we do not predict the needs of the workforce of the future THEN we will have experience skills and resourcing gaps that will lead to additional demand and overspending on budgets.

Controls in Place:

- Transformation Plan in place, outlining what will be required to achieve change.
- Interim Training needs analysis and work force plan is in place.

- Agreed practice frameworks for both Child and Family and Adult Services

Actions to be taken:

- Transformation Plans to be implemented.
- Three-year budget strategy in place linked to the transformation plan to be realised.
- Swansea Social Services Training Needs Analysis Templates completed by the end of November 2018.
- Overall Social Services Workforce Development Plan due to be completed. February 2019
- Identify reporting mechanisms, which must include and incorporate a performance framework.
- Conclude a performance framework and ensure it is embedded within services.
- The development of marketing opportunities in social care
- Work force structure and data cleanse linked to the work force development plan.
- Communication strategy specific to workforce planning to be developed.

Updated 09.10.18 - Teresa Mylan-Rees

Updated 15.11.18 - Teresa Mylan-Rees

Owner: Dave Howes

Responsible Officer: david howes

Current Likelihood: Medium

Current Impact: Medium

Overall RAG Status: Amber

Report Date: 16/11/2018 14:35:08

PE 87: Band B Programme funding envelope is reduced

Risk Description:

IF we are unable to gain approval to detailed business cases and timely access to the full funding envelope approved in principle by WG THEN the investment in schools capital will not address all the identified priority needs.

Controls in Place:

- Robust governance arrangements for Band B
- Coherent and consistent County-wide strategy and detailed plans for early investment priority areas
- Continuing constructive engagement with WG officials
- CMT is ensuring oversight of the programme

Actions to be taken:

- Sufficient capacity and resourcing to inform business cases and then deliver approved schemes
- Detailed business cases submitted and approved by WG in line with indicative delivery timescales

- Contingency 'plan B' in respect of specific investment areas where WG funding support is potentially wavering (e.g. Special Schools)

06-09/18: Risk amended to reflect progress on Band B since the original risk was identified. No changes to RAG status.

Owner: Nick Williams
Responsible Officer: nick williams
Current Likelihood: Low
Current Impact: High
Overall RAG Status: Amber
Report Date: 16/11/2018 14:35:08

PE 89: Data Breaches of Confidentiality

Risk Description:
Data breaches.

Controls in Place:
Adult Services Action Plan and Child and Family Services Action Plan to counteract breaches and to prevent them taking place.

A Data Protection Impact Assessment (DPIA) to be completed.

Actions to be taken:

DPIA has been completed along with a process for sending mail. Next steps are to roll out communication/training workshops and planning of these is being undertaken.

Updated 03.09.18 - Deborah Reed
Updated 02.10.18 - Deborah Reed
Updated 12.11.18 - Sonia Miles

Owner: Dave Howes
Responsible Officer: deborah reed
Current Likelihood: Very Low
Current Impact: Very Low
Overall RAG Status: Green
Report Date: 16/11/2018 14:35:08

PE 90: Financial Stability of Social Care Market

Risk Description:
If there is financial instability within the care home and domiciliary care provider market, then there will be a serious threat to the capacity, choice and

quality of services available to citizens and to vulnerable adults to help them to remain at home or in a home of their choice.

Controls in Place:

Discussions/meetings held with service providers at risk.

Liaison with Corporate Procurement/Legal/Finance teams.

Packages of care reallocated to alternative service providers, when risks identified relating to the stability of Domiciliary Care providers.

Monitoring visit with all service providers covering regulations/contract specification standards/business plans/financial risk/financial systems.

Actions to be taken:

To develop Swansea's market position through Western Bay Regional Health and Social Care programme, and through the work of a Category Hub, as part of Sustainable Swansea - Fit For The Future programme.

Termination of contracts with named providers where quality standards are not consistently met or financial due diligence is not found. In some cases this includes reallocation of some packages of care, rather than complete termination of the contract to help stabilise the provider.

Under Sustainable Swansea-Commissioning reviews of Domiciliary Care, Residential Care, and Day Services in Swansea. A re-commissioning process is underway. This involves creating zones across the county to encourage a more even distribution of services and an optimal number of Providers. This will help to build stability in the sector.

Undertaking review of fee rates of care homes to ensure that rates paid can sustain services and cover costs. A standard approach to annual costs review is being developed to ensure services are sustainable across adult services.

Adult Services Improvement Plan - longer term plan to develop around process going forward.

Updated - 9 October 2018 - Peter Field

Updated - 15 November 2019 - Peter Field

Owner: Dave Howes

Responsible Officer: david howes

Current Likelihood: Medium

Current Impact: Medium

Overall RAG Status: Amber

Report Date: 16/11/2018 14:35:08

Place (Finance) Risk Register Report 16/11/18

| | Risk Title | Owner | Date Last Updated | Overall RAG |
|-----------|---|---------------|-------------------|-------------|
| PL FIN 2 | Building Maintenance | andrew shaw | 14/11/2018 | A |
| PL FIN 12 | Welfare reform | Jane Harries | 16/11/2018 | A |
| PL FIN 16 | Disabled Facilities Grant - Performance and Budget Spend | Mark Wade | 16/11/2018 | A |
| PL FIN 17 | Reduced Capital funding / loss of staff | Stuart Davies | 01/10/2018 | A |

PL FIN 2: Building Maintenance

Risk Description:

Given the current condition of our building assets and the available revenue maintenance budget, there is significant risk that the demand will outstrip available budget. As we move forward the ability for us to add to the budget will not exist with other measures to reduce by the required 20%. As part of 'Sustainable Swansea' it is recognised that should the CCoS reduce its asset register, savings could be realised from the revenue maintenance budget. This has been factored within future CB&PS savings.

To ensure we manage within the available budget there needs to be a reduction within the asset portfolio.

Controls in Place:

- Maintain prioritisation of annual budget to facilitate statutory compliance programme. Programme identified within service priorities with progress reviewed on a quarterly basis. To ensure that the Authority is fully compliant, as we (CCoS) have a legal obligation under British and European law.
- That appropriate measures are adopted to ensure the safety of all staff and visitors within any assets owned by the CCoS. Specific procedures to ensure compliance to include: Electrical testing programme, Asbestos revisit programme, servicing of mechanical and electrical systems, glass filming programme etc.
- A statutory compliance Strategy had been developed and implemented to ensure the Authorities position is protected.
- Capital maintenance budget identified for priority matters.
- Additional one off capital budget made available for school's AMP, which will target areas of high risk. This will support issues of business continuity etc.
- Review overall asset base as part of asset management plan.
- Maintain existing budget. Work within agreed criteria as agreed by Exec Board. Close liaison with relevant HoS to maintain communication of potential risk.
- Continue with risk based approach with prioritisation of budget i.e. target 'D' rated building elements.

Maintain SLA's in respect to condition data and regime of building inspections.

[Updated Aug 2016]

(No further update 18th October 2016 - RL)

(No further update 14th Nov 2016 - RL)

(No further update 12th December 2016 - RL)

(No further update 23rd Jan 17 - RL)

(No further update 28th Feb- RL)

(No further update April 10th - RL)

(No further update 18th May - RL)

(No further update 19th June - RL)

(No further update 24th July - RL)

(No further update 22nd August - RL)

(No further update 17.9.17 - RL)

(No further update 11.10.17 - AS)

(No further update 17.1.18 - AS)

(No further update 28.2.18 - RL)

(No further update 20.3.18 - RL)

(No further update 23.5.18) RL

(No further update 18.6.18) RL

Removal of Leisure Centres and Plantasia will help but as the budget has already been taken in previous years there us still a risk. 25.7.18

As above - Transfer of ownership 1.10.18 16.8.18

(No further update 19.9.18) AS

No further update 14.11.18 RL

Owner: andrew shaw

Responsible Officer: andrew shaw

Current Likelihood: Medium

Current Impact: Medium

Overall RAG Status: Amber

Report Date: 16/11/2018 14:35:08

PL FIN 12: Welfare reform

Risk Description:

Reduction in the amount of rent being collected as consequence of Welfare Reform changes, impacting on income to the Housing Revenue Account.

Welfare Reform changes introduced in recent years, including the removal of the single room subsidy (bedroom tax), Universal Credit (UC) and the Benefit Cap are all having an impact on the collection of income resulting in increasing arrears.

In December 2017 the DWP will migrate Swansea to a full digital service area. One of the biggest impacts of this will be an increase in the number of UC claimants, meaning they will receive their housing costs direct once a month and their rent will no longer be paid to the Council weekly through housing benefit. In addition in December 2017 18-21 year olds will no longer be

automatically entitled to receive housing costs unless they fall into and are exempted category. Collectively all the changes highlighted along with the financial pressures generally being experienced by Council tenants will make income collection extremely challenging in the years ahead.

Controls in Place:

Rent arrears procedures in place and robustly followed.

Officers are set weekly arrears collection targets.

Early intervention and support is provided to tenants. The Rents Team's dedicated Financial Inclusion Officer and New Tenancy Officers help tenants with the support and advice they need in relation to Welfare Reform and more generally in managing their arrears.

Tenants are encouraged to join the Credit Union and open accounts to help ensure bills and rent are paid on time and that tenants are able to manage their money and avoid getting into financial difficulties.

Actions to be taken:

A working group is in place to assess the impact of Welfare Reform and this meets on a quarterly basis. Universal Credit has now been introduced and the rent accounts of those being affected are being closely monitored every week.

In relation to arrears, these are being robustly monitored and appropriate action is being taken.

November Update - No new issues, arrears continue to be monitored. The next Welfare Reform Working Group Meeting is on January 26th.

December Update - no further updates.

January Update - Welfare Reform Working Group meeting is now scheduled for Jan 28th, further information regarding the impact of Welfare Reform will be reported to the group.

December Update - No further updates required

January - meeting of the Welfare Reform Officer impact group planned in February

February Update - Welfare Reform Officer Working Group met and discussed the latest impact statistics for the Authority.

March - No further updates required.

April - No further updates required.

May - no further updates

June/July - Officer working group continues to meet on a regular basis to review the current situation

August - no further updates

September - An officer group has been set up involving senior managers, to look at the options open to address specifically the changes being introduced which will affect the under 35s via the introduction of shared room rates.

October - no new updates available

Nov/Dec - no further updates

January - Corporate research project into the likely affects of Welfare Reform in Swansea to be commissioned.

Feb - no further updates

March - no new updates

April - no new updates

May - no new updates

June - no new updates

July - no new updates

August - no new updates

September - no new updates

October - results from the Universal Credit pilot Authorities in Wales being analysed

November - no new updates

December - Universal Credit introduced in Swansea on December 13th with its impact to be analysed.

January - 121 tenants now affected by Universal Credit, impact to be closely monitored

February - further increase in tenants receiving Universal credit

March - no further updates

April - no further updates

May - the impact of UC is increasing at a significant rate, there are over 1200 tenants now claiming UC credit and this is impacting on rent arrears. Analysis of the impact is on-going.

June - numbers of people on UC steadily increasing

July - Arrears have increased 595K in last 7 months and much of this can be attributed to Universal Credit

August - impact still being monitored

September - report taken to Housing Futures Programme Board outlining possible impact of Universal Credit on the HRA in future.

October -Arrears have increased by 678k in the last 10 months. Current working practices within the Rents Team are in the process of being reviewed in order to ensure that collection and recovery processes are robust and effective.

November - Impact continues to be monitored

Owner: Jane Harries

Responsible Officer: jane harries

Current Likelihood: Medium

Current Impact: Medium

Overall RAG Status: Amber

Report Date: 16/11/2018 14:35:08

PL FIN 16: Disabled Facilities Grant - Performance and Budget Spend

Risk Description:

Failure to meet Disabled Facilities Grant (DFG) performance and capital budget spend targets for 2018/19

Controls in Place:

Various monitoring systems in place to measure performance and spend within Housing. Regular meetings held at operational level to monitor Occupational Therapy performance within Social Services.

Actions to be taken:

A Batch of DFG referrals are to be issued to an OT staffing agency due to resource issues in the OT team. Direct recruit of OT staff employed by Housing will follow thereafter in an attempt to maximise long term performance and reduce DFG waiting times for the medium to the long term. Regular updates to P&FM to be given.

November Update - work has now been issued to an O.T agency and 1.5 new OT staff have been recruited by the Council. The agency work will help insure capital DFG spend by the end of the year and the recruitment will help build commitment for 2016/17 spend.

December Update - no new updates required.

January Update - new OTs now in post

February Update - underspend for 2015/16 now projected and P&FM have been informed however the appointments of the new OTs will ensure greater spend in 2016/17.

March - no further issues.

April - no further issues

May - no further issues

June/July - performance improving however further improvements required with regard to the speed of the process. A meeting with Social Services has been arranged to look at the issues.

August - no further updates

September - further changes/plans to increase available OT resources to be taken to CMT in the Autumn.

October - no further updates.

November - changes to procedures being discussed with Social Services

December - further OTs being recruited as part of the on-going structural changes to the OT service.

January - No further update available

Feb - no further updates

March - no new updates

April - no new updates

May - The OT service are exploring procedural changes to the way they operate which could be beneficial to the DFG process.

June - no new updates

July - no new updates

August - no new updates

September - no new updates

October - no new updates

November - New monitoring system in place with social services to ensure numbers of assessments required each month are maintained

December - No further updates

January - no further updates

February - no further updates

March - no further updates

April - no further updates

May - no new updates

June - no further updates

July - no new updates

August - no further updates

September - no further updates

October - no further updates

November - no further updates

Owner: Mark Wade

Responsible Officer: mark wade

Current Likelihood: Low

Current Impact: Medium

Overall RAG Status: Amber

Report Date: 16/11/2018 14:35:08

PL FIN 17: Reduced Capital funding / loss of staff

Risk Description:

All technical staff are fee earning. Therefore, with loss of income there is insufficient funding to pay salaries and staff (knowledge and experience) will be lost. These staff play an integral part in supporting the regeneration of the city centre.

Controls in Place:

Advanced forecasting of future workload, plus diversification of skills to meet peaks in workload. Opportunity to engage with TFW

Actions to be taken:

Actions to be taken: Collaboration with Regeneration to develop successful grant bids to support future workloads. Contingency plan to be put in place to retain key staff members should external grant funding streams cease.

No further update 26/03/18

No further update 19/04/18

No further update 14/06/18

No further update 05/07/18

No further update 24/08/18

No further update 01/10/18

Owner: Stuart Davies

Responsible Officer: mark thomas

Current Likelihood: High

Current Impact: Medium

Overall RAG Status: Amber

Report Date: 16/11/2018 14:35:08

Place (General) Risk Register Report 16/11/18

| Risk Id | Risk Title | Owner | Date Last Updated | Overall RAG |
|-----------|---|----------------|-------------------|-------------|
| PL GEN 5 | Housing Risk S: Inadequate supply of housing to meet needs | Mark Wade | 16/11/2018 | R |
| PL GEN 6 | Housing Risk W: Failure to meet the Welsh Housing Quality Standard | Mark Wade | 16/11/2018 | A |
| PL GEN 45 | Highways-Failure to adequately maintain structural integrity of Carriageway & Footway Highway Assets leading to not fit for purpose and higher costs | Stuart Davies | 01/10/2018 | R |
| PL GEN 54 | Commissioning and Sustainability of Cultural Services | Tracey McNulty | 24/07/2018 | R |
| PL GEN 81 | Failure to deliver the City Bay Region's Economic Regeneration Strategy | Stuart Davies | 01/10/2018 | A |
| PL GEN 91 | Major Transport Provider Ceases Trading | Stuart Davies | 01/10/2018 | A |
| PL GEN 93 | Cessation of P&R service | Stuart Davies | 01/10/2018 | A |
| PL GEN 95 | Ageing Vehicle Fleet | Stuart Davies | 01/10/2018 | A |
| PL GEN 97 | Services in the community | Geoff Bacon | 14/11/2018 | A |
| PL GEN 98 | Community cleaning | Geoff Bacon | 14/11/2018 | G |

PL GEN 5: Housing Risk S: Inadequate supply of housing to meet needs

Risk Description:

An inadequate supply of housing to meet needs.

A Housing Market Assessment has identified the gap between the supply and demand for affordable Housing. The Authority has been successful in ensuring full spend of the funding in the Programme Delivery Plan and has been successful in the past at applying for additional funds made available by the Welsh Government, to deliver more Affordable Housing and it will continue to apply for such additional funding as and when it is made available. The Council's More Homes Strategy sets out the Council's plans to increase the supply of affordable housing in Swansea, including direct build council schemes on HRA land.

The More Homes Team is focussed on maximising delivery, including exploring Innovative and alternative models for delivery.

The Council works closely with WG and local RSLs to ensure there is a co-ordinated and strategic approach.

Actions to be taken:

Additional funding has been secured via the two Welsh Government initiatives listed above.

The Cabinet Member for Wellbeing accepted a number of recommendations made by the Affordable Housing Scrutiny Inquiry that would contribute to increasing the supply of affordable housing. In December 2014 the Panel met again and confirmed that they were happy with progress being made in implementing the recommendations.

The Authority recently successfully bid for funding of £1.76m from the Welsh Government's Smaller Properties Initiative to help RSLs build more smaller affordable units which are now more in demand due to Welfare Reform.

A Strategy for using additional HRA funds to build more Council homes is currently being developed and will be considered by Cabinet early in the New Year.

November Update - A 'More Homes' Development Manager has now been appointed to take forward the Authority's new Council House Building Programme.

December Update - No further update required

January Update - environmental issues have been identified on one of the More Homes pilot sites, another potential pilot site is being identified.

January Update - Social Housing Grant allocated to Swansea is forecast to be fully spent by RSL's this financial year

February Update - Extra £1.4m to be allocated to the Authority by WG to help RSL schemes. Work to be undertaken to determine which schemes should benefit, this needs to be done by the end of March.

March - all extra resources allocated to RSL schemes.

April - Full Social Housing Grant expenditure programme for 2016/17 developed and approved by the Cabinet Member for Next Generation Services.

May - No further updates

June - no further updates

July - Planning permission being sought for the 2 Council Housing new build schemes.

August - Welsh Government have decided to offer RSLs the opportunity to bid for further Housing Finance Grant to help them build more affordable homes.

September - a new system of financing affordable housing is being introduced by the WG with immediate effect . It blends both Social Housing Grant and Housing Finance Grant and should result in more affordable housing being grant funded over time.

October - A Meeting WG officials was attended by key officers to discuss new grant funding arrangements.

November - 'More Council Homes' - long term strategy is being reported to Council in November

December - no new updates

January - RSLs have been asked to bid for blended SHG/HFG funding for 2017/18

Feb - funding bids received from the RSLs and approved by the Cabinet Member.

march - no new updates

April - no new updates

May - The Authority has received an increased allocation of Social Housing Grant for this financial year.

June - no new updates

July - no new updates

August - the possibility of utilising the WG Innovative Housing Grant is being explored.

September - Innovative Housing Grant has been applied for and first batch of new Council houses have now been completed.

October - no new updates

November - awaiting the result of the Innovative Housing Grant application

December - The quantity of Innovative Housing Grant awarded to the Authority by the WG in relation to the Colliers Way development was less than anticipated.

January - awaiting details from WG regarding the possibility of increased borrowing to be permitted to fund more Council Housing.

February - awaiting WG guidance on changes to borrowing cap

March - information on borrowing cap changes received from the WG

April - The Authority has reported to WG that 132 affordable homes have been delivered by RSLs in 2017/18 by grant subsidised schemes such as SHG.

May - no new updates

June - audit of affordable housing delivery underway

July - Innovative Housing bid submitted to the Welsh Government

August - the Authority is participating in the Welsh Governments review of affordable housing provision

September - Response sent to WG's Affordable Housing Review

October - The Authority has been successful in its bid for IHP2, to enable 2 new council schemes of 34 homes to be built as Swansea Standard plus Homes As Power stations. The Authority is also bidding for additional borrowing to enable the full allocation of AHG, and to fund more developments post 2020.

November - WG have announced plans to lift the HRA borrowing cap for Welsh stock retaining Local Authorities. Legal advice is being sought on the implications of this. Awaiting recommendations from the Affordable Housing Supply Review.

Owner: Mark Wade
Responsible Officer: mark wade
Current Likelihood: High
Current Impact: High
Overall RAG Status: Red
Report Date: 16/11/2018 14:35:08

PL GEN 6: Housing Risk W: Failure to meet the Welsh Housing Quality Standard

Risk Description:

Failure to meet the Welsh Housing Quality Standard.

Controls in Place:

The Welsh Government has accepted the Council's HRA Business Plan for funding the improvements needed to the stock to meet the requirements of the Welsh Housing Quality Standard by 2020. The Business Plan is based on a number of key assumptions, some of which are outside the direct control of the Council such as rent setting policies which are controlled by the Welsh Government.

Actions to be taken:

The submission of further reports to Programme Board will be made, should any change in terms of the Council's financial position or WG policy occurs.

November Update - A WHQS Compliance Policy has been developed and will be submitted to Council for consideration on February 25th. In addition, WG officials recently visited the Authority and the issue of risks in relation to the WHQS was discussed.

December Update - No further updates required

January Update - The Welsh Housing Quality Standard is being considered by a Scrutiny Working Group on Feb 3rd.

February Update - A WHQS Compliance Policy has been approved by Council and submitted to the WG. A Scrutiny working group have met to consider progress towards WHQS and have put forward a number of recommendations to be considered. A response will be sent to the chair of the group by the end of March highlighting how these recommendations will be addressed.

March - Response sent to the chair of the WHQS Scrutiny Group

April - All local ward Members informed in writing of WHQS capital works in their area

May - No further updates

June - No further updates

July - Welsh Government Officers visited the Authority to discuss progress with meeting the WHQS. Positive feedback was received and it was indicated that the Authority would continue to receive Major Repairs Allowance funding.

August - Current WHQS compliance statistics sent to the WG to meet their requirements.

September - some potential 'reputational' issues are being experienced with the kitchen and bathroom element of the WHQS. The situation is being closely monitored by both Housing & CBS and remedial action is being taken.

October - no new updates

November/December - adjustments to the HRA Business Plan are being explored which might have an impact on future Capital Programmes.

January - Capital programme for 2017/18 going to Council in Feb

Feb - Capital Programme approved by Council

March - WHQS verification process to commence shortly.

April - no new updates

May - - no new updates

June - no new updates

July - no new updates

August - WHQS compliance return submitted to the Welsh Government.

September - no new updates

October - no new updates

November - overall RAG status reduced to Medium (Amber) after a review of the risk by Housing Futures Programme Board

December - the Welsh Audit Office have arranged to visit the Authority in February to assess progress in relation to achieving the WHQS. An initial planning meeting with the WAO took place in December.

January - no further details regarding WAO audit of WHQS

February - WAO to visit week commencing April 16th, stock condition survey to commence Feb 19th

March - stock condition survey underway

April - WAO currently visiting the Authority to look at WHQS delivery. Stock condition fieldwork now complete

May - provisional results of WAO review now made available to the Authority.

June - The Authority has supplied responses to initial questions raised by the WAO

July - no new updates

August - latest compliance stats being sent to the Welsh Government

September - technical strategy Commissioning Review underway

October - WAO report received. The report was generally positive.

November - Authority's comments regarding the WAO report have been sent back to them. WG confirm that the borrowing cap is to be lifted in Wales

Owner: Mark Wade

Responsible Officer: mark wade

Current Likelihood: Medium

Current Impact: Medium

Overall RAG Status: Amber

Report Date: 16/11/2018 14:35:08

PL GEN 45: Highways-Failure to adequately maintain structural integrity of Carriageway & Footway Highway Assets leading to not fit for purpose and higher costs

Risk Description:

That some of the highway infrastructure is in a poor condition (in this case Carriageways, Footways) due to a lack of investment over many years.

Current backlog in carriageways alone is calculated to be £54m.

Current funding levels mean that the number of roads in poor condition will double within 10 years. An increase of traffic, local HGV movements and prevailing weather conditions are also major contributory factors.

An increase in assets due to reassignment between services without budget transfer also puts increasing pressures on what can be achieved.

Risk of further deterioration and highway becoming unfit for purpose.

Risk of increasing claims due to failure to meet statutory duty.

Controls in Place:

- Policy framework developed and approved by Council 2009.

2009 Inspection regime meets code of practice for maintenance management.

- Asset Management Plan 2010-15 published autumn 2010.
- 2010-15 - New 5 year programme for maintenance.
- 2011 Agreement across all Wales on intervention levels.
- Local Road Capital Grant from WAG diminishing and stopped 2011/12.
- 2012-15 LGBI investment from WG. A total of £10.45m for the Authority to invest in its highways asset of which around £1m per years was directed to this asset.
- 2013 All Wales Asset Mgmt Project links with SCOTTS project for best practice.
- 2013-16. £1m extra capital funding each year from the Authority's insurance reserve was allocated to reduce the deficit in funding. With this funding the total budget remains at around 55% of that required to maintain a steady state condition of the highway.
- 2015-20 - New 5 year programme for maintenance for carriageways, footways, street lighting, structures and drainage published.
- Asset Management Plan 2016-25 under review.
- 2016-17 Asset Management Annual Status Options Report(ASOP).
- 2017 Review of Safety Inspection Policy in accordance with new draft code of practice.

Significant progress being made through CSS wales and WLGA with additional £1.8m of funding from WG for 18/19 and a commitment to look at future funding levels.

Actions to be taken:

- Finalise the 2016-25 Asset Management plan in accordance with latest CCS Wales guidance. Code of Practice Updated 2017.
- Bid on further funding to reach steady state levels.
- CSS Wales working with WLGA to present case for further funding from WG
- Review of non-adopted highway and recently transferred assets to value risk, cost implications and to establish the increase in shortfall in budget due to condition.
- Review of safety inspection to new Code of Practice 2019.

No further update 19/04/18

No further update 14/06/18

No further update 05/07/18

No further update 01/10/18

Owner: Stuart Davies

Responsible Officer: bob fenwick

Current Likelihood: High

Current Impact: High

Overall RAG Status: Red

Report Date: 16/11/2018 14:35:08

PL GEN 54: Commissioning and Sustainability of Cultural Services

Risk Description:

To maintain or improve the sustainability of the range of Cultural services, depending on the success of the commissioning programme. Maintaining the financial viability/sustainability of the Cultural services portfolio.

Controls in Place:

Drawing up of tenders and development of Lots.
Collect and evaluate bids.
Prepare reports - In-House Management decisions and directions.
Present reports - Political decisions and directions.
Bid costs vs budgets - management of shortfalls.
Budget monitoring.
Business planning.
Future measures to be developed and applied as the programme continues.

Actions to be taken:

- Proceed with Commissioning and Transformation of Cultural Services
Jan 16 - Commissioning strand moving forward.
Cabinet report accepted.
Specifications and Procurement Guide being developed.
Jan 17 - Commissioning underway; bids submitted and being considered.
Jan 18 - Bids drawn up and submitted to Cabinet and Council.
June 2018 - Cabinet resolved that the recommendations as detailed in the "Commissioning Review: Cultural Services" report be approved.
July 2018 - Following the extensive assessment, review and procurement programme, Cabinet has agreed to begin a 20 year partnership with Freedom Leisure to operate our Leisure Centres.

Owner: Tracey McNulty

Responsible Officer: tracey mcnulty

Current Likelihood: High

Current Impact: High

Overall RAG Status: Red

Report Date: 16/11/2018 14:35:08

PL GEN 81: Failure to deliver the City Bay Region's Economic Regeneration Strategy**Risk Description:**

To provide Strategic Transport links to main centres of employment. Infrastructure projects are wholly reliant on grant funding from Europe or via Welsh Government, the uncertainty of future grant funding streams is a risk to the continued regeneration of the city centre and improving connectivity with other regional centres and key transport corridors / interchanges.

Controls in Place:

Annual bid for grant funding takes place and is successful to date. Transport has now been raised as a key element in the City Deal with proposals to

develop a Metro solution being supported by WG

Actions to be taken:

A review of our bid submissions are regularly undertaken and advice sought from Welsh Government on quality of bids. Collaborative working across the authority to maximise benefit from various funding sources.

Awaiting announcement regarding Metro funding for 18/19

No further update 19/04/18

No further update 14/06/18

No further update 05/07/18

No further update 24/08/18

No further update 01/10/18

Owner: Stuart Davies

Responsible Officer: mark thomas

Current Likelihood: Medium

Current Impact: Medium

Overall RAG Status: Amber

Report Date: 16/11/2018 14:35:08

PL GEN 91: Major Transport Provider Ceases Trading

Risk Description:

The Council has contracts in place with transport operators to provide subsidised socially necessary local bus services and also statutory home to school transport services.

The majority of local bus services in the Swansea area are operated by First Cymru and over 80% of these are provided commercially.

Controls in Place:

Transport Officers carry out pre-qualifying checks on all transport providers as part of the Procurement process for transport services.

A Corporate Taxi Framework Agreement is in place so that replacement or new taxi services can be arranged quickly.

Transport officers monitor the licensing and fleet makeup of the main providers in the area so that the appropriate suppliers could be contacted and alternative arrangements made quickly should the need arise.

Swansea Council works closely with other local authorities in S W Wales and shares intelligence on transport providers/ issues with them.

Actions to be taken:

Continuing to monitor industry and work with WG.

No further update 19/04/18

No further update 14/06/18

No further update 05/07/18

No further update 24/08/18

No further update 01/10/18

Owner: Stuart Davies

Responsible Officer: cath swain

Current Likelihood: Low

Current Impact: Medium

Overall RAG Status: Amber

Report Date: 16/11/2018 14:35:08

PL GEN 93: Cessation of P&R service

Risk Description:

Cessation of P&R services would lead to added congestion and air quality issues within the city jeopardising economic performance of the city.

Controls in Place:

Seeking to market P&R

Ensure that P&R is a key element of a Metro proposal

Monitor the viability and ensure that there is a robust City wide parking and access strategy and policy

Actions to be taken:

Actions to be taken: Influencing key decision makers to inform that city centre regeneration does not hinge on free / cheap city centre parking.

No further update 19/04/18

No further update 14/06/18

No further update 05/07/18

No further update 24/08/18

No further update 01/10/18

Owner: Stuart Davies

Responsible Officer: mark thomas

Current Likelihood: High

Current Impact: Medium

Overall RAG Status: Amber

Report Date: 16/11/2018 14:35:08

PL GEN 95: Ageing Vehicle Fleet

Risk Description:

The delayed vehicle replacement programme has resulted in a vehicle fleet age profile that is older than required. Resultant large increase in vehicle maintenance costs and non-availability as occurring as a result.

Approximately 66% of vehicles have passed their planned replacement dates.

There may be a subsequent large increase in vehicle (end of contract) costs

within year when vehicles are replaced.

Majority of minibuses owned and used by schools do not use the corporate vehicle maintenance facility (CTU) and the extent of compliance with subsequent H&S and legal obligations is unknown. Vehicles are insured by CCoS. Lack of corporate governance in this regard.

June 2017 - Social Services fleet transferred to ITU under Directorate of Place. 65% existing fleet is overdue for renewal with some vehicles operating beyond their economic life.

Controls in Place:

- Tenders for medium commercial, light commercial and refuse collection vehicles.
- Vehicles are being withdrawn from service and replaced with short term hire where repairs are deemed uneconomic to continue use.
- Tenders for electric vans, public lighting towers, social services welfare buses and some heavier commercials being prepared.

- Some schools use CTU
- Fleet Manager presented to primary and secondary business managers on risk (Feb 2015)

- Fleet transporting Social Service users - current funding being reviewed.

- 350 new vehicles procured 2017/18.

Actions to be taken:

Jan 2017 - 38 medium commercial vehicles ordered, deliveries expected to commence June 2017

Jan 2017 light commercial tender for 300 advertised, closes Feb 2017

Jan 2017 refuse collection tender for 36 advertised, closed Feb 2017

Jan 2017 instruction issued to workshop staff for prior authorising of repairs to older vehicles

Feb 2017 potential for end of contract cost increases discussed with Finance

August 2017 Tenders completed. 85 vehicles ordered with expectation of full delivery by Feb 2018. Light Commercial tender requirements being agreed with users (300 vehicles). Significant levels of demand on CTU workshops due to age, maintenance costs anticipated to exceed budget by @ £300k for 17/18 if current trend continues.

Jan 2017 Fleet Manager to arrange to present to headteachers' forum.

Corporate H&S manager to assist.

August 2017 Initial meet with Education. Fleet Manager to provide guide in readiness for new term

No further update 19/04/18

No further update 14/06/18

No further update 05/07/18

No further update 24/08/18

No further update 01/10/18

Owner: Stuart Davies
Responsible Officer: mark barrow
Current Likelihood: High
Current Impact: Medium
Overall RAG Status: Amber
Report Date: 16/11/2018 14:35:08

PL GEN 97: Services in the community

Risk Description:

If there's insufficient buy in from services, then full operational and financial benefits will not be achieved

Controls in Place:

Significant engagement at team and board level. Pathfinder project in Clydach to test the principles

Pilot due to launch Oct 18 (RL) 25.7.18

On target for launch w/c 15th October, Gorseinon project team held first meeting this month too. (RL 24.9.18)

Launch delayed until 5th Nov due to IT issues and Councillors leave. (22.10.18)

Actions to be taken:

Pilot launch date on track, with next pilot area - Gorseinon - identified

risk of underachievement of savings still likely

Pilot launched on 6th Nov at Clydach Library. Work commencing on Hub strategy across county. RL 14.11.18

Owner: Geoff Bacon
Responsible Officer: geoff bacon
Current Likelihood: Medium
Current Impact: Low
Overall RAG Status: Amber
Report Date: 16/11/2018 14:35:08

PL GEN 98: Community cleaning

Risk Description:

If the community cleaning proposal isn't given sufficient support and resource then it will fail

Controls in Place:

Pathfinder project to commence in Clydach alongside SITC
Work progressing 25.7.18 (RL)
Work progressing 24.9.18 (RL)
Work progressing 22.10.18 (RL)
Work progressing 14.11.18 (RL)

Actions to be taken:

Ongoing activity, no further risks identified

Owner: Geoff Bacon

Responsible Officer: geoff bacon

Current Likelihood: Low

Current Impact: Low

Overall RAG Status: Green

Report Date: 16/11/2018 14:35:08

Agenda Item 6



Report of the Section 151 Officer

Audit Committee - 11 December 2018

Review of Revenue Reserves

| | |
|-----------------------------------|--|
| Purpose: | To present to Audit Committee, for information, the Review of the Revenue Reserves Report presented to Council on 26 th October 2018. |
| Policy Framework: | Sustainable Swansea Budget Plan 2017/18. |
| Consultation: | Cabinet Members, Corporate Management Team, Legal and Access to Services. |
| Report Author: | B. Smith |
| Finance Officer: | B Smith |
| Legal Officer: | T Meredith |
| Access to Services Officer | N/A |
| For Information | |

1 Introduction

- 1.1 Local Authorities have a corporate responsibility to operate within available resources and to remain financially sound over the short, medium and longer term.
- 1.2 One of the key tools available to Authorities in managing its affairs is the creation and use of both General and Earmarked reserves to assist in delivering services over a period longer than one financial year.
- 1.3 In terms of guidance on the review and management of reserves, the Chartered Institute of Public Finance and Accountancy (CIPFA), via the Local Authority Accounting Panel, issued a bulletin in July 2014 (LAAP 99) intended to give guidance to Local Authorities on the management and review of reserves. This bulletin is considered best practice in terms of

Local Authority financial administration and effectively must be followed.

1.4 As such, the Review of Revenues Reserves attached at Appendix 1 was presented to Council on 26th October 2018.

1.5 It is presented to Audit Committee for information.

2 Financial Implications

2.1 There are no direct financial implications arising from this report

3 Legal Implications

3.1 There are no direct legal implications arising from this report

4 Equality Impact Assessment

4.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment process ensures that we have paid due regard to the above. As the report is for information and no actions arise there are no equality impact implications arising from this report.

Background Papers: None.

Appendices:

Appendix 1 – Review of Revenue Reserves Report



Report of the Section 151 Officer

Council – 26 October 2018

Review of Revenue Reserves

| | |
|------------------------------------|--|
| Purpose: | To undertake a mid-year review of the Revenue Reserves position and to agree any suggested reclassification of reserves based on current requirements. |
| Policy framework: | Sustainable Swansea Budget Plan 2017/18 |
| Consultation: | Cabinet Members, Corporate Management Team, Legal and Access to Services. |
| Recommendations: | The recommendations made in this report at Sections 3.11 to 3.13 are considered and approved. |
| Report Author: | Ben Smith |
| Finance Officer: | Ben Smith |
| Legal Officer: | Tracey Meredith |
| Access to Services Officer: | Rhian Millar |

1 Introduction and context

- 1.1 Local Authorities have a corporate responsibility to operate within available resources and to remain financially sound over the short, medium and longer term.
- 1.2 One of the key tools available to Authorities in managing its affairs is the creation and use of both General and Earmarked reserves to assist in delivering services over a period longer than one financial year.

- 1.3 In terms of guidance on the review and management of reserves, the Chartered Institute of Public Finance and Accountancy (CIPFA), via the Local Authority Accounting Panel, issued a bulletin in July 2014 (LAAP 99) intended to give guidance to Local Authorities on the management and review of reserves. This bulletin is considered best practice in terms of Local Authority financial administration and effectively must be followed. A copy of the bulletin is at Appendix A to this report.
- 1.4 Within the existing statutory and regulatory framework, it is the responsibility of Chief Financial Officers to advise Local Authorities about the level of reserves that should be held and to ensure there are clear protocols for their establishment and use. Reserves should not be held without a clear purpose.
- 1.5 It is the duty of the Chief Financial Officer to specifically report on the robustness of estimates and reserves when the Council considers its budget requirement, as such the Revenue Budget approved by Council in March 2018 made specific references to the adequacy of reserves at that time.
- 1.6 Notwithstanding that specific statutory requirement, it is the duty of the Chief Finance Officer to regularly review the position regarding available reserves of the Authority having specific regard to:
- The original and current need for each category of reserve held
 - An assessment of current and future risks (both operationally and financially) facing the Council
 - The impact of known and predicted funding levels likely to impact on the Council going forward.
- 1.7 Swansea Council's Chief Finance Officer (the Section 151 Officer) is the Head of Financial Services and the Service Centre.
- 1.8 This report considers the position regarding both General and Earmarked reserves as at 31st March 2018 and makes specific recommendations in respect of reclassification of elements of those specific reserves.

2. Position as at 31st March 2018

- 2.1 The draft Statement of Accounts 2017/18 presented to our external Auditors included the following entries in respect of reserves as at 31st March 2018:

| Usable Reserves | £'000 | Purpose |
|----------------------------|--------------|---|
| General Fund | 9,352 | Used as an overall contingency to cushion the impact of unexpected events or emergencies and as a means of smoothing out annual budgets where there is significant change |
| Earmarked Revenue Reserves | 59,082 | Consisting of sums set aside for specific purposes to support Corporate and Service needs |

| Usable Reserves | £'000 | Purpose |
|----------------------------------|---------------|--|
| Capital Receipts Reserve | 6,454 | Capital monies received by the Council set aside for funding ongoing Capital schemes per the Capital Programme. These sums are committed to current schemes and cannot be used to support Revenue expenditure |
| Capital Grants Unapplied Account | 13,474 | Relates to committed funding on Capital schemes and cannot be used to support Revenue expenditure |
| Housing Revenue Account | 6,781 | Exists to support expenditure for Housing Revenue Account purposes only and cannot be used to support General Fund Council Revenue or Capital expenditure |
| Total Usable Reserves | 95,143 | |

- 2.2 In addition the Council holds a net £255.178m in unusable reserves arising purely from accounting technicalities. **These cannot be used to support revenue or capital expenditure of the Council in any form and as such are not part of this review.**
- 2.3 The HRA reserve and the Capital reserves detailed above are ring-fenced and are regularly reviewed as part of business planning. As such they are provided for general information only, no further review is proposed at this time.
- 2.4 The General Fund Balance of the Council as detailed above takes account of decisions made by Cabinet based on the 2017/18 Revenue Outturn position considered on 19th July 2018.
- 2.5 Comparisons with other Welsh Councils show that, as a percentage of Gross Revenue Expenditure, the level of the General Fund reserve is slightly below the All Wales average (as at 31st March 2017) and as such no planned use of the balance is recommended.
- 2.6 The draft Statement of Accounts as presented to our external Auditors (Wales Audit Office) by 30th June included an analysis of earmarked reserves with the proviso that each reserve was subject to strategic review by the Section 151 Officer based on an analysis of current need and changing Council risks.
- 2.7 This report is the result of that strategic review.

3. Outcomes and recommendations

- 3.1 The Medium Term Financial Plan approved by Council on 6th March 2018 forecast a cumulative deficit on General Fund Revenue Expenditure of some £69m by 2021/22 with an immediate savings requirement of £24m for 2019/20. This is in addition to the current year Directorate savings requirement of £16.5m. More recent forecasts indicate an even larger savings requirement will be likely, predominantly as a result of unfunded pay pressures and continued demographic pressures as well as the already planned and ultimately significant additional capital investment and the associated costs of borrowing.
- 3.2 Equally, there is clear and compelling evidence that savings planned in the areas of Social Services and Corporate Services are unlikely to be fully achieved in the current year, which puts future years savings in jeopardy.
- 3.3 To put it into context, if all planned savings for 2018/19 are achieved it still leaves a gap of over £20m to be addressed for 2019/20.
- 3.4 The Council's strategy for dealing with ongoing budget reductions and Service reforms – Sustainable Swansea – is ongoing and it is clear that, whether as a result of commissioning reviews or emergency action being required to produce a balanced budget going forward, there is likely to be considerable cost in relation to change, together with potential significant investment in digital technology solutions.
- 3.5 Dealing with the cost of future structural change is a significant financial risk facing the given the scale and pace of budget reductions to be addressed by the Council.
- 3.6 Traditionally exit costs in relation to downsizing the organization have been dealt with through the use of the annual contingency fund, currently standing at an annual contribution of £3.45m. However, in 2017/18 the total exit costs exceeded the contingency fund, and as there is a reduced contingency fund this year, some exit costs will have to be funded from the Restructure Reserve. The first quarter monitoring report estimated £1.4m to be funded from the contingency fund, with a further £1.3m (Schools) to be funded by the restructuring reserve. This would leave about £2m in the contingency fund to mitigate the effect of Directorate pressures.
- 3.7 In assessing both the level and use of Earmarked and General reserves, the LAAP bulletin sets out some of the factors that should be considered, including:-
- The treatment of demand led pressures
 - The treatment of planned efficiency savings/productivity gains
 - The financial risks inherent in any significant new funding partnerships or changes in service delivery
 - The general financial climate to which the Authority is subject.

- 3.8 Having considered the above, and in the context of a medium term financial plan that shows ongoing and sustained budget reductions, it is the opinion of the Section 151 Officer that the Council needs to continue to prepare for significant change in service delivery that will inevitably impact on direct employment levels going forward.
- 3.9 Changes on such a scale will inevitably come with substantial up-front costs and it is important at this time that the Council plans operationally and financially to meet these changes. The 2018/19 Budget Report to Council in March 2018 stated that there was an underlying planning assumption that £3m of the existing restructuring reserve be provisionally committed towards meeting part of the cost of staffing reductions as they fall due in 2018/19. In addition the Budget report approved by Council in March 2018 included the proposal that Schools would be able to specifically access up to £1.3m of the Restructure Reserve in 2018/19 on a one off basis. This funding will be utilised in meeting ER/VR costs and facilitating innovative and transformative working.
- 3.10 As such it is vitally important that the restructuring reserve is protected as much as possible to enable the Council to carry out any necessary restructuring as it transforms under the Sustainable Swansea programme.
- 3.11 As recommended in last year's Review of Revenue Reserves report at year end a capital equalisation reserve was created from the underspend on debt charges. The recommendation continues to be that this reserve is topped up to help with any timing issues around the need to fund any City Deal projects in advance of receipt of funding from other bodies. It is recommended this year that the Repairs and Renewals for the Leisure Centres is re-classified as an equalisation reserve because from October 1st this will be used to smooth the fluctuations in the annual fees of the new contract in respect of operating the Leisure Centres.
- 3.12 As reported in the 1st Quarter Budget Monitoring Report to Cabinet on 16th August 2018, the Section 151 Officer has determined that in order to fully balance the budget in 2018/19 it will be necessary to take an immediate draw from Earmarked Reserves. As such a full review was carried out and £3,000,000 will be withdrawn from reserves and used to fund the current year overspend. This is a clear emergency measure and, as reserves are one off, is not a sustainable funding strategy. Furthermore these reserves were set up to fund known and expected future spend commitments and thus will mean the costs will have to be met when they actually fall due in future years budgets (e.g. the full cost of running the next local government election), when budgets are likely to be under even further strain.
- 3.13 **To this extent, and following a review of current earmarked reserves, the following re-classification of earmarked reserves is recommended:-**

| Category of Earmarked Reserve | Current Balance 31/03/18 £'000 | Proposed Change £'000 | Recommended Position £'000 |
|--------------------------------------|---|----------------------------------|---------------------------------------|
| Technical/third party | 947 | -323 | 624 |
| Insurance | 16,801 | -250 | 16,551 |
| Transformation and efficiency | 1,182 | -42 | 1,140 |
| Schools delegated reserves | 7,101 | 0 | 7,101 |
| Equalisation reserves | 3,071 | 1,239 | 4,310 |
| Commuted sums | 6,140 | 0 | 6,140 |
| Repair and renewal funds | 3,665 | -1,766 | 1,899 |
| Profit share on disposals | 1,318 | 0 | 1,318 |
| Service earmarked reserves | 5,431 | -1,345 | 4,086 |
| Capital reserves | 5,749 | 0 | 5,749 |
| Restructuring costs reserve | 7,677 | -513 | 7,164 |
| | | | |
| Total Earmarked Reserves | 59,082 | -3,000 | 56,082 |

4. Valuation of reserve requirements

- 4.1 A number of the reserves highlighted above have been set aside for specific purposes; these include the insurance reserve set aside to meet the potential cost of excess payments should a claim on external insurers materialise or should the Council have to meet claims from its own resources. Repair and renewal funds set aside to meet future major repair and renewal costs on strategic assets (for example Wales National Pool, Quadrant Bus Station), and reserves set aside for profit share on disposals of assets where reclamation has been funded by the WDA/Welsh Government.
- 4.2 It is essential that monies set aside for the above purposes are regularly reviewed in order to confirm their accuracy and relevance.
- 4.3 To that extent formal assurance will be sought on the adequacy of these reserve levels as part of the annual budget setting process.
- 4.4 As part of the budget setting process for 2018/19 a formal review of the Insurance reserve was completed and it was further determined that a take from the reserve of £700k per annum could be extended until 2021/22. This has already been built into planning assumptions.
- 4.5 As part of the budget setting process for 2019/20 a formal review will be carried out again of all service earmarked reserves to test their continued relevance and value.

5. Legal implications

- 5.1 There are no direct legal implications arising from this report. However, Section 151 of the Local Government Act 1972 requires each Local Authority to make arrangements for the proper administration of its financial affairs and that the Chief Finance Officer (in our case the Head of Financial Services and the Service Centre) has responsibility for those affairs.
- 5.2 Under guidance detailed at Appendix A to this report the Chief Finance Officer is required at all times to monitor the purpose and use of reserves.

6 Equality and Engagement implications

- 6.1 Having assessed the current planned use of earmarked reserves there are no significant equalities implications arising from these changes

Contact officer : Ben Smith, Chief Finance Officer
Telephone no : 636409
Background papers : None

Appendix A – LAAP Bulletin 99 – Local Authority Reserves and Balances

LAAP BULLETIN 99

Local Authority Reserves and Balances

July 2014

The Local Authority Accounting Panel issues LAAP Bulletins to assist practitioners with the application of the requirements of the Code of Practice on Local Authority Accounting, SeRCOP and Prudential Code, and to provide advice on emerging or urgent accounting issues. Bulletins provide influential guidance that is intended to be best practice, but are not prescriptive and do not have the formal status of the Code, SeRCOP or Prudential Code.

Please address any queries to CIPFA Technical Enquiry Service for CIPFA members and students
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INTRODUCTION AND BACKGROUND

1. LAAP Bulletin 55 (Guidance note on local authority reserves and balances) was issued in February 2003. This was followed by its replacement in 2008 by LAAP Bulletin 77. LAAP Bulletin 77 included a number of events and changes that occurred including the publication of the Prudential Code and the beginnings of the financial downturn. Since the issue of LAAP Bulletin 77, the IFRS-based Code¹ has been published and this bulletin has been updated to reflect the new requirements of that Code. In addition, during a period of financial austerity for the public sector, the Local Authority Accounting Panel considers that it is necessary to update the guidance on local authority reserves and balances.
2. The "New Reporting Framework" described in LAAP Bulletin 55 has now largely been overtaken by statutory requirements, but is included in Appendix A for information.
3. The advice previously provided by LAAP Bulletin 77 which focussed on the financial impact of flooding is included in Appendix B.
4. Further resources and information are provided at Appendix C.
5. Relevant extracts from the IFRS-based Code are provided at Appendix D.

PURPOSE

6. This bulletin provides guidance to local authority chief finance officers in England, Northern Ireland, Scotland and Wales on the establishment and maintenance of local authority reserves and balances.

APPLICATION

7. In England, Scotland and Wales the guidance is applicable to local authorities, joint committees and joint boards of principal authorities.
8. In England and Wales the guidance is applicable to Police and Crime Commissioners, Chief Constables and fire and rescue authorities.
9. In Northern Ireland the guidance applies to all district councils.
10. The general principles set out in this guidance apply to an authority's General Fund, Council Fund, Police Fund and, where appropriate, to the Housing Revenue Account (HRA).
11. The advice in this bulletin relates to reserves, not provisions. The Code definitions of provisions and reserves are included in Appendix D to this bulletin for information.
12. This bulletin replaces LAAP Bulletin 77.

¹ *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

LEGISLATIVE / REGULATORY FRAMEWORK

13. The requirement for financial reserves is acknowledged in statute. Sections 31A, 32 42A and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. Section 93 of the 1992 Act requires Scottish authorities, in calculating council tax, to take into account 'any means by which those expenses may otherwise be met or provided for'. This includes reserves.
14. In Scotland there are explicit statutory powers under schedule 3 of the Local Government (Scotland) Act 1975 permitting certain local authorities to establish a renewal and repair fund, an insurance fund and a capital fund alongside a requirement, as in England and Wales, to maintain a General Fund (section 93 of Part VII of the Local Government (Scotland) Act 1973). LASAAC has published guidance on reserves which is available from the LASAAC website. In Northern Ireland, Section 9 of the Local Government Finance Act (Northern Ireland) 2011 enables councils to maintain other funds in addition to the General Fund. Local authorities may however ' earmark ' specific parts of the General Fund reserve. This earmarking of a proportion of the General Fund is referred to in this Bulletin as Earmarked Reserves.
15. There are also a range of safeguards in place that help to prevent local authorities over-committing themselves financially. These include:
 - the balanced budget requirement:
 - England, sections 31A, 42A of the Local Government Finance Act 1992, as amended
 - Wales, sections 32 and 43 and Scotland, 93 of the Local Government Finance Act 1992 and
 - section 85 of the Greater London Authority Act 1999
 - chief finance officers' duty to report on robustness of estimates and adequacy of reserves (under section 25 of the Local Government Act 2003) when the authority is considering its budget requirement (England and Wales)
 - chief finance officers' duty to report on the robustness of estimates and the adequacy of reserves (under sections 4 and 6 of the Local Government and Finance Act (Northern Ireland) 2011
 - the legislative requirement for each local authority to make arrangements for the proper administration of their financial affairs and that the chief finance officer / proper officer has responsibility for the administration of those affairs section 151 of the Local Government Act 1972, section 95 of the Local Government (Scotland) Act 1973 and section 1 of the Local Government and Finance Act (Northern Ireland) 2011
 - the requirements of the Prudential Code.
16. These requirements are reinforced by section 114 of the Local Government Finance Act 1988 which requires the chief finance officer in England and Wales to report to all the authority's councillors if there is or is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is forecast that the authority will not have the resources to meet its expenditure in a particular financial year. The issue of a section 114 notice cannot be taken lightly and has serious operational implications. Indeed, the authority's full council must meet within 21 days to consider the s114 notice and

during that period the authority is prohibited from entering into new agreements involving the incurring of expenditure.

17. Whilst it is primarily the responsibility of the local authority and its chief financial officer to maintain a sound financial position, external auditors will confirm that there are no material uncertainties about going concern. Even where as part of their wider role auditors have to report on an authority's financial position, it is not their responsibility to prescribe the optimum or minimum level of reserves for individual authorities or authorities in general.
18. CIPFA's Prudential Code requires chief finance officers in local authorities to have full regard to affordability when making recommendations about the local authority's future capital programme. Such consideration includes the level of long term revenue commitments. Indeed, in considering the affordability of its capital plans, the authority is required to consider all of the resources available to it/estimated for the future, together with the totality of its capital plans and revenue forecasts for the forthcoming year and the following two years.

ROLE OF THE CHIEF FINANCE OFFICER (PROPER OFFICER IN SCOTLAND)

19. Within the existing statutory and regulatory framework, it is the responsibility of chief finance officers (proper officer in Scotland) to advise local authorities about the level of reserves that they should hold and to ensure that there are clear protocols for their establishment and use. Reserves should not be held without a clear purpose.
20. CIPFA and the Local Authority Accounting Panel consider that local authorities should establish reserves including the level of those reserves based on the advice of their chief finance officers. Authorities should make their own judgements on such matters taking into account all the relevant local circumstances. Such circumstances vary. A well-managed authority, for example, with a prudent approach to budgeting should be able to operate with a level of general reserves appropriate for the risks (both internal and external) to which it is exposed. In assessing the appropriate level of reserves, a well-managed authority will ensure that the reserves are not only adequate but are also necessary. There is a broad range within which authorities might reasonably operate depending on their particular circumstances.
21. Section 26 of the Local Government Act 2003 gives Ministers in England and Wales a general power to set a minimum level of reserves for local authorities. However, the government has undertaken to apply this only to individual authorities in the circumstances where an authority does not act prudently, disregards the advice of its chief finance officer and is heading for serious financial difficulty. This accords with CIPFA's view that a generally applicable minimum level is inappropriate, as a minimum level of reserve will only be imposed where an authority is not following best financial practice (including the guidance in this bulletin).

TYPES OF RESERVE

22. When reviewing their medium term financial plans and preparing their annual budgets local authorities should consider the establishment and maintenance of reserves. These can be held for three main purposes:
 - a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;
 - a contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves;

- a means of building up funds, often referred to as earmarked reserves (or earmarked portion of the general fund in Scotland - see below), to meet known or predicted requirements; earmarked reserves are accounted for separately but remain legally part of the General Fund.

| Category of Earmarked Reserve | Rationale |
|---|---|
| Sums set aside for major schemes, such as capital developments or asset purchases, or to fund major reorganisations | Where expenditure is planned in future accounting periods, it is prudent to set aside resources in advance. |
| Insurance reserves (note that the Insurance Fund is a statutory fund in Scotland) | Self-insurance is a mechanism used by a number of local authorities. In the absence of any statutory basis (other than in Scotland) sums held to meet potential and contingent liabilities are reported as earmarked reserves where these liabilities do not meet the definition of a provision under the requirements of the Code's adoption of IAS 37 <i>Provisions, Contingent Assets and Liabilities</i>). |
| Reserves of trading and business units | Surpluses arising from in-house trading may be retained to cover potential losses in future years, or to finance capital expenditure. |
| Reserves retained for service departmental use | Authorities may have internal protocols that permit year-end underspendings at departmental level to be carried forward. |
| Reserves for unspent revenue grants | Where revenue grants have no conditions or where the conditions are met and expenditure has yet to take place. The Code Guidance Notes recommend that these sums are held in earmarked reserves (see paragraph 29 below). |
| Schools balances | These are unspent balances of budgets delegated to individual schools. |

FINANCIAL REPORTING FOR RESERVES

23. The IFRS-based *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) introduced the Movement in Reserves Statement to local authority financial statements in the 2010/11 financial year. This Statement presents the movement in the year of the reserves of the authority analysed into usable reserves, (eg General Fund, HRA Balances and earmarked reserves) and unusable reserves (see paragraph 24 below).
24. Unusable reserves arise out of the interaction of legislation and proper accounting practice either to store revaluation gains or as adjustment accounts to reconcile accounting requirements driven by reporting standards to statutory requirements.

These reserves², which are not resource-backed and cannot be used for any other purpose, are described below:

Revaluation Reserves

- The Revaluation Reserve - this is a reserve that records unrealised gains in the value of property, plant and equipment. The reserve increases when assets are revalued upwards, and decreases as assets are depreciated or when assets are revalued downwards or disposed of. Local authorities might benefit from these gains in the future from the continued use of the assets or from their sale. The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.
- The Available-for-Sale Financial Instruments Reserve – this is a reserve that records unrealised revaluation gains arising from holding available-for-sale investments, plus any unrealised losses that have not arisen from impairment of the assets. Local authorities might benefit in the future from the gains when the investments mature or are sold or they might be lost in falls in value.

Adjustment Accounts

- The Pensions Reserve – this is a specific accounting mechanism used to reconcile the payments made for the year to various statutory pension schemes in accordance with those schemes' requirements and the net change in the authority's recognised liability under the Code's adoption of IAS 19 – *Employee Benefits*, for the same period. A transfer is made to or from the pensions reserve to ensure that the charge to the General Fund reflects the amount required to be raised in taxation. For example, the debit balance on the Reserve shows that an authority has made commitments to fund pensions that the Government has permitted it to fund from contributions to be made in future years.
- The Capital Adjustment Account - this is a specific accounting mechanism used to reconcile the different rates at which assets are depreciated under proper accounting practice and are financed through the capital controls system. Statute requires that the charge to the General Fund is determined by the capital controls system. For example, the credit balance on the Account shows that an authority has generally financed capital investment in advance of receiving the benefits of that investment. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.
- The Financial Instruments Adjustment Account – this is a specific accounting mechanism used to reconcile the different rates at which gains and losses (such as premiums on the early repayment of debt) are recognised under proper accounting practice and are required by statute to be met from the General Fund. For example, the debit balance on the Account shows that an authority has incurred expenses on borrowings that the Government has permitted it to spread over future years.

² In addition to the Reserves included in this list authorities may hold the deferred capital receipts reserve and the accumulated absences account. Further details on these reserves are included in the *Code of Practice on Local Authority Accounting in the United Kingdom Guidance Notes for Practitioners 2013/14 Accounts*.

- The Unequal Pay Back Pay Account - this is a specific accounting mechanism used to reconcile the different rates at which payments in relation to compensation for previous unequal pay are recognised under proper accounting practice and are required by statute to be met from the General Fund. This account is not applicable to Scotland.
 - Collection Fund Adjustment Account – this is a specific accounting mechanism used to reconcile the differences arising from the recognition of council tax and non-domestic rates income (England)) in the Comprehensive Income and Expenditure Statement to those amounts required to be charged by statute to the General Fund. For example, the credit balance on the Account shows that more tax has been collected on behalf of the authority and the precepting bodies (and central government in England for non-domestic rates income) than an authority is permitted to transfer out of the Collection Fund by 31 March. This account is not applicable to Scotland.
25. Other such reserves may be created in future where developments in local authority accounting result in timing differences between the recognition of income and expenditure under proper accounting practice and under statute or regulation.
26. In addition authorities will hold the following two usable reserves:
- a Major Repairs Reserve (England and Wales), where relevant – in England this reserve records the unspent amount of HRA balances for capital financing purposes in accordance with statutory requirements for the Reserve. In Wales this represents the amounts unspent from the Major Repairs Allowance capital grant.
 - a Capital Receipts Reserve (Capital Fund in Scotland³) – this reserve holds the proceeds from the sale of assets, and can only be used for those purposes specified in the capital finance and accounting regulations⁴ in England, Northern Ireland and Wales and for capital purposes in Scotland.
27. The Code recommends that earmarked reserves are reported on the face of the Movement in Reserves Statement. Particularly significant movements might need to be reported individually on the face of the Statement to ensure key messages are presented clearly to users. However, effective reporting may either as an alternative or as a supplementary report necessitate similar disclosures in the notes to the financial statements (see paragraphs 3.4.2.41 and 3.4.2.42 of the Code which are also included in Appendix D for ease of reference).
28. When establishing reserves, local authorities need to ensure that they are complying with the Code and in particular the need to distinguish between reserves and provisions. Definitions of reserves and provisions are included in Appendix D of this Bulletin.
29. The introduction of the IFRS-based Code on 1 April 2010 has meant that grant income should be recognised in the Comprehensive Income and Expenditure Statement (and therefore against the General (Council) Fund or HRA Balances for

³ *The Statutory Basis for Accounting and Disclosing Reserves in Local Authorities in Scotland* [LASAAC, 2005] states "Useable capital receipts reserves are considered to be allowable under the power contained within Schedule 3, para 22 of the 1975 Act. Such a reserve effectively acts as a subset of the capital reserve specifically permitted by legislation."

⁴ The Local Authorities (Capital Finance and Accounting)(England) Regulations 2003, as amended, The Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003, as amended and the Local Government (Capital Finance and Accounting) Regulations (Northern Ireland) 2011.

revenue grants) where grant payment is unconditional or grant conditions have been satisfied⁵. The Code Guidance Notes recommend⁶ that where these grants have been received prior to the expenditure having taken place authorities should consider establishing earmarked reserves. This will ensure that amounts are set aside from the General (or Council) Fund and HRA balances in earmarked reserves to provide financing to meet the requirements of the grant. The amounts set aside will be posted back from earmarked reserves to meet General Fund and HRA expenditure in future years. It is likely therefore that since the introduction of the IFRS-based Code there is an increased tendency to hold earmarked reserves.

30. The statutory reporting regime described earlier and effective financial management underpin the need for clear, transparent reporting arrangements for reserves and therefore in addition to the financial reporting requirements above, LAAP recommends that for each earmarked reserve (earmarked portion of the general fund in Scotland) held by a local authority there should be a clear protocol setting out:
- the reason for / purpose of the reserve;
 - how and when the reserve can be used;
 - procedures for the reserve's management and control; and
 - a process and timescale for review of the reserve to ensure continuing relevance and adequacy.

PRINCIPLES TO ASSESS THE ADEQUACY OF RESERVES

31. In order to assess the adequacy of unallocated general reserves when setting the budget, chief finance officers should take account of the strategic, operational and financial risks facing the authority. Where authorities are being reorganised, this assessment should be conducted on the basis that the services will continue to be provided, and adequate reserves will therefore be required by successor authorities. The assessment of risks should include external risks, such as flooding, as well as internal risks, for example, the ability to deliver planned efficiency savings. In England and Wales, statutory provisions require authorities to review at least once in a year the effectiveness of their system of internal control, which will include risk management. The CIPFA/SOLACE framework *Delivering Good Governance in Local Government* details an approach to giving assurance that risk, control and governance matters are being addressed in accordance with best practice.
32. The Codes of Audit Practice in England, Wales, Scotland and Northern Ireland make it clear that it is the responsibility of the audited body to identify and address its operational and financial risks, and to develop and implement proper arrangements to manage them, including adequate and effective systems of internal control. The financial risks should be assessed in the context of the authority's overall approach to risk management.

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|---|--|
| Budget Assumptions | Financial standing and management assessment/impact |
| The treatment of inflation and interest rates | The overall financial standing of the authority (level of borrowing, debt outstanding, council tax collection rates) |

⁵ See Code of Practice on Local Authority Accounting in the United Kingdom Section 2.3.

⁶ See *Code of Practice on Local Authority Accounting in the United Kingdom Guidance Notes for Practitioners 2013/14 Accounts*, paragraphs C39 and C40.

| | |
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| | <p>etc.). Rises in the prices of some commodities, eg fuel, highlight the relevance of using a number of inflation rates in the budget and financial strategy, and considering whether general reserves are adequate to deal with unexpected increases. Volatility in the financial markets also points to the need to consider investment and borrowing risks and their impact on income.</p> |
| <p>Estimates of the level and timing of capital receipts</p> | <p>The authority's track record in budget and financial management including the robustness of the medium term plans. Authorities will also need to take into account changes in the property market, and adjust estimates and assumptions for reserves accordingly.</p> |
| <p>The treatment of demand led pressures</p> | <p>The authority's capacity to manage in-year budget pressures, and its strategy for managing both demand and service delivery in the longer term.</p> |
| <p>The treatment of planned efficiency savings/ productivity gains</p> | <p>The strength of the financial information and reporting arrangements. The authority should also be in a position to activate contingency plans should the reporting arrangements identify that planned savings or gains will either not be achieved or be delayed.</p> |
| <p>The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital developments</p> | <p>The authority's virement and end of year procedures in relation to budget under/overspends at authority and department/directorate level. Risk management measures in relation to partnerships, including consideration of risk allocation. Contract provisions designed to safeguard the authority's position in the event of problems arising from outsourcing arrangements.</p> |
| <p>The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions</p> | <p>The adequacy of the authority's insurance arrangements to cover major unforeseen risks. When considering insurance cover, the structure of the cover as well as the overall level of risk should be taken into account. Risk assessments should be used when balancing the levels of insurance premiums and reserves.</p> |
| <p>The general financial climate to which the authority is subject</p> | <p>External factors, such as future funding levels expected to be included in Spending Reviews and expected referenda principles and limits, will influence an authority's ability to replenish reserves once they have been used. Any plans for using reserves will</p> |

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| | need to consider the need and ability of the authority to replenish the reserves, and the risks to which the authority will be exposed whilst replenishing the reserves. |
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Whilst many of these factors relate to setting the annual budget, the level of risk and uncertainty associated with these factors will be relevant in determining an appropriate level of reserves.

33. Authorities have been faced by increasing financial pressures since 2008. This has been followed by a period of significant reduction in government funding which is anticipated to continue for some time, ie the spending review 2013 announced that the government will reduce total spending in 2015/16, 2016/17 and 2017/18 in real terms at the same rate as during the spending review 2010 period. Demands on local government services continue to increase. In addition to reduction in government funding other pressures include:
- councils striving to constrain council tax increases,
 - reductions of income,
 - new service demands and responsibilities such as:
 - the transfer of public health functions
 - the localisation of non-domestic rates retention, council tax freezes and council tax benefits/support
 - severe weather and floods.

Furthermore, events such as the losses in Icelandic banks and the problems in global financial markets are likely to mean that Councils will focus on cautious investment strategies. Council budgets and reserves have remained under pressure and are likely to continue to do so for some time.

34. The many factors involved when considering appropriate levels of reserves can only be assessed properly at a local level. A considerable degree of professional judgement is required. The chief finance officer may choose to express advice on the level of balances in cash and/or as a percentage of budget (to aid understanding) so long as that advice is tailored to the circumstances of the authority. The Audit Commission Report (December 2012) *Striking a Balance* makes a number of recommendations to both Chief Finance Officers and elected members to better assist councils in their decision making. Similarly the Accounts Commission in its report *An overview of local government in Scotland 2014*⁷ commented that more needs to be done to provide information on why reserves are held, how this fits with the councils financial strategy and how they will be used. The principles and financial reporting established in this and the previous LAAP bulletins on reserves will provide for the information requirements and an appropriate framework for this.
35. The advice should be set in the context of the authority's risk register and medium term plans and should not focus exclusively on short-term considerations. Balancing the annual budget by drawing on general reserves may be viewed as a legitimate short-term option. However, it is not normally prudent for reserves to be deployed

⁷ Issued by the Accounts Commission in March 2014

to finance recurrent expenditure. CIPFA has commented⁸ that Councils should be particularly wary about using one off reserves to deal with shortfalls in current funding. Where such action is to be taken, this should be made explicit, and an explanation given as to how such expenditure will be funded in the medium to long term. Advice should be given on the adequacy of reserves over the lifetime of the medium term financial plan, and should also take account of the expected need for reserves in the longer term.

36. Events such as the floods and severe weather that occurred earlier this year (2014) and previously in the floods during the summers of 2007 and 2008 have emphasised the need for authorities to be prepared for major unforeseen events. Adequate insurance cover combined with appropriate levels of reserves will enable authorities to manage the demands placed on them in such circumstances. However, these arrangements need to take account of all possible scenarios. An example quoted in the Audit Commission report *Staying Afloat* is that the total cost of the flooding was reduced where authorities had specifically considered the impact of a wide scale, serious event affecting many assets, and had taken appropriate action, for example, negotiating insurance policies that capped the total excesses linked to one event.
37. Part of the risk management process involves taking appropriate action to mitigate or remove risks, where this is possible. This in turn may lead to a lower level of reserves being required, and it would be appropriate to consider reducing the level of balances held where appropriate action to mitigate or remove risks has been successfully undertaken. A balance will need to be found between maintaining adequate levels of reserves and investing in risk reduction measures. This balance should form part of the risk management process and be considered as part of the annual budget process.
38. Emergency financial assistance from central government may be available to assist authorities in dealing with the immediate consequences of major unforeseen events, normally under the Emergency Financial Assistance to Local Authorities scheme (commonly known as the 'Bellwin' scheme). However, there is no automatic entitlement to financial assistance, and where financial assistance is given, it will not cover all of the costs even in exceptional circumstances. Further details of the scheme are available on the relevant government web sites (links can be found in Appendix C of this bulletin). Authorities should plan to have access to sufficient resources (through reserves, insurance or a combination of both) to cover the costs of recovering from events that are likely to be unavoidable.
39. When considering the level of reserves, it would be appropriate for authorities to take into account the likely level of Government support that would be available, and to consider how the balance would be funded in the event of an unforeseen event occurring.
40. Flooding, the effects of severe weather and the impact of the problems experienced by the global financial markets are examples of external risks which local authorities may need to take into account in setting levels of reserves and wider financial planning. An assessment of external risks should not be limited to those issues, but should range more widely, to take account of all significant external risks identified through the authority's risk management processes.

⁸ See comments by CIPFA Chief Executive *Building up council reserves to protect the public from future financial problems is good financial management* – CIPFA
<http://www.cipfa.org/about-cipfa/press-office/latest-press-releases/building-up-council-reserves>

EXTRACT FROM LAAP BULLETIN 55

7 A New Reporting Framework

7.1 The finance director has a fiduciary duty to local taxpayers, and must be satisfied that the decisions taken on balances and reserves represent proper stewardship of public funds.

7.2 The level and utilisation of reserves will be determined formally by the Council, informed by the advice and judgement of the finance director⁹. To enable the Council to reach its decision, the finance director should report the factors that influenced his or her judgement, and ensure that the advice given is recorded formally. Where the finance director's advice is not accepted this should be recorded formally in the minutes of the council meeting.

7.3 It is recommended that:

- the budget report to the Council should include a statement showing the estimated opening general reserve fund balance for the year ahead, the addition to/withdrawal from balances, and the estimated end of year balance. Reference should be made as to the extent to which such reserves are to be used to finance recurrent expenditure
- this should be accompanied by a statement from the finance director on the adequacy of the general reserves and provisions in respect of the forthcoming financial year and the authority's medium term financial strategy
- a statement reporting on the annual review of earmarked reserves (including schools' reserves) should also be made at the same time to the Council. The review itself should be undertaken as part of the budget preparation process. The statement should list the various earmarked reserves, the purposes for which they are held and provide advice on the appropriate levels. It should also show the estimated opening balances for the year, planned additions/withdrawals and the estimated closing balances.

⁹ LAAP Bulletin 99 normally refers to Chief Finance Officers – previous editions of this Bulletin referred to Finance Directors.

EXTRACT FROM LAAP BULLETIN 77

27. "...Alternative arrangements, for example mutual aid agreements, may help to reduce the reliance on reserves or insurance. The Pitt Review into the 2007 floods, although specifically focused on England, will be of relevance to all local authorities. This recommended that "Local authorities should continue to make arrangements to bear the cost of recovery for all but the most exceptional emergencies, and should revisit their reserves and insurance arrangements in light of last summer's floods." The Government's position remains that it is primarily the local authority's responsibility to bear such costs, and authorities should note this position when considering the appropriate level of reserves."

28 "... However, both the Pitt Review and Staying Afloat noted that most central government assistance provided to local authorities in relation to the 2007 floods was ad hoc in nature. The government has been keen to stress that they should not be seen as setting a precedent and should not be relied on in the future. Authorities will therefore need to make their own assessments of the likely level of support. "

FURTHER INFORMATION:

The Pitt Review can be downloaded from:

http://webarchive.nationalarchives.gov.uk/20100807034701/http://archive.cabinetoffice.gov.uk/pittreview/thepittreview/final_report.html

Staying Afloat can be downloaded from:

http://archive.audit-commission.gov.uk/auditcommission/SiteCollectionDocuments/AuditCommissionReports/NationalStudies/StayingAfloat_REP14Dec07.pdf

Both reports provide additional advice to local authorities on planning for and managing the financial impacts of exceptional events.

LASAAC Guidance on Reserves in Scotland can be downloaded from:

<http://www.cipfa.org/regions/scotland/policy-and-technical/local-authority-scotland-accounts-advisory-committee/guidance-and-publications/accounting-for-interest-on-reserves>

Details of the Emergency Financial Assistance (Bellwin) Scheme can be downloaded from:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/210953/The_Bellwin_Scheme_of_Emergency_Financial_Assistance_to_Local_Authorities.pdf

<http://www.scotland.gov.uk/Topics/Government/local-government/17999/Bellwin>

<http://wales.gov.uk/topics/localgovernment/finandfunding/emergency/publications/efas-guidance-notes-14-15/?lang=en>

The Audit Commission Report *Striking a Balance* can be downloaded from:

<http://www.audit-commission.gov.uk/2012/12/striking-a-balance-improving-councils-decision-making-on-reserves/>

Accounts Commission *An overview of local government in Scotland 2014* (March 2014) can be accessed at:

http://www.audit-scotland.gov.uk/docs/local/2014/nr_140327_local_government_overview.pdf

CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING IN THE UNITED KINGDOM
DEFINITIONS (AND RELEVANT EXTRACTS OF) RESERVES AND PROVISIONS

CHAPTER TWO: CONCEPTS AND PRINCIPLES

2.1.2.25 Reserves – the residual interest in the assets of the authority after deducting all its liabilities. The Movement in Reserves Statement shows the true economic cost of providing the authority's services, represented by the line 'Surplus or (deficit) on the provision of services'. Some income and expenditure is required to be recognised on a different basis or in a different accounting period (ie in accordance with legislation) in the General Fund and Housing Revenue Account. These differences are shown in the line 'Adjustments between accounting basis and funding basis under regulations'. Voluntary transfers to or from the General Fund Balance and Housing Revenue Account Balance also affect the amount to be funded from council tax or council dwelling rents; these are shown in the line 'Transfers to or from reserves available to fund services'. The Movement in Reserves Statement also shows Other Comprehensive Income and Expenditure, for example revaluation gains.

CHAPTER THREE: FINANCIAL STATEMENTS

3.4.2.41 The classification of reserves presented in the Movement in Reserves Statement shall include the following items; authorities may choose to present additional items on the face of the statement:

- a) General Fund Balance (in Scotland, includes earmarked portion of General Fund Balance)
- b) Earmarked General Fund Reserves (not Scotland) (recommended but not mandatory)
- c) Housing Revenue Account Balance (in Scotland, includes earmarked portion of Housing Revenue Account Balance)
- d) Earmarked Housing Revenue Account Reserves (not Scotland) (recommended but not mandatory)
- e) Major Repairs Reserve (England and Wales)
- f) Revenue statutory funds (Scotland)
- g) Capital Receipts Reserve (England and Wales); Capital statutory funds (Scotland)
- h) Capital Grants Unapplied Account
- i) Total usable reserves
- j) Unusable reserves
- k) Total reserves of the authority
- l) Authority's share of the reserves of subsidiaries, associates and joint ventures (Group Accounts only)
- m) Total reserves (Group Accounts only).

3.4.2.42 A local authority shall present, either in the Movement in Reserves Statement or in the notes, an analysis of the amounts included in each item of the classification of reserves required by paragraph 3.4.2.41. This analysis shall present amounts held for capital purposes separately from those held for revenue purposes, and shall separately identify the total reserves held by schools.

CHAPTER EIGHT: LIABILITIES

8.2.2.9 A **provision** is a liability of uncertain timing or amount.

8.2.2.12 A provision shall be recognised when:

- an authority has a present obligation (legal or constructive) as a result of a past event
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and
- a reliable estimate can be made of the amount of the obligation.

8.2.2.13 If the above conditions are not met, no provision shall be recognised.

8.2.2.14 In some cases it is not clear whether there is a present obligation. In these cases, a past event is deemed to give rise to a present obligation if, taking account of all available evidence, it is more likely than not that a present obligation exists at the reporting date. A past event that leads to a present obligation is called an obligating event.

Agenda Item 7



Report of the Section 151 Officer

Audit Committee - 11 December 2018

Trusts & Charities

| | |
|------------------------------------|--|
| Purpose: | To provide background information to the audit committee of the range of trusts and charities of which the Council is nominated trustee. |
| Policy Framework: | None |
| Consultation: | Legal, Finance and Access to Services. |
| Report Author: | Jeffrey Dong |
| Finance Officer: | Ben Smith |
| Legal Officer: | Tracey Meredith |
| Access to Services Officer: | N/A |
| For Information | |

1 Introduction

- 1.1 The City & County of Swansea and its predecessors (Swansea City Council and West Glamorgan County Council) have inherited, or been bequeathed or nominated to act as Trustee/manage/oversee a number of trusts and charities with a wide range of varied charitable objects.
- 1.2 The assets of these trusts and charities are not the property of the Council and are not core to the activities of the City & County of Swansea.
- 1.3 Where it is obliged to, Charity Commission returns are completed and financial statements are produced and 'independently examined' as required under Charity Commission guidelines.
- 1.4 Although the trust and charity assets are not the Council's, summary year end balances were included in the financial statements of the

Authority as an informational disclosure note up until 2013/14. In rationalising the financial statements of the Authority and upon instruction from the appointed external auditors, it was determined that it was no longer required to include a similar extract in future financial statements of the Authority, however the requisite Charity Commission returns and financial statements continue to be produced and be independently examined.

- 1.5 At the request of the Audit Committee Chair, this report has been submitted 'For Information' to the Audit Committee.

2 The Portfolio of Trusts & Charities

- 2.1 The Council's portfolio of Trusts and Charities is outlined in Appendix 1 as at 31 March 2018 (last filed balance sheet with Charity Commission). The Council has historically supported these Trusts and charities in the provision of professional services on a pro bono basis (legal, finance, democratic services, IT, facilities and Education & Social Services) to enable the Trust & charity to undertake its objectives.

These services include:

- Legal advice
- Preparation of financial statements
- Financial advice/management of investments
- Charity commission filing
- Room hire
- Identifying awards
- Distributing awards
- Convening trustee meetings/recording minutes

The costs/time associated with the above have never been quantified. The degree of support and activity between Trusts and Charities varies widely.

- 2.2 It can be seen that there is a broad range of Trusts & charities both in size of assets and charitable object.

- 2.3 Where the charitable object is still relevant and there is sufficient distributable income, it can be seen that the Trust & charity is still active and makes regular distributions and awards as identified in Appendix 1

3 Governance

- 3.1 In most instances, the Council is the named Trustee of each trust or charity or in some instances there are named elected member trustees (e.g The Lord Mayor) for each charity and delegates the decision making either to named elected members or to the Trustee Panel comprising of the members identified in Appendix 2..

- 3.2 For the larger trusts & charities, this body meets to agree and make awards and distributions in line with the objects of the charity and to receive the financial statements. This is usually a direct award to a

person or organisation within the remit of the charitable object.
Otherwise the directly appointed trustees make those decisions

- 3.3 Elected members have always been very active and keen to preserve their role in these acts of local philanthropy.

4 Resource to Support Trusts & Charities

- 4.1 As the workforce across the Council contracts, the ability of services to support 'non core' business has reduced to a point where services cannot provide the historical level of service the trust or charity has historically enjoyed.

- 4.2 The current level of support is discharged without full recovery of costs.

5 Community Foundation in Wales (CFW)

- 5.1 At the behest of the Administration in power at the time, Council Officers met with the Community Foundation in Wales , an organisation which seeks to manage and consolidate charitable funds with a view to maximising efficiencies in administration and management costs for the benefit of the charity. They undertake the labour intensive task of resolving the necessary legals to dissolve the charities with the Charity Commission and vire funds.

The proposed management charge was 2% of assets under management all inclusive management fee to do so.

5.2 The CFW Model

At the moment each charity or trust has a distinct and separate charitable object, CFW would seek to consolidate all these funds into a single Swansea Foundation fund with a single 'catch all' charitable object which would be determined and would seek to make awards not on a personal/ direct level but to other enabling charities or organisations which would satisfy those objects.

Elected members would be allowed a number of seats on the trustee board of this Swansea Foundation; however the award making process would not be as granular as in the past.

5.3 City & County of Swansea -CFW Pilot

It was agreed by the then Head of Financial Services to pilot the model in 2011/12 with the consolidation of the dormant and inactive Trusts and charities, however without the agreement of the Trustees of the Houseworkers' Trust Fund, which was the largest of the dormant funds at that time (subsequently taken over by the Trustees of the charity), the proposition became financially unviable for the CFW to consider any longer and take forward. No further work was undertaken.

6 Financial Implications

- 6.1 There are no direct financial implications arising from this report

7 Legal Implications

7.1 As Corporate Trustee the Council must abide by the Trust Deed and objects of the charity.

8 Equality Impact Assessment

The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment process ensures that we have paid due regard to the above. As the report is for information and no actions arise there are no equality impact implications arising from this report

Appendices

Appendix 1 – Summary of trusts and charities

Appendix 2 – Trustee Panel

APPENDIX 1

| Charity Funds | | | | | |
|--|-----------------------------|---|---------------------------------------|---------------|--|
| Name of Fund | Charity Registration | Object of the Fund | Approx Fund Value @ 28/11/18 £ | Status | Grants Awarded 01/04/17 - to date £ |
| Welsh Church Act Trust Fund | 1071913 | Grants are awarded to charities, voluntary bodies and organisations with charitable objectives which are based in/or active within the City & County of Swansea. | 1,350,300 | Active Fund | 49,250 |
| Swansea Children's Relief In Need | 701418 | To help relieve the hardship or distress of children living in the area. | 798,500 | Active Fund | 0 |
| Swansea Workshop for the Blind | 532256 | The object of the charity is the relief of persons who are blind or partially sighted by the provision for such persons of facilities for employment and vocational training. | 728,760 | Active Fund | 0 |
| Swansea Foundation | 1086884 | To promote the education of persons who are under the age of 25, are in need of financial assistance and are resident in the City & County of Swansea. Preference is given to persons who have attended Bishop Gore Comprehensive | 183,500 | Active Fund | 0 |

| | | | | | |
|---|---------|---|---------|-------------|--------|
| | | School, Dynevor Comprehensive School, Swansea College and Swansea Institute of Higher Education. | | | |
| Swansea Further Education Trust Fund | 1053664 | The Charity provides post graduate awards to pupils residing in or near the County Borough of Swansea. | 140,000 | Active Fund | 9,000 |
| Cwmdonkin House Trust Fund | 222391 | To promote and carry out moral welfare work amongst girls and women in Swansea and the neighbourhood thereof. | 92,495 | Dormant | 0 |
| T & E Williams Scholarship Fund | N/A | To award scholarships to candidates resident for at least two years immediately preceding the date of application for a scholarship, or have attended for two years in an educational establishment, within the area comprising the former Borough of Loughor. If there are no worthy applicants or not a sufficient number of worthy applicants to meet this criterion, then the area of benefit may be extended to cover the areas of the City & County of Swansea and that of Neath Port Talbot Borough Council. | 67,430 | Active Fund | 4,165 |
| Lord Mayor's Charity Fund | 512099 | Each year the newly inaugurated Lord Mayor chooses a charity or charities to benefit from the funds raised during his/her term of office. | 28,625 | Active Fund | 38,580 |

| | | | | | |
|---|--------|---|--------|--------------|---|
| Glen George Scholarship Fund | N/A | The City & County of Swansea shall stand possessed of the Scholarship Fund upon trust to apply the income thereof in perpetuity for the promotion and encouragement of education of pupils from Bishop Gore Comprehensive School. | 27,646 | Active Fund | 0 |
| Vision Impaired West Glamorgan | 504736 | To provide assistance to registered blind and partially sighted people within the areas of the City & County of Swansea and Neath Port Talbot, by making grants of money or providing items, services or facilities. | 20,500 | Active Fund | 0 |
| Glyn Vivian Lectureship Fund | N/A | Grants awarded by Glyn Vivian Art Gallery | 17,000 | Active Fund | 0 |
| Ynystawe Reading Room | 524252 | The provision and maintenance of a reading room situated in Ynystawe, Swansea | 13,249 | Dormant Fund | 0 |
| Morrison Park Fountain | N/A | The provision and maintenance of a fountain in Morrison Park | 10,047 | Dormant Fund | 0 |
| Royal Artillery Maintenance Fund | N/A | The objects of the charity is the provision of maintenance of a WW2 monument situated at Quay Parade Swansea. | 9,420 | Active Fund | 0 |

| | | | | | |
|---------------------------------|--------|--|------------------|--------------|----------------|
| Frank Squires Trust Fund | 508215 | Advancing the course of education within the County of West Glamorgan and in particular of assisting former pupils of Dan-Y-Graig and St Thomas Junior School to pursue courses of higher education. | 5,350 | Active Fund | 0 |
| Lily Thomas | 505022 | To relieve either generally or individually persons resident in the area of benefit who are in conditions of need, hardship or distress. | 3,495 | Dormant Fund | 0 |
| D F Nichol | 245214 | Relief of the poor in the village of Oystermouth, Swansea | 3,019 | Dormant Fund | 0 |
| William Turpin | N/A | Unknown - Dormant | 2,058 | Dormant Fund | 0 |
| G M John Bequest | N/A | Unknown - Dormant | 1,200 | Dormant Fund | 0 |
| St Johns Day Centre | N/A | Unknown - Dormant | 278 | Dormant Fund | 0 |
| Total | | | 3,502,872 | | 100,995 |

TRUSTEES PANEL**TRUSTEES PANEL (17)****Labour Councillors: 11**

| | |
|--------------------|------------------|
| Will Evans | Alyson Pugh |
| Yvonne Jardine | Paulette B Smith |
| Mike B Lewis | Gloria J Tanner |
| Wendy Lewis | Mark Thomas |
| Hazel M Morris | Lesley V Walton |
| Christine Richards | |

Liberal Democrats/Independent Councillors: 3

| | |
|----------------|-------------------|
| Chris A Holley | D Gareth Sullivan |
| Susan M Jones | |

Conservative Councillors: 2

| | |
|----------------|---------------------|
| Lyndon R Jones | Brigitte J Rowlands |
|----------------|---------------------|

Uplands Councillor: 1

| | |
|--------------|--|
| Irene E Mann | |
|--------------|--|

Agenda Item 8



Report of the Section 151 Officer

Audit Committee – 11 December 2018

Treasury Management Annual Report 2017/18

| | |
|-----------------------------------|--|
| Purpose: | The Treasury Management Annual Report (appended to this report) provides details of the Council's Treasury Management activities during 2017/18 and compares actual performance against the strategy laid down at the start of the year. |
| Policy Framework: | Treasury Management Policy Statement |
| Consultation: | Finance, Access to Services and Legal |
| Report Author: | J. Dong |
| Finance Officer: | B Smith |
| Legal Officer: | T Meredith |
| Access to Services Officer | N/A |
| For Information | |

1 Introduction

- 1.1 Under the CIPFA Code of Practice on Treasury Management in Public Services, there is a requirement: "...for the Council to receive reports on its treasury management policies, practices and activities".
- 1.2 As such, the annual report of Treasury Management activities 2017/18 attached at Appendix 1 was presented to Council on 20th September 2018.
- 1.3 It is presented to Audit Committee for information.

2 Financial Implications

- 2.1 There are no direct financial implications arising from this report

3 Legal Implications

- 3.1 There are no direct legal implications arising from this report

4 Equality Impact Assessment

- 4.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment process ensures that we have paid due regard to the above. As the report is for information and no actions arise there are no equality impact implications arising from this report

Background Papers: None.

Appendices

Appendix 1 – Treasury Management Annual Report 2017/18



Report of the Section 151 Officer

Council 20th September 2018

Treasury Management Annual Report 2017/18

| Summary | |
|-----------------------------------|--|
| Purpose: | This report provides details of the Council's Treasury Management activities during 2017/18 and compares actual performance against the strategy laid down at the start of the year. |
| Policy Framework: | Treasury Management Policy Statement |
| Reason for Decision: | This report is made to Council to comply with the requirements of CIPFA's Codes of Practice and as such, there is no decision required. |
| Consultation: | Finance, Access to Services and Legal |
| Recommendation: | The report is for information. Members are asked to note the details contained in the report |
| Report Author: | J. Dong |
| Finance Officer: | B Smith |
| Legal Officer: | D Smith |
| Access to Services Officer | R Millar |
| FOR INFORMATION | |

1 Introduction

- 1.1 Under the CIPFA Code of Practice on Treasury Management in Public Services, there is a requirement: "...for the Council to receive reports on its treasury management policies, practices and activities".

This report summarises the activities for the year. The Prudential Code for Capital Finance in Local Authorities also requires the reporting of outturn Prudential Indicators for the year.

2 Executive Summary of Activities During The Year

- 2.1 The Capital Financing Requirement outlined an outstanding borrowing requirement of £49m for 2017/18. Identified borrowing of £40m within target levels was undertaken during the year at an average interest rate of 2.525%
- 2.2 The average interest rate on outstanding Council borrowing was 4.44% in 2017/18 down from 4.89% 2016/17.
- 2.3 Internally Managed investments achieved a return of 0.35%. This represents an outperformance of +0.15% from the average 7 day LIBID benchmark rate of 0.20% returning £264k of investment income
- 2.6 The Council has operated within all of the determined treasury limits outlined in appendix 1

3 Financial Implications

- 3.1 There are no financial implications arising directly from this report

4 Legal Implications

- 4.1 There are no legal implications arising directly from the report.

5 Equality Impact Assessment Implication

- 5.1 There are no equality impact assessment implications arising directly from the report

Appendices:

Appendix A – Treasury Management Annual Report 2017/18

Background Papers:

- Treasury Management Strategy, Prudential Indicators, Investment Strategy & Minimum Revenue Provision Statement 2017/18 (Feb 2017)
- Treasury Management Strategy, Prudential Indicators, Investment Strategy & Minimum Revenue Provision Statement 2018/19 (Feb 2018)

Treasury Management Annual Report

2017/18

Contents

Section

1. Executive Summary
2. Introduction and Background
3. Debt Portfolio
4. Treasury Strategy 2017/18
5. Actual Borrowing 2017/18
6. Compliance with Treasury Limits
7. Capital Financing Charges 2017/18
8. Investment Strategy for 2017/18
9. Actual Investments 2017/18
10. Early Debt Repayment

Appendices

1. Executive Summary

- 1.1 The Capital Financing Requirement outlined an outstanding borrowing requirement of £49m for 2017/18. Identified borrowing of £40m within target levels was undertaken during the year at an average interest rate of 2.525%
- 1.2 The average interest rate on outstanding Council borrowing was 4.44% in 2017/18 down from 4.89% 2016/17.
- 1.3 Internally Managed investments achieved a return of 0.35%. This represents an outperformance of +0.15% from the average 7 day LIBID benchmark rate of 0.20% returning £264k of investment income.
- 1.4 The Council has operated within all of the determined treasury limits outlined in Appendix 1.

2. Introduction and Background

- 2.1 Treasury Management in local government is regulated by the CIPFA Code of Practice on Treasury Management in Public Services (the Code). The City and County of Swansea has adopted the Code and complies with its requirements. A glossary of terms used throughout this report is included at Appendix 2.
- 2.2 The primary requirements of the Code are the:
 - Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's Treasury Management activities
 - Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives
 - Receipt by the Council of an annual Treasury Management strategy report for the year ahead , a mid term update report and an annual review report of the previous year
 - Delegation by the Council of responsibilities for implementing and monitoring Treasury Management policies and practices and for the execution and administration of Treasury Management decisions
 - Treasury Management, in this context, is defined as:

“The management of the local authority’s cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of the optimum performance or return consistent with those risks.”
- 2.3 The Council has previously received in February 2017 and updated in February 2018 the Treasury Strategy Statement and Investment Strategy and MRP Strategy for 2017/18.
- 2.4 The Prudential Code for Capital Finance in Local Authorities has been developed as a professional code of practice to support local authorities in determining their programmes for capital investment. The Code was updated in 2017. Local authorities are required by Regulation under Part 1 of the Local Government Act 2003 to comply with the Prudential Code.

2.5 The objective of the Code is to provide a framework for local authority capital finance that will ensure for individual local authorities that:

- Capital expenditure plans are affordable
- All borrowing and long term liabilities are within prudent and sustainable levels
- Treasury Management decisions are taken in accordance with professional good practice

2.6 The Code includes a set of Prudential Indicators, which are designed to support and inform local decision-making. The 2017/18 Prudential Indicators are detailed in Appendix 1.

3. Debt Portfolio

3.1 The Council's external borrowing position at the beginning and end of the year was as follows:

| | 1 April 2017 | | 31 March 2018 | |
|------------------------|--------------------|-----------------------|--------------------|-----------------------|
| | Principal £'000 | Interest Rate % | Principal £'000 | Interest Rate % |
| Long Term Debt | | | | |
| PWLB - fixed rate | 323,085 | 5.16 | 354,084 | 4.95 |
| Money Market (LOBO) | 98,000 | 4.10 | 98,000 | 4.10 |
| Welsh Gov | | | 5,500 | - |
| Short Term Debt | | | | |
| Market | 22,000 | 0.41 | - | - |
| External Bodies | 1,553 | 0.70 | 951 | 0.61 |
| Total Debt | 444,639 | 4.89 | 458,535 | 4.44 |

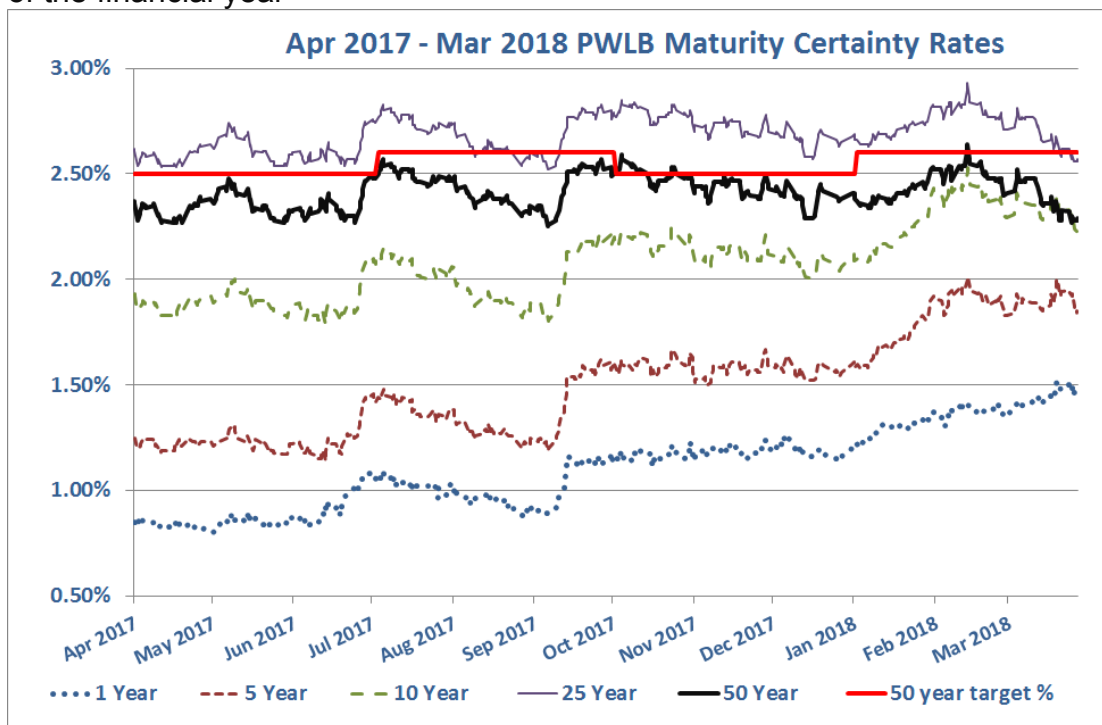
3.2 The average external debt portfolio interest rate was 4.44%.

4. Treasury Strategy 2017/18

- 4.1 The expectation for interest rates within the treasury management strategy for 2017/18 anticipated that Bank Rate would not start rising from 0.25% until quarter 2 2019 and then only increase once more before 31.3.20. There would also be gradual rises in medium and longer term fixed borrowing rates during 2017/18 and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.
- 4.2 In this scenario, the long term treasury strategy was to postpone borrowing to avoid the cost of holding higher levels of investments and to reduce counterparty risk, whilst mindful of opportunities to undertake borrowing should they arise and to mitigate any arising risks.
- 4.3 During 2017/18, longer term PWLB rates were volatile but with little overall direction, whereas shorter term PWLB rates were on a rising trend during the second half of the year.
- 4.4 During the calendar year of 2017, there was a major shift in expectations in financial markets in terms of how soon Bank Rate would start on a rising trend. After the UK economy surprised on the upside with strong growth in the second half of 2016, growth in 2017 was disappointingly weak in the first half of the year; quarter 1 came in at +0.3% (+1.7% y/y) and quarter 2 was +0.3% (+1.5% y/y), which meant that growth in the first half of 2017 was the slowest for the first half of any year since 2012. The main reason for this was the sharp increase in inflation caused by the devaluation of sterling after the EU referendum, feeding increases into the cost of imports into the economy. This caused a reduction in consumer disposable income and spending power as inflation exceeded average wage increases. Consequently, the services sector of the economy, accounting for around 75% of GDP, saw weak growth as consumers responded by cutting back on their expenditure. However, growth did pick up in quarter 3 to 0.5% before dipping slightly to 0.4% in quarter 4.
- 4.5 Consequently, market expectations during the autumn rose significantly that the MPC would be heading in the direction of imminently raising Bank Rate. The MPC meeting of 14 September provided a shock to the markets with a sharp increase in tone in the minutes where the MPC considerably hardened their wording in terms of needing to raise Bank Rate very soon. The 2 November MPC quarterly Inflation Report meeting duly delivered on this warning by withdrawing the 0.25% emergency rate cut which had been implemented in August 2016. Market debate then moved on as to whether this would be a one and done move for maybe a year or more by the MPC, or the first of a series of increases in Bank Rate over the next 2-3 years. The MPC minutes from that meeting were viewed as being dovish, i.e. there was now little pressure to raise rates by much over that time period. In particular, the GDP growth forecasts were pessimistically weak while there was little evidence of building pressure on wage increases despite remarkably low unemployment. The MPC forecast that CPI would peak at about 3.1% and chose to look through that breaching of its 2% target as this was a one off result of the devaluation of sterling caused by the result of the EU referendum. The inflation forecast showed that the MPC expected inflation to come down to near the 2% target over the two to three year time horizon. So this all seemed to add up to cooling expectations of much further action to raise Bank Rate over the next two years.

4.6 As depicted in the graph below, PWLB 25 and 50 year rates have been volatile during the year with little consistent trend. However, shorter rates were on a rising trend during the second half of the year and reached peaks in February / March. During the year, the 50 year PWLB target (certainty) rate for new long term borrowing was 2.55

% in quarters 1 and 3 and 2.60% in quarters 2 and 4. The graphs and tables for PWLB rates show, for a selection of maturity periods, the average borrowing rates, the high and low points in rates, spreads and individual rates at the start and the end of the financial year



4.6 In this scenario, the treasury strategy was to postpone strategic borrowing to avoid the cost of holding higher levels of investments and to reduce counterparty risk, whilst being open to tactical and/or risk mitigation borrowing opportunities outlined in 5.2

5. Actual Borrowing 2017/18

5.1 The Treasury Management strategy 2017/18 agreed by the Council in February 2017 outlined an unfunded capital financing requirement of £49m in 2017/18

5.2 As identified in 4.2 above, the general strategy is to mitigate the ‘cost of carry’ in the current economic environment, however when opportunities arise to finance the capital finance requirement within target limits, which offer long term value, then they shall be taken. As such, long term borrowing of £40m was undertaken during the year outlined below. The maturity dates of the long term borrowing were selected to complement the existing maturity profile and minimise interest burden. The loans taken out were :

| Long Term Borrowing | | | |
|---------------------|--------|----------|---------------|
| Lender- date | Amount | Maturity | Interest Rate |
| PWLB June 2017 | £10m | 30 years | 2.51% |
| PWLB Feb 2018 | £10m | 46 years | 2.54% |
| PWLB Feb 2018 | £10m | 49 years | 2.53% |
| PWLB Feb 2018 | £10m | 50 years | 2.52% |

6. Compliance with Treasury Limits

- 6.1 During the year, the Council operated within the limits set out in the Council's Treasury Management Strategy 2017/18 under the Prudential Code. The outturn for the prudential indicators are shown in Appendix 1.

7. Capital Financing Charges 2017/18

- 7.1 The capital financing charges made to the Council's accounts for 2017/18 including capital repayments net of discounts/premiums and interest receivable are detailed below.

| | Actual 2016/17 | | Actual 2017/18 | |
|---------------------|-------------------|---------------------------|-------------------|---------------------------|
| | £'000 | Net Interest Rate % | £'000 | Net Interest Rate % |
| Housing Revenue A/c | 8,918 | 4.33 | 9,297 | 4.24 |
| General Fund | 27,051 | 4.32 | 28,367 | 4.21 |

- 7.2 The net capital financing interest rates charged differ from the average rate of interest for external debt due to the fact that part of the Council's borrowing for capital purposes is funded by the investment of internal reserves and the use of internal balances and the amortisation of historical discounts/premia applied.

8. Investment Strategy for 2017/18

- 8.1 Investment rates for 3 months and longer have been on a rising trend during the second half of the year in the expectation of Bank Rate increasing from its floor of 0.25%, and reached a peak at the end of March.
- 8.2 Bank Rate was duly raised from 0.25% to 0.50% on 2/11/17 and remained at that level for the rest of the year. However, further increases are expected over the next few years. Deposit rates continued into the start of 2017/18 at previous depressed levels due, in part, to a large tranche of cheap financing being made available under the Term Funding Scheme to the banking sector by the Bank of England; this facility ended on 28/2/18
- 8.3 As a result of the above, a cautious borrowing and investment strategy was implemented in 2017/18. The paramount consideration in making investments was the security of the investment. Given the low interest rates achievable on Council investments, it is a broad adopted principle to internally finance any new capital borrowing requirement. This results in a lower net interest charge to the Council and reduced risk in relation to security of investment without incurring cost of carry (i.e borrowing at a higher rate than is available for investment).
- 8.4 The Council's investment policy is governed by WAG guidance, which was implemented in the annual investment strategy approved by the Council on February 2017. This policy sets out the approach for choosing investment counterparties, and is based on our Treasury Advisors' investment colour matrix based on credit ratings provided by the three main credit rating agencies supplemented by additional market data such as rating outlooks,

credit default swaps information, bank share prices etc. New investments were restricted to UK based institutions only, which satisfied these criteria.

9. Actual Investments 2017/18

- 9.1 The Council manages its cashflow and core balance investments internally, having realised its cash balances held with its external cash fund manager previously. These balances were invested on the Money Market via brokers or directly with banks and building societies, other local authorities and the Debt Management Office (DMO) within the criteria set out in 8.4 above. The balances held during the year were as follows:

| Balance 1 April 2017 | Balance 31 March 2018 | Average Value 2016/17 | Interest | Rate of Return | Benchmark 7 day LIBID |
|-------------------------|--------------------------|--------------------------|----------|-------------------|--------------------------|
| £'000 | £'000 | £'000 | £'000 | % | % |
| 70,751 | 61,889 | 75,724 | 264 | 0.35 | 0.20 |

- 9.2 The interest achieved on internally managed investments was £0.264m or 0.35%. This return outperformed the benchmark seven-day rate by +0.15%.
- 9.3 As a further measure to mitigate and control risk following the financial crisis, the Authority determined to restrict investments to UK domiciled only banks and financial institutions in October 2008 resulting in an even smaller number of available counterparties to invest with. This policy was maintained in light of continued sovereign debt crises throughout Europe. The list of investments as at 31st March 2018 is attached at Appendix 3.

10. Debt Repayment/Rescheduling

- 10.1 Market conditions are constantly monitored for opportunities to repay or reschedule debt in line with good Treasury Management practice. No such opportunities arose in 2017/18.

Prudential Indicators

| Capital Prudential Indicators | 2016/17 | 2017/18 | 2017/18 |
|---|--------------|--------------|---------|
| | Actual | Budget | Actual |
| | £'000 | £'000 | £'000 |
| Capital Expenditure | | | |
| GF | 49,783 | 60,347 | 40,379 |
| HRA | 51,953 | 51,886 | 45,835 |
| TOTAL | 101,736 | 97,543 | 86,214 |
| Ratio of financing costs to net revenue stream | % | % | % |
| GF | 6.71 | 6.90 | 6.75 |
| HRA | 13.44 | 16.44 | 16.44 |
| Capital Financing Requirement | £'000 | £'000 | |
| GF | 342,367 | 357,987 | 333,490 |
| Credit Arrangements | 620 | 893 | 1,898 |
| HRA | 155,755 | 153,545 | 151,068 |
| TOTAL | 498,742 | 512,425 | 486,456 |

| Treasury Management Prudential Indicators | | | |
|---|---------------------|------------|--------------------|
| | 2016/17 | 2017/18 | 2017/18 |
| | Actual | Budget | Actual |
| | £'000 or % | £'000 or % | £'000 |
| Authorised limit for external debt | 444,639 | 615,573 | 458,535 |
| Operational boundary for external debt | 444,639 | 555,573 | 458,535 |
| Upper limit for fixed interest rate exposure | 77.96%/ £346,640 | 60% | 78.6%/ £360,535 |
| Upper limit for variable interest rate exposure | 22.04%/ £98,000 | 40% | 21.4%/ £98,000 |
| Upper limit for total principal sums invested for over 364 days | 0 | 40,000 | 0 |

| Maturity Structure of Fixed Rate Borrowing in 2017/18 | | | |
|--|--------------------|--------------------|---------------|
| | Upper Limit | Lower Limit | Actual |
| Under 12 months | 50% | 0% | 0.1% |
| 12 months and within 24 months | 50% | 0% | 1.1% |
| 24 months and within 5 years | 50% | 0% | 1.8% |
| 5 years and within 10 years | 85% | 0% | 5.9% |
| 10 years and above | 95% | 15% | 91.1% |

The Treasury Management Prudential Indicators identified above as:

- Upper limit for fixed interest rate exposure
- Upper limit for variable interest rate exposure
- Upper limit for total principal sums invested for over 364 days
- Maturity Structure of fixed rate borrowing in 2017/18

are shown as at balance sheet date 31st March 2018, however it can be reported that none of the above limits were breached during 2017/18.

Appendix 2

Treasury Management – Glossary of Terms

| | |
|---|--|
| Annualised Rate of Return | Represents the average return which would have been achieved each year. |
| Authorised Limit <i>(can also be considered as the affordable borrowing limit)</i> | The authorised limit must be set to establish the outer boundary of the local authority's borrowing based on a realistic assessment of the risks. The authorised limit is certainly not a limit that an authority will expect to borrow up to on a regular basis. It is crucial that it is not treated as an upper limit for borrowing for capital expenditure alone since it must also encompass borrowing for temporary purposes. It is the expected maximum borrowing need, with some headroom for unexpected movement. |
| Bank Rate | The Official Bank rate paid on commercial bank reserves i.e. reserves placed by commercial banks with the Bank of England as part of the Bank's operations to reduce volatility in short term interest rates in the money markets. |
| Base Rate | Minimum lending rate of a bank or financial institution in the UK. |
| Basis Points (bp) | A basis point is 0.01 of 1% (100 bp = 1%) |
| Borrowing | In the Code, borrowing refers to external borrowing. Borrowing is defined as both:- <ul style="list-style-type: none">• Borrowing repayable with a period in excess of 12months• Borrowing repayable on demand or within 12months |
| Capital Expenditure | The definition of capital expenditure starts with all those items which can be capitalised in accordance with the Statement of Recommended Practice (SORP). To this must be added any items that have/will be capitalised in accordance with legislation that otherwise would not be capitalised. Prudential indicators for current and future years are calculated in a manner consistent with this definition. |

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| | |
| Capital Financing Charges (see financing costs also) | These are the net costs of financing capital i.e. interest and principal, premium less interest received and discounts received. |
| Capital Financing Requirement | The Capital Financing Requirement is simply the total outstanding capital expenditure, which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. |
| CIPFA | The Chartered Institute of Public Finance and Accountancy. One of the leading professional accountancy bodies in the UK and the only one which specialises in the public services. |
| Counterparty | The organisations responsible for repaying the Council's investment upon maturity and for making interest payments. |
| Credit Rating | <p>This is a scoring system that lenders issue people with to determine how credit worthy they are.</p> <p>The Credit Rating components are as follows:</p> <ol style="list-style-type: none"> 1. The AAA ratings through to C/D are long-term rating definitions and generally cover maturities of up to five years, with the emphasis on the ongoing stability of the institution's prospective financial condition. AAA are the most highly rated, C/D are the lowest. This Council does not invest with institutions lower than AA- for investments over 364 days 2. F1/A1/P1 are short-term rating definitions used by Moody's, S&P and Fitch Ratings for banks and building societies based on their individual opinion on an institution's capacity to repay punctually its short-term debt obligations (which do not exceed one year). This Council does not invest with institutions lower than F1/A1/P1 for investments under 364 days. |

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| Debt | For the purposes of the Code, debt refers to the sum of borrowing (see above) and other long-term liabilities (see below). It should be noted that the term borrowing used with the Act includes both borrowing as defined for the balance sheet and other long terms liabilities defined as credit arrangements through legislation. |
| Discounts | Where the prevailing interest rate is higher than the fixed rate of a long-term loan, which is being repaid early, the lender can refund the borrower a discount. This is calculated on the difference between the two interest rates over the remaining years of the loan, discounted back to present value. The lender is able to offer the discount, as their investment will now earn more than when the original loan was taken out. |
| Financing Costs | <p>The financing costs are an estimate of the aggregate of the following:-</p> <ul style="list-style-type: none"> • Interest payable with respect to borrowing • Interest payable under other long-term liabilities • Gains and losses on the repurchase or early settlement of borrowing credited or charged to the amount to be met from government grants and local taxpayers (premiums and discounts) • Interest earned and investment income • Amounts required in respect of the minimum revenue provision plus any additional voluntary contributions plus any other amounts for depreciation/impairment that are charged to the amount to be met from government grants and local taxpayers |
| Financial Reporting Standards (FRSs) | These are standards set by governing bodies on how the financial statements should look and be presented. |
| Investments | <p>Investments are the aggregate of:-</p> <ul style="list-style-type: none"> • Long term investments • Short term investments (within current assets) |

| | |
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| | <ul style="list-style-type: none"> • Cash and bank balances including overdrawn balances <p>From this should be subtracted any investments that are held clearly and explicitly in the course of the provision of, and for the purposes of, operational services.</p> |
| IMF | International Monetary Fund |
| LOBO (Lender's Option/ Borrower's Option) | Money Market instruments that have a fixed initial term (typically one to ten year) and then move to an arrangement whereby the lender can decide at pre-determined intervals to adjust the rate on the loan. At this stage the borrower has the option to repay the loan. |
| London Inter-Bank Bid Rate (LIBID) | The interest rate at which major banks in London are willing to borrow (bid for) funds from each other. |
| Managed Funds | <p><u>In-House Fund Management</u> Surplus cash arising from unused capital receipts can be managed either by external fund managers or by the Council's staff in-house. The in-house funds are invested in fixed deposits through the money markets for periods up to one year.</p> <p><u>Externally Management Funds</u> Fund managers appointed by the Council invest surplus cash arising from unused capital receipts in liquid instruments such as bank certificates of deposit and government stocks. The fund managers' specialist knowledge should ensure a higher rate of earnings on the managed funds than would be otherwise obtained.</p> |
| Maturity | The date when an investment is repaid or the period covered by a fixed term investment. |
| Minimum Revenue Provision (MRP) | The amount required by statute to be principal repayment each year. |
| Monetary Policy Committee (MPC) | This is a body set up by the Government in 1997 to set the repo rate (commonly referred to as being base rate). Their primary target (as set by the Government) is to keep |

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| | inflation within plus or minus 1% of a central target of 2% in two year time from the date of the monthly meeting of the Committee. Their secondary target is to support the Government in maintaining high and stable levels of growth and employment. |
| Money Market | <p>Consists of financial institutions and deals in money and credit.</p> <p>The term applied to the institutions willing to trade in financial instruments. It is not a physical creation, but an electronic/telephone one.</p> |
| Net Borrowing | For the purposes of the Code, net borrowing refers to borrowing (see above) net of investments (see above). |
| Net Revenue Stream | Estimates for net revenue stream for current and future years are the local authority's estimates of the amounts to be met from government grants and local taxpayers. |
| Operational Boundary | This is based on expectations of the maximum external debt of the authority according to probable not simply possible – events and being consistent with the maximum level of external debt projected by the estimates. It is not a limit and actual borrowing could vary around this boundary for short periods. |
| Other Long Term Liabilities | The definition of other long term liabilities is the sum of the amounts in the Council's accounts that are classified as liabilities that are for periods in excess of 12months, other than borrowing (see definition above). |
| Premature Repayment of Loans (debt restructuring/rescheduling) | A facility for loans where the Council can repay loans prior to the original maturity date. If the loan repaid has a lower interest rate than the current rate for a loan of the same maturity period the Council can secure a cash discount on the repayment of the original loan. If the loan replaced has a higher rate of interest than the current rate for |

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| | a loan of the same maturity period, a cash penalty is payable to the lender. |
| Premia | Where the prevailing current interest rate is lower than the fixed rate of a long term loan, which is being repaid early, the lender can charge the borrower a premium. This is calculated on the difference between the two interest rates over the remaining years of the loan, discounted back to present value. The lender may charge the premium, as their investment will now earn less than when the original loan was taken out. |
| Prudential Code | The Prudential Code is the largely self regulatory framework outlined by CIPFA for managing/monitoring capital investment in local government. |
| Public Works Loan Board (PWLB) | A Government agency which provides loans to local authorities. Each year, it issues a circular setting out the basis on which loans will be made available. Loans can be either at a fixed rate or on a variable rate basis. They can be repaid on either an annuity, equal instalment of principal or maturity basis. The interest rate charged is linked to the cost at which the Government itself borrows. |
| Range Trade Accrual | A Callable Range Accrual is so called because it is callable or cancellable by the bank after the initial period, as above. However, where it differs, is that interest accrues only as long as Libor (London Interbank Offer Rate, or another independently derived and published benchmark rate) stays within a pre-agreed range. The lender can choose the range, the non-call period, the Libor they wish to use, the call periods and the potential return they wish to receive.. The bank has the right to cancel this trade after the first 3 months, and every 3 months thereafter. With a range trade, the lender is backing his judgement on interest rate movements and in exchange for that can achieve a significantly enhanced return. This is done as part of portfolio management. The risk of rates going above Libor on a small part of the portfolio (and therefore none, or little payment on a |

| | |
|-----------------------------------|---|
| | <p>range accrual) will be offset by the fact that the rest of the portfolio will be returning more than expected. The key risk to a callable range accrual is obviously that the contractual Libor rate goes outside the specified range. It is possible to mitigate this risk by analysing the historical behaviour of any specified Libor relative to base rate. By taking a view on expected base rate (which is done on all deposits), a lender can minimise exposure, and choose a range to match his risk appetite.</p> |
| Risk | <p><u>Counterparty Credit Risk</u> The risk that a counterparty defaults on its obligations.</p> <p><u>Inflation Risk</u> The risk that growth in the Authority's investment income does not keep pace with the effects of inflation on its expenditure.</p> <p><u>Interest Rate Risk</u> The risk that changes in rates of interest creates an unexpected or unbudgeted burden on the Council's finances.</p> <p><u>Liquidity Risk</u> The risk that cash will not be available when it is needed.</p> <p><u>Operational Risk</u> The risk of loss through fraud, error, corruption, system failure or other eventualities in Treasury Management dealings, and failure to maintain effective contingency management arrangements.</p> <p><u>Refinancing Risk</u> The risk that the Authority is unable to replace its maturing funding arrangements on appropriate terms.</p> |
| Set Aside Capital Receipts | <p>A proportion of money received by the Council for the sale of fixed assets must be set aside to repay debt.</p> |
| SORP | <p>Statement of Recommended Practice, published by CIPFA (Local Authority</p> |

| | |
|--|---|
| | Accounting Body). This sets out guidelines regarding the Council's financial matters. |
| Specified/Non Specified investments | Specified investments are sterling denominated investments for less than 364 days in line with statutory investment regulations. Non- specified investments are all other investments identified in line with statutory investment regulations. |
| Supranational Bonds | These are bonds issued by institutions such as the European Investment Bank and World Bank. As with Government bonds (Gilts) they are regarded as the safest bond investments with a high credit rating. |
| Temporary Borrowing and Investment | Loans which are capable of being repaid within one year. The term of the loans will be negotiated from overnight to 364 days. |
| Treasury Management | <p>Treasury Management has the same definition as in CIPFA's code of Practice of Treasury Management in the Public Services.</p> <p>"The management of the organisation's cash flows its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."</p> |
| Yield Curve | The line resulting from portraying interest rate graphically for a series of periods, e.g. 7days, 1month, 3, 6, 9, and 12months. When longer-term interest rates are higher than short-term rates the yield curve slopes upwards and is described as positive. When the opposite prevails the yield curve is referred to as inverse. |

Portfolio of Outstanding Investments as at 31 March 2018

| | £ |
|--------------------------------|----------------------|
| Bank of Scotland | 24,988,965.80 |
| Birmingham City Council | 2,000,000.00 |
| Cornwall Council | 5,000,000.00 |
| Dumfries and Galloway Council | 3,000,000.00 |
| Eastleigh Borough Council | 3,000,000.00 |
| Kingston Upon Hull | 2,000,000.00 |
| Leeds City Council | 2,000,000.00 |
| London Borough of Sutton | 1,500,000.00 |
| Medway Council | 2,000,000.00 |
| Santander | 11,400,000.00 |
| Torfaen County Borough Council | 2,000,000.00 |
| Wakefield Council | 3,000,000.00 |
| <hr/> | |
| Total | 61,888,965.80 |

Agenda Item 9



Report of the Chief Legal Officer

Audit Committee – 11 December 2018

Senior Management Assurance Statements

| | |
|------------------------------------|---|
| Purpose: | To update the Committee as to changes in the Senior Management Assurance Statement (SMAS). |
| Policy Framework: | None. |
| Consultation: | Finance, HR and Legal |
| Recommendation(s): | It is recommended that Audit Committee: 1) Notes the changes to the SMAS; 2) Notes that CMT have endorsed the new format and is currently working with Heads of Service on completion of SMAS; 3) Reviews and provides feedback on any suggested amendments. |
| Report Author: | Tracey Meredith |
| Finance Officer: | Ben Smith |
| Legal Officer: | Tracey Meredith |
| Access to Services Officer: | Rhian Millar |

1. Introduction

- 1.1 The Audit Committee will recall that earlier this year responsibility for drafting the Annual Governance Statement fell to the Chief Legal Officer/Monitoring Officer.
- 1.2 As part of the assurance framework Senior Management Assurance Statements were circulated to Heads of Service and Corporate Directors to complete. The responses then fed into the Annual Governance Statement.
- 1.3 The Chief Legal Officer reported to the Committee that she considered that whilst the SMAS provided a level of assurance she felt that they

needed to be overhauled to provide a greater level of assurance from Corporate Directors.

2. Senior Management Assurance Statements - old

- 2.1 The previous SMAS is attached at Appendix A. The Committee will note that it comprised 10 questions with a “Yes, Partly or No” response. An additional “Please Comment” box was also added this year with a view to officers providing evidence where they had ticked “Partly or No”.
- 2.2 Whilst all officers responded, there was a mixed response as to the level of detail included within the comment box. Similarly there was a mixed response when it came to identifying any significant governance issues.

3. Senior Management Assurance Statements - new

- 3.1 Attached at Appendix B is the new proposed format SMAS. The SMAS remains a self-assessment document but there is an onus on Corporate Directors to ensure that they compile a final SMAS for their Department with input from all Heads of Service. All Corporate Directors then have to feedback to CMT. The procedure for completion and feedback to CMT is set out in Guidance which is attached at Appendix C.
- 3.2 The Committee will note that there are now 20 questions with a more sophisticated self-evaluation criteria ranging from “Not in place” to “Embedded”. The form is designed to enable officers to provide evidence, supporting comments and exceptions.

4. Procedure

- 4.1 The Guidance document provides for 6 monthly reviews as the Chief Legal Officer considers that assurance should not be provided on an annual basis to support the Annual Governance Statement but is an ongoing reflection of assurance.
- 4.2 The new SMAS has been reported to and endorsed by CMT who are presently trialling the new template with a view to Corporate Directors reporting back to CMT in December.

6. Equality and Engagement Implications

- 6.1 There are no equality implications associated with the report.

7. Financial Implications

- 7.1 There are no financial implications associated with the report.

8. Legal Implications

- 8.1 There are no legal implications associated with this report.

Background Papers: None.

Appendices:

Appendix A Old SMAS template

Appendix B New SMAS template

Appendix C SMAS Guidance

City and County of Swansea

Senior Management Assurance Statement 2017/18

This Assurance Statement is given in respect of the Council's 2017/18 Statement of Accounts. I acknowledge my responsibility in maintaining and operating my service area in accordance with the Council's policies, procedures and practices that uphold the internal control environment and governance / assurance framework.

The information provided in this statement is given to the best of my knowledge in connection with the service area for which I have responsibility. In respect of the current internal control, risk management and governance environment within my service area:

| | | Yes | Partly | No |
|---|--|-----|--------|----|
| 1. | I confirm that I am responsible and accountable for the identification, assessment and management of risks identified within my service in accordance with the Corporate Risk Policy and Framework. Where necessary, service risks have been escalated to the Directorate or Corporate Risk Register. | | | |
| If Partly or No, please comment: | | | | |
| 2. | I am satisfied that mitigating controls are in place to manage the risks identified within my service and that the controls have been monitored and were operating effectively throughout the period under review. | | | |
| If Partly or No, please comment: | | | | |
| 3. | The operation of key controls within my service has been monitored on a regular basis to ensure that they are effective and risk is mitigated. | | | |
| If Partly or No, please comment: | | | | |
| 4. | Staff in my service area involved with financial matters and contracts are familiar with and fully comply with Financial Procedure Rules, Contract Procedure Rules and Accounting Instructions. Management are fully aware of their responsibilities when authorising transactions and will be held accountable for their actions. | | | |
| If Partly or No, please comment: | | | | |

| | | Yes | Partly | No |
|---|--|-----|--------|----|
| 5. | I maintain adequate and up to date processes and work instructions relating to internal control, risk management and governance for staff to follow for the functions under my control. | | | |
| If Partly or No, please comment: | | | | |
| 6. | Any new system developments or service changes take account of risk and internal control as key elements of the implementation. | | | |
| If Partly or No, please comment: | | | | |
| 7. | Due consideration has been given to the risks and impact on the control environment in relation to any savings proposals put forward in my service area and implementation of the saving is monitored to identify and correct any adverse impact. | | | |
| If Partly or No, please comment: | | | | |
| 8. | Appropriate consideration has been given to risk, internal control and governance with any partnerships or collaborative working linked to my service before any agreement has been entered into by the Council | | | |
| If Partly or No, please comment: | | | | |
| 9. | All audit reports received from both Internal and External Audit are considered in a timely manner. Management actively monitor and ensure that action is taken to implement agreed recommendations to enhance the internal control environment | | | |
| If Partly or No, please comment: | | | | |
| 10. | All suspected cases of fraud or financial irregularity are referred promptly to the Chief Finance/Deputy Section 151 Officer or Chief Auditor. Investigations are undertaken in a robust manner with sanctions consistently applied that recognise the seriousness of the matter under investigation | | | |
| If Partly or No, please comment: | | | | |

Significant Issues

The following are recognised as significant issues within my service that impact on the governance and assurance framework which have occurred during 2017/18 and may be considered appropriate for inclusion in the Annual Governance Statement as issues to be addressed during 2018/19.

| Significant Issue | Action implemented or proposed |
|----------------------------------|--|
| | |
| No Significant Issues identified | X <i>Please tick if appropriate</i> |

Good Practice

The following are examples of good practice in relation to the internal control environment and the governance / assurance framework that exist in my service area which may be considered for implementation corporately.

| Example of Good Practice |
|--------------------------|
| |

With the exception of any significant issues identified above, I am satisfied that the internal control environment and governance / assurance framework in place within my service area is sufficient to manage the identified risks to an acceptable level.

| | |
|--------------|--|
| Signed by: | |
| Designation: | |
| Date: | |

Please return the certified statement to Tracey Meredith, Head of Legal, Democratic Services and Business Intelligence by 27 April 2018

..... Directorate
Senior Management Assurance Statement – 2018/19 Mid-Year

| Assurance Statements | 1. Not in place | 2. Limited Application | 3. Mixed Application | 4. Strong Application | 5. Embedded |
|---|--|---|--|--|--|
| | No evidence of effective delivery. | Some evidence of application, but the effectiveness of delivery is limited. | Mixed evidence of effective application, with some good evidence and some gaps in application or evidence. | Clear evidence of effective application throughout the directorate on a consistent basis and, where applicable, through all collaborations and partnerships. | Clear evidence of effective application embedded into all operations and consistently applied throughout the directorate and, where applicable, through all collaborations and partnerships. |
| Risk Management | | | | | |
| 1. Timely Risk Identification | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| All relevant risks to service, directorate and corporate priorities and objectives are identified promptly and I receive a complete and comprehensive directorate/service risk register at least quarterly. | Supporting comments, examples and exceptions. | | | | |
| 2. Integrated Risk Assessments | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| My annual (as part of my service planning) and quarterly risk identification, assessment and review processes include effective engagement with all relevant managers across the Council, partner organisations and stakeholders, through which I ensure good awareness and use of all relevant risk information. | Supporting comments, examples and exceptions. | | | | |
| 3. Risk Review | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Service, Directorate, Information and Corporate risks are reviewed at least quarterly to ensure all risk registers are complete, accurate and effectively assessed. | Supporting comments, examples and exceptions. | | | | |
| 4. Risk Mitigation and Escalation | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| I ensure all risks are assigned a risk owner and risks are mitigated to an acceptable level. I escalate all 'red' risks in line with the Corporate Risk Management Policy to CMT at least quarterly. | Supporting comments, examples and exceptions. | | | | |
| 5. Corporate Risk Management | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| I have strategies in place to ensure that all corporate risks allocated to me are managed to an acceptable risk level in a timely manner. | Supporting comments, examples and exceptions. | | | | |

| Assurance Statements | 1. Not in place | 2. Limited Application | 3. Mixed Application | 4. Strong Application | 5. Embedded |
|---|--|---|--|--|--|
| | No evidence of effective delivery. | Some evidence of application, but the effectiveness of delivery is limited. | Mixed evidence of effective application, with some good evidence and some gaps in application or evidence. | Clear evidence of effective application throughout the directorate on a consistent basis and, where applicable, through all collaborations and partnerships. | Clear evidence of effective application embedded into all operations and consistently applied throughout the directorate and, where applicable, through all collaborations and partnerships. |
| Partnership / Collaboration Governance | | | | | |
| 6. Partnership Governance, Risk Management and Control. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Robust governance, risk management and control arrangements are in place for all partnership / collaborative arrangements. | Supporting comments, examples and exceptions. | | | | |
| 7. Partnership Assurance | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| I receive timely and complete reports from all directorate partnership and collaborative arrangements, from which I can report assurance on robust governance, risk management and control. | Supporting comments, examples and exceptions. | | | | |
| Compliance with Policies, Rules Legal and Regulatory Requirements | | | | | |
| 8. Compliance | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| The results of compliance and review reports demonstrate sound compliance with policies, rules, legal and regulatory requirements across my areas of responsibility. NB. Results must reflect the reporting of internal compliance and review functions (Procurement, Insurance, HR, Information Governance, Governance and Legal Services and Internal Audit) and external regulators / auditors. | Supporting comments, examples and exceptions. | | | | |
| 9. Compliance Improvement | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| I am aware of and deliver clear actions promptly to address all areas of non-compliance e.g. training, work instructions, systems development, application of HR policy etc. | Supporting comments, examples and exceptions. | | | | |
| Programme and Project Assurance | | | | | |

| Assurance Statements | 1. Not in place No evidence of effective delivery. | 2. Limited Application Some evidence of application, but the effectiveness of delivery is limited. | 3. Mixed Application Mixed evidence of effective application, with some good evidence and some gaps in application or evidence. | 4. Strong Application Clear evidence of effective application throughout the directorate on a consistent basis and, where applicable, through all collaborations and partnerships. | 5. Embedded Clear evidence of effective application embedded into all operations and consistently applied throughout the directorate and, where applicable, through all collaborations and partnerships. |
|---|---|---|--|---|---|
| | | | | | |
| <p>10. Programme and Project Initiation</p> <p>All programmes and projects for which I am responsible have robust briefs, plans and business cases which have been appropriately approved in a timely manner, and include clearly defined financial and non-financial outcomes and benefits.</p> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <p>Supporting comments, examples and exceptions.</p> | | | | | |
| <p>11. Programme and Project Governance</p> <p>All programmes and projects for which I am responsible are managed in accordance with corporate guidelines and procedural rules with appropriate highlighting of potential risks/breach.</p> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <p>Supporting comments, examples and exceptions.</p> | | | | | |
| <p>Budget Monitoring</p> | | | | | |
| <p>12. Budget Delivery</p> <p>Throughout my directorate, there are robust mechanisms in place to deliver the budget with strong and effective budget monitoring and control.</p> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <p>Supporting comments, examples and exceptions.</p> | | | | | |
| <p>13. Savings / Income Target Delivery</p> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

| Assurance Statements | 1. Not in place No evidence of effective delivery. | 2. Limited Application Some evidence of application, but the effectiveness of delivery is limited. | 3. Mixed Application Mixed evidence of effective application, with some good evidence and some gaps in application or evidence. | 4. Strong Application Clear evidence of effective application throughout the directorate on a consistent basis and, where applicable, through all collaborations and partnerships. | 5. Embedded Clear evidence of effective application embedded into all operations and consistently applied throughout the directorate and, where applicable, through all collaborations and partnerships. |
|---|---|---|--|---|---|
| Throughout my directorate, there are robust mechanisms in place to deliver all savings and income targets. Risks and impact of any savings proposals are monitored to identify any adverse impact and/or equality impact. | Supporting comments, examples and exceptions. | | | | |
| Planning and Decision Making | | | | | |
| 14. Business Planning <ul style="list-style-type: none"> My directorate has worked effectively to deliver the Corporate Plan, and My Directorate Service Plan clearly sets our contribution to achieving corporate priorities and objectives and managing associated risks. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Supporting comments, examples and exceptions. | | | | | |
| 15. Future Generations All decisions include due documented consideration of the sustainability of services and encompass future generation needs. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Supporting comments, examples and exceptions. | | | | | |
| Internal Control Environment | | | | | |
| 16. Internal Controls Throughout directorate functions, partnerships and collaborations, control systems are in place, including: <ul style="list-style-type: none"> Clear roles and responsibilities Clear and effective authorisation processes Robust and complete policies and procedures Robust monitoring, reporting and review arrangements Timely identification and mitigation of control weaknesses Staff awareness of procedural rules | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Supporting comments, examples and exceptions. | | | | | |

| Assurance Statements | 1. Not in place No evidence of effective delivery. | 2. Limited Application Some evidence of application, but the effectiveness of delivery is limited. | 3. Mixed Application Mixed evidence of effective application, with some good evidence and some gaps in application or evidence. | 4. Strong Application Clear evidence of effective application throughout the directorate on a consistent basis and, where applicable, through all collaborations and partnerships. | 5. Embedded Clear evidence of effective application embedded into all operations and consistently applied throughout the directorate and, where applicable, through all collaborations and partnerships. |
|---|---|---|--|---|---|
| Fraud & Financial Impropriety | | | | | |
| <p>17. Fraud Prevention and Detection</p> <p>My directorate functions, partnerships and collaborations:</p> <ul style="list-style-type: none"> • Have robust controls in place to prevent and promptly detect fraud, bribery and corruption, and • All frauds and suspected financial irregularities are referred to the Head of Finance, Internal Audit and Corporate Fraud Team in accordance with FPR 12. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Supporting comments, examples and exceptions. | | | | | |
| Performance Measurement & Management | | | | | |
| <p>18. Performance Measurement and Management</p> <p>KPI and benchmarking data is collected for all key areas of service and are used to measure performance and to drive improvement actions and reported to CMT.</p> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Supporting comments, examples and exceptions. | | | | | |
| <p>19. Performance Reviews</p> <p>All directorate staff have had an annual appraisal and are clear as to their objectives and training and development needs. My directorate ensure that all new staff undertake induction training.</p> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Supporting comments, examples and exceptions. | | | | | |
| <p>20. Data Security</p> <p>My directorate report any data breach immediately to the IGU and implement any recommendations made by the Data Breach Panel.</p> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

| Assurance Statements | 1. Not in place No evidence of effective delivery. | 2. Limited Application Some evidence of application, but the effectiveness of delivery is limited. | 3. Mixed Application Mixed evidence of effective application, with some good evidence and some gaps in application or evidence. | 4. Strong Application Clear evidence of effective application throughout the directorate on a consistent basis and, where applicable, through all collaborations and partnerships. | 5. Embedded Clear evidence of effective application embedded into all operations and consistently applied throughout the directorate and, where applicable, through all collaborations and partnerships. |
|---|---|---|--|---|---|
| Supporting comments, examples and exceptions. | | | | | |

| | | | | | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Supporting comments, examples and exceptions. | | | | | |

Annual Governance Statement 2018/19 - Significant Governance Issues

The table below summarises the Significant Governance Issues identified in the Annual Governance Statement 2017/18. All issues were assigned collectively to Senior Management Team; therefore, an update from each Directorate would be beneficial in determining the current position on each issue.

| Significant issue | Position as at ? |
|--|---|
| <p>1. Budgetary pressures within the Council. The Council is facing unprecedented financial pressures and budget savings have to be made by departments in a timely manner.</p> | <p>Cabinet, CMT and all Heads of service have been reminded that:</p> <ul style="list-style-type: none"> • No one is authorised to overspend against budget; • All spend must be contained within service budgets at Head of service and Director level; • Any material deviation must be escalated immediately through the monthly monitoring processes to CMT and ultimately to Cabinet if necessary to enable corrective action to be undertaken; • Corrective action requiring a policy decision will go to Cabinet with clear S151 officer advice to reduce spend back to within budget immediately; • Corrective action beyond this point will be determined by the S151 officer having due regard to the wider public interest and statutory intervention powers. |
| <p>2. Sustainable savings – there needs to be full consideration and robust business case underpinning savings proposals particularly relating to staff cuts. With wellbeing of future generations in mind sustainability of service, delivery together with mitigation of risks should be part of any proposals.</p> | <p>CMT/Cabinet to continue future budget discussion/proposals with sufficient and adequate information available for consideration. CMT monitors staff vacancy/recruitment on weekly basis.</p> |
| <p>3. Regional working–with collaboration/merger on national agenda going forward it is essential that not only are governance issues around regional working appropriate and transparent but also that regional working benefits CCS.</p> | <p>Reports to Cabinet/Council, where appropriate, setting out governance arrangements/benefits. This will include City Deal, Western Bay and ERW and any new regional collaborations.</p> |
| <p>4. Workforce capacity and performance- Directorates have seen a reduction in staff resources and it is</p> | <p>Staff development through workforce planning and review of the appraisal system to ensure staff are performing and are being supported in their role.</p> |

| Significant issue | | Position as at ? |
|--|--|------------------|
| essential that workforce performance is monitored through an effective system of appraisal which supports and upskills existing officers. | | |
| 5. Delivery of Leisure Partnership Report to be done on an annual basis. This should include reference to activity with other entities within the group structure as part of the review of effectiveness of the system of internal control. | A combined Annual Leisure Partnership Report for 2015/16 and 2016/17 is scheduled to go to Council in July 2018. | |
| 6. Major projects – significant officer time will continue to need to be dedicated to major projects to ensure transparency around decision making and good governance. | Revised programme management around Sustainable Swansea, City Deal, City Centre Regeneration, 21 st Century Schools and other significant projects with reporting to CMT by exception | |

SIGNIFICANT ISSUES

The following are recognised as significant issues which have occurred during the financial period 2018/19 within the Directorate for which I am responsible, which may be considered appropriate for inclusion in the Council's Annual Governance Statement 2018/19.

The co-ordinated responses of the Assurance Statements will be reviewed and presented to Corporate Management Team.

| Significant issue | Action implemented / proposed |
|-------------------|-------------------------------|
| | |
| | |
| | |

Alternatively,

| | |
|----------------------------------|--|
| No significant issues identified | |
|----------------------------------|--|

Declaration

The information and responses provided in this statement are given to the best of my knowledge for the financial year 2018/19 (To date).

| | |
|--------------|--|
| Signed by: | |
| Designation: | |
| Date: | |

Senior Management Assurance Guidance

Background

1. The City & County of Swansea has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the new CIPFA/SOLACE Framework “Delivering Good Governance in Local Government 2016”. The Annual Governance Statement (AGS) is prepared on an annual basis and sets out how the Authority has complied with the Code and meets the requirements of the Accounts and Audit (Wales) Regulations 2014 in reviewing the effectiveness of its internal control systems.
2. Good Governance is about enabling the Authority to pursue its vision/objectives as well as underpinning that vision with control and management of risk. Swansea Council is introducing a revised system of senior management assurance to feed into the authority’s Annual Governance Statement (AGS).
3. CIPFA’s ‘proper practice’ requires the Chief Executive and the Leader to sign the AGS, after approval by Council. They must be satisfied that the document is supported by reliable evidence and accurately reflects the internal control environment and demonstrates that governance arrangements are in place. This emphasises that the document is about all corporate controls and governance and is not confined to financial issues. The AGS reflects the review of internal control, including the process of risk management, that should be embedded throughout the activities of the authority. Thus the AGS is a broad reflection of the whole governance of the authority although it is published with the financial statements.
4. The AGS is a corporate document involving a variety of people charged with delivering governance. This includes the following:
 - The Annual Governance Statement Group who oversee governance arrangements and provide feedback to CMT;
 - CMT who are assigned with ownership of risks, governance and service delivery;
 - Heads of Service who are assigned with service delivery and risk management and internal controls;
 - The S 151 Officer who is responsible for the accounting control systems and the preparation of the statement of accounts;
 - The Monitoring Officer in meeting statutory obligations and preparation of the AGS;
 - Internal Audit team who are responsible for auditing internal controls;
 - External auditors;
 - Audit committee who consider audit reports and the Statement of Accounts and Annual Governance Statement
5. As a corporate document the AGS should be owned by all senior officers and members of the authority. A shared approach should be taken to compiling the AGS as it is a corporate responsibility.

6. The annual review of the effectiveness of the system of internal control involves obtaining assurance on the effective operation of key controls in place to mitigate significant risks to the achievement of the Council's principal objectives and identifying areas where improvements are needed. CIPFA guidance recommends that in part this assurance should be obtained from Departmental management.

6. Assurance by management will feed into the Annual Governance Statement Group who have responsibility for drafting the AGS along with input from the performance management system, Internal Audit, External Audit, CMT, Audit Committee and any other sources of assurance e.g. reports from inspectors.

The Senior Management Assurance System

7. The Senior Management Assurance statements have been re-drafted but remain as a self-assessment document. Each Director will ensure that each Head of Service for whom they have responsibility completes an Assurance Statement. These statements will feed into a high-level assurance statement for each directorate signed off by the relevant Director and reported to CMT and Audit Committee.

8. The Annual Governance Statement Group will evaluate assurance statements from Directors. The evaluation process will include 'reality checking' of a sample of assurance statements with the assistance of Internal Audit.

Procedure

9. The self-assessment documents will be issued to all Directors twice a year in October and April. Heads of Service will have 4 weeks to complete their assurance statement and gather the appropriate evidence. The assurance document and evidence must then be passed to the relevant Director to enable them to complete the high-level assurance statement for the whole directorate.

10. Directors will have 2 weeks thereafter to review the Heads of Service assurance statements and to complete the directorate assurance statement. The directorate assurance statement, plus all the departmental assurance statements and related evidence must then be passed to the Annual Governance Statement Group via Internal Audit.

Agenda Item 10



Report of the Chief Auditor

Audit Committee – 11 December 2018

Fundamental Audits 2017/18 Recommendation Tracker

| | |
|------------------------------------|---|
| Purpose: | This report provides a summary of the recommendations made following the fundamental audits in 2017/18 and identifies whether the agreed recommendations have been implemented. |
| Policy Framework: | None |
| Reason for Decision: | To allow the Audit Committee to fulfil its role in monitoring the implementation of audit recommendations. |
| Consultation: | Legal, Finance, Access to Services |
| Recommendation(s): | It is recommended that Committee review and discuss the progress made in implementing the recommendations made following the fundamental audits 2017/18. |
| Report Author: | Simon Cockings |
| Finance Officer: | Simon Cockings |
| Legal Officer: | Tracey Meredith |
| Access to Services Officer: | Catherine Window |

1. Introduction

- 1.1 The Internal Audit Section has defined follow up procedures which are designed to provide assurance that agreed recommendations have been implemented by management within the agreed timescales. For fundamental audits, a Recommendations Tracker exercise is completed each year where the auditor will review the actions taken to implement the agreed recommendations.
- 1.2 The fundamental audits are the systems which are so significant to the achievement of the Council's objectives that they are audited either annually or every 2 years.
- 1.3 The Recommendations Tracker identifies the actions agreed by management at the end of each fundamental audit and tracks whether they have been implemented by the agreed date.
- 1.4 This report summarises the position as at 30 September 2018 on the implementation of the recommendations made following the 2017/18 fundamental audits.

2. Recommendations Tracker 2017/18

- 2.1 The following systems are considered to be fundamental and until 31 March 2014 were subject to an annual audit.
 - Main Accounting System (2)
 - Fixed Assets (2)
 - Housing and Council Tax Benefit (2)
 - Council Tax (2)
 - NNDR (2)
 - Cash (2)
 - Accounts Payable (2)
 - Accounts Receivable (1)
 - External Investments and Borrowing (2)
 - Pension Fund Investments (2)
 - Employee Services (Payroll) (1)
 - Pensions Administration (1)
 - Teachers Pensions (2)
 - Housing Rents (2)
- 2.2 From 2014/15, a risk based approach was taken to determine the required frequency of fundamental audits. Any audits which had received the highest level of assurance for 3 consecutive years were moved to a 2 year cycle. The number of years between each audit is shown in brackets above and is subject to an annual review as part of the audit planning process. It should also be noted that following the completion of the 2017/18 fundamental audits, 13 out of the 14 audits had received a High Assurance rating at the last time of audit.

- 2.3 Appendix 1 shows, for each fundamental audit, the number of recommendations made following the 2017/18 audits and whether they have been implemented, partly implemented, not implemented or are not yet due.
- 2.4 The latest position on the 51 recommendations made is summarised in the following table

| Recommendations | Number | % |
|------------------------|---------------|--------------|
| Implemented | 35 | 68 |
| Partly Implemented | 5 | 10 |
| Not Implemented | 5 | 10 |
| Not Yet Due | 6 | 12 |
| Total | 51 | 100.0 |

- 2.5 Ignoring the recommendations which are not yet due for implementation, the percentage of recommendations implemented by 30 September 2018 is 78%.
- 2.6 An analysis of the 10 recommendations, which have been partly or not implemented over the classification of audit recommendations used by the Internal Audit Section, is attached in Appendix 2. The Appendix shows that the three recommendations that had been partly implemented were all classed as medium risk and related to the Accounts Receivable audit. This audit is continues to be completed on an annual basis, and as a result the implementation of the outstanding recommendations will be reviewed as part of the 2018/19 audit. The remaining 7 recommendations that had not been implemented were classed either low risk or good practice.
- 2.7 The recommendations which have been partly or not implemented are shown in Appendix 3.

3. Conclusion

- 3.1 Overall the results of the Recommendations Tracker exercise to the end of September 2018 are positive with 35 (78%) of agreed recommendations due for implementation already implemented.
- 3.2 A small number of recommendations still require work to implement or are due for implementation prior to the end of the financial year. Progress on the implementation of these recommendations will be reviewed during the fundamental audits for 2018/19.

4. Equality and Engagement Implications

- 4.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment process ensures that we have paid due regard to the above.

4.2 There are no equality and engagement implications associated with this report.

5. Financial Implications

5.1 There are no financial implications associated with this report.

6. Legal Implications

6.1 There are no legal implications associated with this report.

Background Papers: Fundamental Audit Reports 2017/18

Appendices: Appendix 1 – Implementation of Recommendations
Appendix 2 – Classification of Recommendations
Appendix 3 – Not or Partly Implemented Recommendations

**Fundamental Audits 2017/18
Implementation of Recommendations**

| Audit | Implemented | Recommendations | | | Total No. of Recs. |
|-----------------------------------|-------------|-----------------------|--------------------|----------------|--------------------------|
| | | Partly Implemented | Not Implemented | Not Yet Due | |
| Fixed Assets (Capital Accounting) | 1 | 0 | 0 | 0 | 1 |
| Main Accounting* | 0 | 0 | 0 | 0 | 0 |
| Housing & Council Tax Benefit | 15 | 0 | 2 | 6 | 23 |
| Cash* | 0 | 0 | 0 | 0 | 0 |
| NNDR | 0 | 0 | 0 | 0 | 0 |
| Council Tax* | 0 | 0 | 0 | 0 | 0 |
| Accounts Receivable | 6 | 4 | 3 | 0 | 13 |
| Accounts Payable* | 0 | 0 | 0 | 0 | 0 |
| Treasury Management - B&I* | 0 | 0 | 0 | 0 | 0 |
| Pension Fund Investments | 0 | 0 | 0 | 0 | 0 |
| Employee Services (Payroll) | 4 | 0 | 0 | 0 | 4 |
| Pensions Admin | 4 | 0 | 0 | 0 | 4 |
| Teachers Pensions | 2 | 0 | 0 | 0 | 2 |
| Housing Rents | 3 | 1 | 0 | 0 | 4 |
| Total | 35 | 5 | 5 | 6 | 51 |

Fundamental Audits 2017/18
Classification of Recommendations

| Audit | Partly Implemented | | | | Not Implemented | | | |
|-------------------------------|--------------------|----------|----------|----------|-----------------|----------|----------|----------|
| | HR | MR | LR | GP | HR | MR | LR | GP |
| Fixed Assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Main Accounting* | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Housing & Council Tax Benefit | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 |
| Cash* | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NNDR | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Council Tax* | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Accounts Receivable | 0 | 3 | 1 | 0 | 0 | 0 | 2 | 1 |
| Accounts Payable* | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Treasury Management - B&I* | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Pension Fund Investments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Employee Services (Payroll) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Pensions Admin | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Teachers Pensions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Housing Rents | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| Total | 0 | 3 | 1 | 1 | 0 | 0 | 3 | 2 |

* Audits not due in 2017/18

Key

HR - High Risk

MR - Medium Risk

LR - Low Risk

GP - Good Practice

Fundamental Audits 2017/18 - Recommendations Tracker
Not or Partly Implemented Recommendations

| Report Ref | Recommendation | Class | Agreed Action/Comments | Responsibility For Implementation | Implementation Date | Action Taken |
|------------------|---|-------|--|-----------------------------------|---------------------|---|
| | | | | | | |
| | Housing & Council Tax Benefit | | | | | |
| | | | | | | |
| 2.43 | The Section's Business Continuity Plan should be brought up to date. | LR | Agreed | Julian Morgans | Jun-18 | Not Implemented - due to resources queried with Julian Morgans |
| 2.39 Page 144 | The Civica document disposal module should be used in order to reduce the amount of data held. This will aid with the compliance of the new General Data Protection Regulations being introduced in May 2018. | GP | Agreed - already in hand | Julian Morgans | By June 2018 | Not Implemented - on hold, but current arrangements have been reviewed to ensure GDPR compliance |
| | | | | | | |
| | Accounts Receivable | | | | | |
| | | | | | | |
| 2.2.4 | Income should be clawed back from a Service if a Dispute is not resolved within 90 days. (Previous Audit Recommendation) | MR | Agreed. The current outstanding disputes will be reviewed and actioned in accordance with process | Michelle Davies | May-18 | Part Implemented - Started process but not completed. This will be completed before 31/12/2018 |
| 3.2.2 | User access should be reviewed periodically to ensure that staff have the appropriate access rights. | LR | Agreed in principle, however the number of users is very high and spread across the whole council. It will be carried out if time and resource allows. | Laura Bombroffe/ Alison Evans | Mar-19 | Not Implemented - We have not been able to allocate resource to complete this. Will try and schedule by the end of year. |

Fundamental Audits 2017/18 - Recommendations Tracker
Not or Partly Implemented Recommendations

| Report Ref | Recommendation | Class | Agreed Action/Comments | Responsibility For Implementation | Implementation Date | Action Taken |
|------------------|--|-------|---|---|---------------------|--|
| Page 149 39.2 | All debts should be escalated on a timely basis. Where payment is not received within the timescales allowed a decision should be made on whether to take court action or write-off the debt.(Previous Audit Recommendation) | MR | Agreed. Debt recovery activities have been on hold since Oct 2017 due to change in legislation and delays in Legal Section response to new processes. This has progressed in part but as at 09/03/18 we do not yet have a live referral process in place. In the meantime an interim debt recovery plan has been drawn up for the AR team to progress what they can and the situation has been escalated to the Service Centre Manager. | Michelle Davies / Laura Bombroffe / Alison Evans / Debbie Smith | Mar-18 | Part Implemented - Referrals to Legal were recommenced from August 2018 following an extensive period of liaison with Legal staff. There is a large backlog in the AR system and there is insufficient resource to clear these in a short space of time. Progress continues to be tracked through the monthly Legal Stats and a new monthly Debt Recovery Activity meeting instigated from March 2018 and that includes AR Manager, Supervisors and Processing staff. The aims of this meeting is to set targets to prioritise debt recovery, discuss cases to devise strategies and to coach and mentor staff new to debt recovery. It should be noted that Legal DR resource has also been depleted in recent months. |

**Fundamental Audits 2017/18 - Recommendations Tracker
Not or Partly Implemented Recommendations**

| Report Ref | Recommendation | Class | Agreed Action/Comments | Responsibility For Implementation | Implementation Date | Action Taken |
|------------------|---|-------|---|-----------------------------------|---------------------|---|
| Page 156 33-4 | A reconciliation should be carried out to confirm the status of all debts categorised as being referred to Legal. (Previous Audit Recommendation) | MR | Agreed. This issue has existed for many years and work has been carried out periodically to reduce the backlog. This has improved the situation but it has since worsened. The issues have been discussed with the new Legal Debt Recovery Manager and a staged plan of action was agreed. AR team has carried out the agreed actions assigned to them. We are waiting for Legal to agree for another meeting to be scheduled to discuss the next stages of the review. In the meantime, the AR team will review the list to try and progress any invoices that have been on RTL status for more than 1 year by using their access to Timebase. | Michelle Davies / Debbie Smith | Aug-18 | Part Implemented - Work on the AR/Legal referral reconciliation has progressed and work continues. AR has already carried out several stages of review as agreed but AR resource has been very limited since July following the retirement of a member of AR staff. This has meant that very little work has been carried out by AR to review cases with Legal over 1 year using the Legal Timebase system. We have not been able to schedule another meeting to discuss the next steps with Legal, although it should be noted that Legal resource has also been depleted in recent months. |

Fundamental Audits 2017/18 - Recommendations Tracker
Not or Partly Implemented Recommendations

| Report Ref | Recommendation | Class | Agreed Action/Comments | Responsibility For Implementation | Implementation Date | Action Taken |
|-------------------|---|-------|---|-----------------------------------|-------------------------------------|---|
| 3.6.5 | A reconciliation should be carried out every six months between Legal and AR on the number of debts in the category "Referred to Legal", | LR | Agreed for AR but would also need to be agreed by Legal Debt Recovery Manager | Michelle Davies / Debbie Smith | Aug 2018 (if agreed by LDR manager) | Not Implemented - No reconciliation has taken place. |
| 3.7.1 Page 147 | Write-offs should be forwarded to the Head of Financial Services & Service Centre for approval on a six monthly basis. | GP | Agreed provided that resource time allows | Michelle Davies | Aug-18 | Not Implemented - Not achieved due to resource being directed to other section priorities and depleted resource. We will create a new annual list shortly. |
| 3.11.2 | The Section's Business Continuity Plan should be updated to reflect the re-structures of the Section that took place in December 2014 and October 2017. (Previous Audit Recommendation) | LR | Agreed | Sian Williams | Jul-18 | Part Implemented - BCP is being reviewed to take account of business changes and SW is liaising with the Emergency Planning Team for this. Review and update expected to be completed by December 2018 |

**Fundamental Audits 2017/18 - Recommendations Tracker
Not or Partly Implemented Recommendations**

| Report Ref | Recommendation | Class | Agreed Action/Comments | Responsibility For Implementation | Implementation Date | Action Taken |
|------------|---|-------|------------------------|-----------------------------------|---------------------|--|
| | | | | | | |
| | Housing Rents | | | | | |
| 2.15.2 | Social Services should be asked for the details of all Lifeline units being recharged so that an accurate recharge can be made. | GP | Agreed | PL | Mar-18 | Partly Implemented - discusions are ongoing with Social Services about the whole Lifeline Service. Housing are considering an alternative system. |



Report of the Chief Auditor

Audit Committee – 11 December 2018

Audit Committee – Internal and External Audit Recommendations Follow-up Procedures

| | |
|------------------------------------|---|
| Purpose: | This report provides committee with an overview of how internal and external audit recommendations are followed up. |
| Report Author: | Simon Cockings |
| Finance Officer: | Simon Cockings |
| Legal Officer: | Tracey Meredith |
| Access to Services Officer: | Catherine Window |
| For Information | |

1. Introduction

- 1.1 The Audit Committee's Performance Review was completed in June 2018. One of the recommendations arising from the review was in relation to the tracking of the recommendations made by Internal and External Audit.
- 1.2 This report provides an overview of how recommendations made by Internal and External Audit are tracked and followed-up.

2. Standard Follow-up Procedures

- 2.1 An amended internal audit follow-up procedure was introduced in 2014 as a result of concerns being raised over the failure of management to implement audit recommendations.
- 2.2 As shown in procedure note in Appendix 1, the current procedures identify two methods of following-up on the implementation of recommendations made as a result of internal audit reviews for the fundamental audits and non-fundamental audits.

3. Fundamental Audits

- 3.1 These audits are undertaken on a yearly or two-yearly cycle. All fundamental audits are subject to a Recommendation Tracker Exercise each year, which is normally completed as at the end of September.
- 3.2 The exercise involves discussion with the client department to go through the agreed Action Plan together with a limited amount of testing to confirm whether the recommendations have been implemented.
- 3.3 The results of the Recommendation Tracker Exercise is reported to Audit Committee.

4. Non-fundamental Audits

- 4.1 All other audits that have been given a 'limited' or 'moderate' level of assurance are reported to Audit Committee as part of the Quarterly Monitoring Reports. All such audits are subject to a detailed follow-up visit within 6 months of the issue of the final report.
- 4.2 The follow-up visit concentrates on 'high risk' and 'medium risk' recommendations, and will include discussion with the client department and limited testing to confirm implementation.
- 4.3 The results of the follow-up visit are reported to Audit Committee as part of the Quarterly Monitoring Reports.
- 4.4 Where an audit has been given a 'high' or 'substantial' level of assurance, client departments are asked to confirm the implementation of the recommendations via e-mail.
- 4.5 The results of all follow-up's undertaken are logged and recorded on the Audit Management System (Galileo) to ensure completion is monitored appropriately.

5. Chief Auditors Group PI's

- 5.1 Following discussions at the last Welsh Chief Auditors Group Meeting in October, it was decided that a new Performance Indicator (PI) should be introduced to record the number of recommendations that have been implemented as a percentage of those recommendations made. We are currently working to introduce this additional PI from 2019/20.

6. External Audit Recommendation Tracking

- 6.1 Scrutiny Programme Committee will receive WAO audit reports and action plans to address recommendations and proposals. Scrutiny will also review progress against recommendations within 12 months of the receipt of the report and action plan. Audit Committee will also receive reports and action plans for information and it may decide that it wants to

prioritise and track specific proposals / recommendations in addition to the oversight undertaken by Scrutiny. This does not include those WAO reports that would be intended specifically for Audit Committee.

7. Equality and Engagement Implications

7.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment process ensures that we have paid due regard to the above.

There are no equality and engagement implications associated with this report.

7.2 There are no equality and engagement implications associated with this report.

8. Financial Implications

8.1 There are no financial implications associated with this report.

9. Legal Implications

9.1 There are no legal implications associated with this report.

Background Papers: None

Appendix 1 – Amended Internal Audit Follow-up Procedure

FOLLOW UP PROCEDURES

1. Introduction

- 1.1 The PwC Interim Audit Report 2008/09 raised concerns over the failure of management to implement audit recommendations stating that some recommendations have been repeated over a number of years.
- 1.2 Following a PwC recommendation, a Recommendations Tracker was introduced for the fundamental audits and an exercise was carried out by Internal Audit in October 2009 to confirm that all the recommendations made following the 2008/09 fundamental audits had been implemented. This exercise had mixed results with a significant number of recommendations having not been or only partially implemented.
- 1.3 Both the Executive Director and Head of Finance are keen to pursue a compliance agenda within the Council e.g. compliance with FPR's, CPR's, HR policies. One of the significant areas they wish to pursue is compliance with audit recommendations.
- 1.4 As a result of the above, the current follow up procedures have been reviewed and the following amended procedures implemented.

2. Amended Follow Up Procedure

Fundamental Audits

- 2.1 All fundamental audits will be subject to a Recommendations Tracker exercise each year to be completed by the end of September. This will include a discussion with the client to go through the agreed Action Plan and a limited amount of testing to confirm that all recommendations have been implemented.
- 2.2 The Recommendations Tracker will be reported to the Audit Committee each year where any further action to be taken will be decided.

Non Fundamental Audits

- 2.3 All other audits which have been given an '**limited**' or '**moderate**' level of assurance will be subject to a detailed follow up visit within 6 months of the issue of the final report.
- 2.4 This follow up will concentrate on '**high risk**' and '**medium risk**' recommendations only and will include a discussion with the client and limited testing to confirm implementation.

- 2.5 The client will also be asked to confirm that any **'low risk'** or **'good practice'** recommendations have been implemented but no testing will be required to confirm implementation.
- 2.6 Where an audit has been given a **'high'** or **'substantial'** level of assurance an e-mail will be sent to the client asking for confirmation that the recommendations have been implemented. If clients fail to respond, a 2nd e-mail should be sent stating that any subsequent reminders will be copied to their Head of Service and Chief Auditor.
- 2.7 It is not the intention that the original audit opinion will be amended as a result of the follow up. This exercise is only meant to confirm that the client has addressed the issues which led to the original opinion.
- 2.8 A separate job code has been set up in Galileo for follow ups and time has been included in the Annual Plan to cover the time to be spent on the Recommendations Tracker and other follow ups.

3 Reporting

- 3.1 An additional column should be added to the Management Action Plan to record the findings of the follow up visit including a brief description of the testing carried out.
- 3.2 Where the client has implemented the agreed recommendations or substantial progress has been identified in implementation then an e-mail should be sent to the client copied to the Head of Service (or Chair of the Governing Body for schools) informing them of our findings. There is no need to send the completed Management Action Plan with the e-mail.
- 3.3 Where it is found that recommendations have **not** been implemented, a copy of the full Management Action Plan should be sent to the client clearly identifying the recommendations which have not been implemented. The e-mail should be copied to the client's Head of Service (or Chair of the Governing Body for schools), Head of Financial Services and Chief Auditor.
- 3.4 If recommendations have not been implemented, a further follow up visit will be made within 3 months.
- 3.5 The Internal Audit quarterly monitoring report to the Audit Committee will include details of any services which have failed to make substantial progress in implementing agreed recommendations. This should be mentioned in the e-mail sent to the client.



Report of the Chief Auditor

Audit Committee – 11 December 2018

Internal Audit Annual Plan 2018/19 Monitoring Report for the Period 1 July 2018 to 30 September 2018

| | |
|------------------------------------|--|
| Purpose: | This report shows the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 July 2018 to 30 September 2018. It also provides an update on the implementation of those recommendations arising from the PSIAS peer review. |
| Policy Framework: | None. |
| Reason for Decision: | To allow the Audit Committee to discuss and monitor progress against the Internal Audit Annual Plan 2018/19. |
| Consultation: | Legal, Finance, Access to Services. |
| Recommendation(s): | It is recommended that Committee review and discuss the work of the Internal Audit Section and note the contents of the report. |
| Report Author: | Simon Cockings |
| Finance Officer: | Simon Cockings |
| Legal Officer: | Tracey Meredith |
| Access to Services Officer: | Catherine Window |

1. Introduction

- 1.1 The Internal Audit Annual Plan 2018/19 was approved by the Audit Committee on 10th April 2018. This is the second quarterly monitoring

report to be presented to Committee. Further reports will be presented throughout the year to allow Committee to review and comment upon the progress of the Internal Audit Section in achieving the Annual Plan.

- 1.2 This report shows the audits which were finalised in the period 1st July 2018 to 30th September 2018.

2. Audits Finalised 1 July 2018 to 30 September 2018

- 2.1 A total of 29 audits were finalised during Quarter 2. The audits finalised are listed in Appendix 1 which also shows the level of assurance given at the end of the audit and the number of recommendations made and agreed.

- 2.2 An analysis of the audits finalised during the 2nd Quarter is shown in the following table.

| Assurance Level | High | Substantial | Moderate | Limited |
|-----------------|------|-------------|----------|---------|
| Number | 13 | 16 | 0 | 0 |

- 2.3 A total of 203 audit recommendations were made and management agreed to implement all of the recommendations made i.e. 100% against a target of 95%.

- 2.4 All recommendations made are classified as high risk, medium risk, low risk or good practice. An analysis of the recommendations agreed during quarter 2 is shown in the following table

| High Risk | Medium Risk | Low Risk | Good Practice | Total |
|-----------|-------------|----------|---------------|-------|
| 0 | 22 | 140 | 41 | 203 |

- 2.5 In addition, the Internal Audit Section also certified the following grants in the quarter as required by the terms and conditions of the grant issued by the Welsh Government.

| Grant | Amount £ |
|--|------------------------|
| Live Kilometre Support Grant 2017/18 | 34,769 (449,075 km) |
| Supporting People Programme Grant – Outcomes Jan-Dec 2017 | n/a (9092 Outcomes) |
| Supporting People Programme Grant – Regional Coordinator 2017/18 | 42,374 |
| Supporting People Programme Grant – Certification 2017/18 | 13,817,121 |

- 2.6 The Audit Plan is a 'living' document which is likely to change during the course of the year due to e.g. emerging risks or new priorities. However it is important that the Audit Committee can monitor progress against the Plan approved at the start of the year. To achieve this, Appendix 2 shows each audit included in the Plan approved by Committee in April 2018 and identifies the position of each audit as at 30th September 2018.
- 2.7 No moderate assurance audit reports were issued during the quarter.
- 2.8 Two audits that have been finalised since the end of the quarter include Risk Management and Corporate Governance. Due to the amount of interest Committee has shown in relation to these audits, a brief summary of the outcome of the two reviews have been included as part of this report in order to provide a timely update to committee as the next quarterly report isn't due to be presented until February. Please see the tables below:

| | |
|--|--|
| Audit | Risk Management |
| Objectives | To ensure that the procedures set out in the Council's Risk Management Policy are being implemented as required. |
| Assurance Level | Substantial |
| Summary of Key Points | |
| <ul style="list-style-type: none"> • The new Risk Management Policy continues to be implemented across the Council with risks being monitored by the Strategic Delivery Unit. A member of staff from the unit is tasked with presenting a report on the status of risks at each Performance & Financial Management (PFM) meeting. • The Strategic Delivery & Performance Manager presents a quarterly risk report to Audit Committee. • Each Corporate Risk is assigned to a Cabinet Member and Audit Committee have also been given access to the Corporate Risk Register. • The Risk Management Policy requires all risks to be monitored on a monthly basis. However, some are monitored on a quarterly basis with the agreement of the Strategic Delivery & Performance Manager. • A review of the Corporate, Directorate and Service Risk Registers for the People Directorate showed that most risks had been updated, but there were five that were not recorded as being monitored for over three months. (MR) • A number of instances were noted where risks had been archived, but there was no reason recorded by the Risk Owner. (LR) • From August 2018 the Strategic Performance & Delivery Manager attends Corporate Management Team (CMT) meetings on a monthly basis to ensure Corporate Risks are discussed and are | |

being monitored appropriately.

- The new Risk Management Policy dictates that risks should be discussed at monthly PFM meetings. A review of the minutes of such meetings for the People directorate between January to June 2018 showed risk was not recorded on the agenda for two meetings. (LR)
- The Director of Social Services and all Heads of Service in the People directorate were asked to confirm how they identify, evaluate and monitor risks in their service. A Satisfactory response was received from each officer.
- Three recommendations were made as a result of the review, one MR and two LR.

| | |
|------------------------|---|
| Audit | Corporate Governance |
| Objectives | To ensure there are robust Governance arrangements in being across the Council. To ensure that there is evidence available to show compliance with the established arrangements. |
| Assurance Level | Substantial |

Summary of Key Points

- A detailed review of the Annual Governance Statement was not included as part of the review as this is subject to review by Wales Audit Office as part of the annual audit of the Financial Statements.
- Heads of Service are required to complete Senior Management Assurance Statements detailing their assurance over the internal control, risk management and governance in their areas on an annual basis. A review of the responses submitted for 2016/17 found that in some instances the information returned was limited. The format of the Statements is pending review by the Head of Legal, Democratic Services and Business Intelligence. (MR).
- At present the Council does not have a process in place to record delegate decisions made by individual Cabinet Members or Senior Officers. The Head of Legal, Democratic Services and Business Intelligence is in the process of devising a suitable process which is envisaged to be in place in early 2019. (LR)
- An 'Annual Governance Statement Group' was established in 2016/17, tasked with compiling the Code of Corporate Governance and the Annual Governance Statement. It was also confirmed that CMT has Governance as an agenda item for all meetings.
- Enquiries were made with the Chief Officers or Heads of Service (HoS) responsible for each Procedure Rule in the Council Constitution to confirm they have been reviewed and are up to date. Satisfactory responses were received from all, but it was noted by the Chief Finance Officer that the Financial Procedure Rules had not been reviewed or updated for a number of years. (MR)
- It was noted that there was no process in place requiring Chief Officers or HoS to confirm that the Procedure Rules for their areas

have been reviewed and are up to date on a periodic basis. The Head of democratic Services will now require confirmation of this from the relevant Officers on an annual basis. (LR)

- It is noted that an Officer from Democratic Services is present at all Committee Meetings to ensure any procedures deemed to be inconsistent with good governance are highlighted immediately. In addition, all reports presented at such meetings are subject to checking and approval by officers in Legal, Finance and Equalities & Engagement.
- Enquiries were made with the Strategic Delivery & Performance Manager as to whether all Service Plans for 2018/19 had been completed as required and all performance data was being received from Services within the set timescales. It was confirmed that all such data was being received and all Service Plans had been completed as required.
- PFM meetings should be held for Corporate Services, Place, People, Education and Social Services. However some were not being held on a strictly monthly basis. (LR)
- Evidence was provided to confirm that regular DMT meetings were being held by HoS.
- A sample of HoS were asked to provide evidence that regular SMT meetings were being held with their managers/ principal officers. This proved satisfactory, however it was found that formal records of the meetings are not maintained by the Head of Child & Family or the Head of Cultural Services. (GP)

2.9 An analysis of the details in Appendix 2 shows that by the end of March 2018, approximately 80% of the Audit Plan was either completed or in progress.

2.10 The Internal Audit Section was also involved in the following work during quarter 2:

- Continuation of work on the National Fraud Initiative 2016.
- Completion of the Annual Report for School Audits 2017/18.
- Review of AI 11 Unofficial Funds for Schools & the production of a template constitution and audit certificate.

3. Follow Ups Completed 1 July 2018 to 30 September 2018

3.1 The follow up procedures operated by the Internal Audit Section include visits to any non-fundamental audits which received a moderate or limited level of assurance to confirm and test that action has been taken by management to address the concerns raised during the original audit.

3.2 The follow up visit is usually within 6 months of the final report being issued and includes testing to ensure that any high or medium risk recommendations have been implemented. Where agreed recommendations have not been implemented, this will be reported to the appropriate Head of Service (or Chair of the Governing Body in

the case of schools) and the Chief Finance Officer (Section 151 Officer).

3.3 A follow-up review was completed at Penlan Leisure Centre. Testing confirmed that significant action had been taken to implement the recommendations that had been made, with 25 of the 26 recommendations made being fully implemented. The implementation of one recommendation was underway at the time of the follow up. It should be noted, that as of the 1st October all of the Council's Leisure Centres have been transferred to the Freedom Leisure Partnership.

3.4 As reported in the Quarter 1 Monitoring Report, five follow-up visits were undertaken in quarter 1. Of the five follow-up visits completed, three required a second visit in quarter 2 as some recommendations had not been fully implemented. The second follow-up visits have been completed and in all three cases it has been confirmed that all of the outstanding recommendations have been implemented.

4 Update on the Recommendations from the PSIAS Peer Review

4.1 As has been reported to Committee in previous meetings, a number of recommendations were made following the peer review as part of the review of compliance with the Public Sector Internal Audit Standards (PSIAS).

4.2 An update on the progress in implementing the recommendations made can be found in Appendix 3.

5 Equality and Engagement Implications

5.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment process ensures that we have paid due regard to the above.

5.2 There are no equality and engagement implications associated with this report.

6. Financial Implications

6.1 There are no financial implications associated with this report.

7. Legal Implications

7.1 There are no legal implications associated with this report.

Background Papers: Internal Audit Plan 2017/18

Appendices: Appendix 1 Internal Audit – Monitoring Report Quarter 2 2018/19
Appendix 2 Internal Audit Plan 2018/19 – Progress to 30/09/18
Appendix 3 PSIAS Peer Review Action Plan 2017/18 Update

INTERNAL AUDIT - MONITORING REPORT QUARTER 2 2018/19

| Head of Service | Audit | Date | Assurance Level | Recommendations | | |
|-------------------------------------|---|------------|-----------------|-----------------|------------|------------|
| | | | | Made | Agreed | Not Agreed |
| Education Planning & Resources | Pontlliw Primary | 03/07/18 | High | 1 | 1 | 0 |
| Financial Services & Service Centre | Petty Cash Accounts | 12/17/2018 | High | 3 | 3 | 0 |
| Education Planning & Resources | Arts in Educaiton | 24/07/18 | High | 2 | 2 | 0 |
| Housing & Public Protection | Neighbourhood Support Unit | 14/08/18 | High | 8 | 8 | 0 |
| Digital & Transformation | Firewall Controls | 15/08/18 | High | 1 | 1 | 0 |
| Housing & Public Protection | Rechargeable Works | 20/08/18 | High | 0 | 0 | 0 |
| Financial Services & Service Centre | Construction Industry Tax Scheme | 21/08/18 | High | 0 | 0 | 0 |
| Digital & Transformation | Oracle Authorisation Limits | 11/09/18 | High | 1 | 1 | 0 |
| Education Planning & Resources | Newton Primary | 13/09/18 | High | 6 | 6 | 0 |
| Digital & Transformation | Fostercare System (Application Controls) | 25/09/18 | High | 2 | 2 | 0 |
| Digital & Transformation | Data Protection (Software Licences) | 27/09/18 | High | 5 | 5 | 0 |
| Digital & Transformation | Internet Controls (Corporate Network) | 28/09/18 | High | 4 | 4 | 0 |
| Education Planning & Resources | School Funding & Information* | 12/07/18 | High | 1 | 1 | 0 |
| Education Planning & Resources | Danygraig Primary | 09/07/18 | Substantial | 2 | 2 | 0 |
| Education Planning & Resources | YGG Y Login Fach | 09/07/18 | Substantial | 6 | 6 | 0 |
| Education Planning & Resources | Gowerton Comprehensive School | 10/07/18 | Substantial | 21 | 21 | 0 |
| Highways & Transportation | Swansea Highways Partnership* | 10/07/18 | Substantial | 1 | 1 | 0 |
| Housing & Public Protection | Trading Standards Division | 13/07/18 | Substantial | 16 | 16 | 0 |
| Education Planning & Resources | Brynhyfyd Primary | 20/07/18 | Substantial | 9 | 9 | 0 |
| Poverty & Prevention | Swansea Childrens Centre & Mayhill Centre | 24/07/18 | Substantial | 15 | 15 | 0 |
| Housing & Public Protection | Housing Options | 25/07/18 | Substantial | 15 | 15 | 0 |
| Education Planning & Resources | Dylan Thomas Comprehensive School | 25/07/18 | Substantial | 21 | 21 | 0 |
| Cultural Services | Central Library | 27/07/18 | Substantial | 10 | 10 | 0 |
| Education Planning & Resources | Townhill Primary | 11/09/18 | Substantial | 14 | 14 | 0 |
| Child & Family | Grants & Contracts (Child & Family) | 17/09/18 | Substantial | 5 | 5 | 0 |
| Vulnerable Learner Service | Catering Service | 17/09/18 | Substantial | 9 | 9 | 0 |
| Cultural Services | St Helen's Ground | 19/09/18 | Substantial | 7 | 7 | 0 |
| Education Planning & Resources | Hendrefoilan Primary | 27/19/2018 | Substantial | 11 | 11 | 0 |
| Education Planning & Resources | Sketty Primary | 27/09/18 | Substantial | 7 | 7 | 0 |
| Total | | | | 203 | 203 | 0 |

* Audits from the 2017/18 Audit Plan finalised in 2018/19.

INTERNAL AUDIT ANNUAL PLAN 2018/19

| Head of Service | Risk Rating | Progress as at 30/09/18 |
|--|-------------|-------------------------|
| Education Planning & Resources | | |
| Danygraig Primary | Med/High | Final Issued |
| Mayals Primary | Medium | Final Issued |
| Y.G.G. Bryn-y-Mor | Low | In Progress |
| Christchurch Ch.in Wales | Medium | In Progress |
| Bwrlais Primary | Medium | Draft Issued |
| Dunvant Primary | Medium | Draft Issued |
| Brynhyfryd Primary | Medium | Final Issued |
| Pontlliw Primary | Medium | Final Issued |
| Talycopa Primary | Medium | In Progress |
| Gowerton Primary | Medium | In Progress |
| Sketty Primary | Medium | Final Issued |
| Terrace Road Primary | Medium | In Progress |
| Cila Primary | Low | In Progress |
| Townhill Community Primary | Medium | Final Issued |
| Hendrefoilan Primary | Medium | Final Issued |
| Penclawdd Primary | Medium | In Progress |
| Gors Community Primary | Medium | In Progress |
| Knelston Primary | Low | Draft Issued |
| Y.G.G. Y Login Fach | Medium | Final Issued |
| Y.G.G. Bryniago | Medium | In Progress |
| Newton Primary | Medium | Final Issued |
| St. Helen's Primary | Low/Med | In Progress |
| Trallwn Primary | Medium | In Progress |
| Portmead Primary | Medium | In Progress |
| Gowerton Comprehensive | Medium | Final Issued |
| Birchgrove Comprehensive | Low | In Progress |
| Bishop Gore Comprehensive | Low | Draft Issued |
| Dylan Thomas Comprehensive | Medium | Final Issued |
| Arts in Education | Low/Med | Final Issued |
| Achievement & Partnership Service | | |
| Welsh Service | New | Deferred |
| Vulnerable Learner Service | | |
| Education Welfare Service | Medium | Final Issued |
| Catering Service – Civic Centre | Low/Med | Final Issued |
| Cleaning Service | Medium | In Progress |
| Education – Other | | |
| School Uniform Grant | N/A | In Progress |
| Education Improvement Grant | N/A | In Progress |
| Pupil Deprivation Grant | N/A | In Progress |
| Schools Annual Report | N/A | Final Issued |
| Child & Family Services | | |
| Grants & Contracts | Med/High | Final Issued |

INTERNAL AUDIT ANNUAL PLAN 2018/19

| Head of Service | Risk Rating | Progress as at 30/09/18 |
|---|-------------|-------------------------|
| Adult Services | | |
| Community Alarm Service | Medium | Final Issued |
| Integrated Community Equipment & Suresprung | High | Final Issued |
| Service Users Assessment of Care | Medium | Planned |
| Supporting People Grant | N/A | Final Issued |
| Suresprung - Work Choice Program | N/A | In Progress |
| Self Assessment Checklists | Med/High | Planned |
| Social Services – Directorate Services | | |
| No audits planned | | |
| Poverty & Prevention | | |
| Swansea Children’s Centre & Mayhill Centre | Medium | Final Issued |
| Early Intervention Services | New | In Progress |
| Corporate Building Services | | |
| Admin & Finance | Low/Med | In Progress |
| Corporate Property Services | | |
| No audits planned | | |
| Waste Management & Parks | | |
| Domestic Refuse Collection | Medium | In Progress |
| Grounds Maintenance | Medium | In Progress |
| Highways & Transportation | | |
| Concessionary Bus Fares | N/A | In Progress |
| Car Parks | Med/High | Final Issued |
| Clydach Depot – Fuel & Plant | Medium | In Progress |
| Streetworks | Medium | Final Issued |
| CTU Fleet Hire / Spot Hire | Medium | In Progress |
| Traffic Orders | New | In Progress |
| Taxi Framework Contract – Adult Services | Medium | Final Issued |
| Live Kilometre Support Grant | N/A | Final Issued |
| Housing & Public Protection | | |
| Housing Options | Medium | Final Issued |
| Eastside District Housing Office | Medium | Final Issued |
| Morrison & Clase District Housing Offices | Medium | Final Issued |
| Neighbourhood Support Unit | Medium | Final Issued |
| Housing Loans and Grants | Medium | In Progress |
| Affordable Housing | New | In Progress |
| Building Regulations | Low/Med | In Progress |
| Trading Standards Division | Low/Med | Final Issued |
| Rechargeable Works | Medium | Final Issued |
| Cultural Services | | |
| Outdoor Leisure | Medium | Draft Issued |
| St Helens Ground | Low/Med | Final Issued |
| Plantasia | Medium | In Progress |
| Grand Theatre | Med/High | Final Issued |

INTERNAL AUDIT ANNUAL PLAN 2018/19

| Head of Service | Risk Rating | Progress as at 30/09/18 |
|--|-------------|-------------------------|
| Central Library | Medium | Final Issued |
| Record Management | New | In Progress |
| Planning & City Regeneration | | |
| Section 106 Agreements | High | In Progress |
| Landscape | New | In Progress |
| Nature Conservation | New | In Progress |
| Communications & Marketing | | |
| Civic Admin, Mayoral Services & Mansion House | Low/Med | Draft Issued |
| Financial Services & Service Centre | | |
| Cashiers Office | Med/High | In Progress |
| Write Off Requests by Departments | N/A | Planned |
| Cashiers Write Offs | N/A | Planned |
| Bank Reconciliations | Medium | In Progress |
| School Bank Reconciliations | Medium | In Progress |
| Petty Cash Accounts | Low | Final Issued |
| Grants Receivable | Med/High | In Progress |
| Leasing | Medium | In Progress |
| Income Tax – Self Employed | Medium | Planned |
| Construction Industry Tax Scheme | Medium | Final Issued |
| Risk Management | High | Draft Issued |
| Blue Badges | Medium | In Progress |
| Budget Strategy & Management | New | Planned |
| Performance Indicators | New | In Progress |
| Residential Contributions – Assessments | Medium | In Progress |
| Debt Recovery | High | Planned |
| Fairer Charging | Medium | Planned |
| Adult Family Placements | New | In Progress |
| Flexicard Machines and Security | Med/High | Draft Issued |
| Legal, Democratic Services & Business Intel | | |
| Land Charges | Low | In Progress |
| Electoral Services | Medium | Final Issued |
| Human Resources | | |
| Employment of Agency Staff | Med/High | In Progress |
| Health & Safety | New | In Progress |
| Business Continuity | New | In Progress |
| Digital & Transformation | | |
| ICT Administration | Med/High | In Progress |
| Oracle Authorisation Limits | Med/High | Final Issued |
| IT Assets | Medium | In Progress |
| Network Controls – Corporate Network | Medium | In Progress |
| Firewall Controls - Corporate | Medium | Final Issued |
| Virtual Server Environment | Medium | Planned |
| Internet Controls – Corporate Network | Low/Med | Final Issued |
| Payment Card Industry – Data Security | Medium | In Progress |

INTERNAL AUDIT ANNUAL PLAN 2018/19

| Head of Service | Risk Rating | Progress as at 30/09/18 |
|---|-------------|-------------------------|
| E-Commerce Controls | Medium | In Progress |
| Business Continuity - IT | New | Planned |
| Data Protection – Software Licences | Medium | Final Issued |
| Application Controls – Flare System | Medium | Final Issued |
| Application Controls – Fostercare System | Medium | Final Issued |
| Change Control | Medium | In Progress |
| Digital Strategy | High | Planned |
| Telephones (Civic & Guildhall) | Low/Med | Final Issued |
| IDEA – Extraction of Data | N/A | Planned |
| IDEA - Data Matching Exercise – NFI | N/A | In Progress |
| Commercial Services | | |
| Supplier Contracts Review | New | Planned |
| Fundamental Systems | | |
| Payroll | High | In Progress |
| Pensions Administration | High | In Progress |
| Accounts Receivable | High | Planned |
| Treasury Man Borrowing & Investments | Medium | In Progress |
| Accounts Payable | Medium | Planned |
| Cash | Medium/High | In Progress |
| Council Tax | Medium | In Progress |
| Main Accounting System | Medium | Planned |
| Contract Audits Systems | | |
| Corporate Building & Property Services | | |
| Construction Period Control of Contracts | Medium | Planned |
| Other Departments | | |
| Tendering, Letting and Monitoring | New | Planned |
| Contract Audits | | |
| Final Accounts | N/A | Planned |
| Financial Appraisals of Contractors | N/A | Planned |
| Cross Cutting Audits | | |
| Gift & Hospitality Registers | Low/Med | In Progress |
| Workforce Planning | New | In Progress |
| General Data Protection Regulations | New | Draft Issued |
| Corporate Governance Review | New | In Progress |
| Ethics & Values | New | Planned |
| Miscellaneous Audits | | |
| No planned audits | | |
| Projects & Special Investigations | | |
| Unpresented Cheques >£2,000 | N/A | Planned |
| Development of Audit Programmes | N/A | Planned |
| Galileo Audit Management System | N/A | Planned |
| Annual Plan & Annual Report | N/A | Planned |
| Health & Safety Group | N/A | Planned |
| Recommendations Tracker | N/A | In Progress |

INTERNAL AUDIT ANNUAL PLAN 2018/19

| Head of Service | Risk Rating | Progress as at 30/09/18 |
|----------------------------|--------------------|--------------------------------|
| Follow Ups | N/A | Planned |
| P Card Review of Purchases | N/A | Planned |

**CITY AND COUNTY OF SWANSEA
MANAGEMENT ACTION PLAN
PSIAS PEER REVIEW RECOMMENDATIONS 2017/18 - UPDATE**

| REPORT REF | RECOMMENDATION | CLASS (HR; MR; LR; GP) | AGREED ACTION/ COMMENTS | RESPONSIBILITY FOR IMPLEMENTATION | IMPLEMENTATION DATE | UPDATE AS AT 30/11/18 |
|------------|---|------------------------------|--|---|------------------------|---|
| R1 | A risk-based approach in the form of an assurance mapping exercise should be carried out to inform the planning process and identify other sources of assurance. | GP | Agreed. However, due to the timing of the peer review report, we were unable to undertake an assurance mapping exercise to inform the 2018/19 planning process. This exercise will therefore be undertaken when considering the plan for 2019/20. | Chief Audit Executive | 31/12/18 | Ongoing Assurance map exercise is underway with the draft map being distributed to CMT for discussion on 15/11/18. The results of the Assurance Mapping Exercise will help inform the 2019/20 Audit Plan. |
| R2 | The Audit Charter should be updated to reflect the practices in place in respect of collating conflicts of interests from audit staff, at least annually. | GP | Agreed. The Audit Charter for 2018/19 has been updated to reflect this. | Chief Audit Executive | Implemented | Implemented |
| R3 | The Audit Charter should be updated to reflect the working practices that are in place in respect of managing conflicts of interests identified by staff i.e. they are taken into account when allocating individual workloads to auditors. | GP | Agreed. The Audit Charter for 2018/19 has been updated to reflect this. | Chief Audit Executive | Implemented | Implemented |

| REPORT REF | RECOMMENDATION | CLASS (HR; MR; LR; GP) | AGREED ACTION/ COMMENTS | RESPONSIBILITY FOR IMPLEMENTATION | IMPLEMENTATION DATE | UPDATE AS AT 30/11/18 |
|------------|---|------------------------------|---|--|-------------------------|---|
| R4 | Regular (in line with Council appraisal policy) performance reviews of the Chief Audit Executive and auditors must be carried out in order to assess skills and competencies and identify any training needs. | LR | Agreed. Appraisals will be carried out in line with the Council's appraisal policy as required in order to address any competency issues and to identify any training/development opportunities. | Chief Finance Officer, Chief Audit Executive and Principal Auditor. | 30/09/18 | Not Implemented Appraisals have not been carried out. |
| R5 | In order to avoid any perceived lack of independence in the running of the Audit Committee, all secretarial services should be provided by officers from Democratic Services, albeit with the Chief Audit Executive inputting relevant experience, knowledge and advice, and attending to present reports on the Internal Audit function. | LR | Agreed. All secretarial services will be provided by the Democratic Services Team going forward, subject to experience, knowledge and advice being provided by the Chief Audit Executive, who will primarily attend Audit Committee to present relevant reports. | Chief Audit Executive, Democratic Services Manager. | 01/04/18 Implemented | Not Implemented No significant change has taken place since the peer review was completed with the Chief Auditor continuing to be overly involved in the running of the Audit Committee. Democratic services primarily collate and publish the agenda and record and publish minutes only. The Chair of Audit Committee discussed the issue with the Chief Executive and Chief Finance Officer in September 2018. |
| R6 | For the avoidance of any perceived conflicts of interest or lack of independence, responsibility for the preparation of the Annual Governance Statement should lie with an officer outside Internal Audit with overall responsibility for performance, risk and governance. | LR | Agreed. As agreed by the Corporate Management Team on 14/03/18, the Annual Governance Statement will no longer be compiled by the Chief Audit Executive. The Chief Auditors Annual Opinion will continue to form part of the Governance Statement as required. | Senior Officer of the Authority as decided by the Director of Resources and wider CMT. | 01/04/18 Implemented | Implemented |

Agenda Item 13



Report of the Chief Auditor

Audit Committee – 11 December 2018

Audit Committee – Action Tracker

| | |
|------------------------------------|--|
| Purpose: | This report details the actions recorded by the Audit Committee and response to the actions. |
| Report Author: | Simon Cockings |
| Finance Officer: | Simon Cockings |
| Legal Officer: | Tracey Meredith |
| Access to Services Officer: | Rhian Millar |

For Information

1. Introduction

- 1.1 During the course of Audit Committee meetings various actions may be decided which are recorded on the minutes of the meetings.
- 1.2 As agreed in 2016/17 an Action Tracker process was put in place to ensure transparency over the outcomes of actions agreed by Committee.
- 1.3 The Action Tracker records the actions agreed by the Audit Committee and provides an outcome for each action.
- 1.4 The Action Tracker for the 2017/18 and 2018/19 municipal years are attached in Appendix 1 and 2.
- 1.5 The Action Tracker is regularly updated and any completed actions will be marked 'CLOSED' and coloured in grey.
- 1.6 The Action Tracker is reported to each Audit Committee meeting for information.

2. Equality and Engagement Implications

2.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment process ensures that we have paid due regard to the above.

2.2 There are no equality and engagement implications associated with this report.

3. Financial Implications

3.1 There are no financial implications associated with this report.

4. Legal Implications

4.1 There are no legal implications associated with this report

Background Papers: None

Appendix 1 – Action Tracker 2018/19

Appendix 2 – Action Tracker 2017/18

Appendix 1

| AUDIT COMMITTEE ACTION TRACKER 2018/19 | |
|--|---|
| Action | Outcome |
| 09/10/18 Min 47 – Internal Audit Monitoring Report | |
| The Interim Head of Digital & Transformation Services is to provide an update on the ICT Disaster Recovery Audit in Q3. | The Interim Head of Digital & Transformation has been invited to attend the December Audit Committee to provide an update on the Disaster Recovery Audit. |
| 09/10/18 Min 50 – Annual Report of School Audits 2017/18 | |
| Education/Procurement to provide the Audit Committee with the finalised catalogue for use by Schools to purchase supplies within 3 months. | |
| 09/10/18 Min 51 – WAO Annual Improvement Report 2017/18 | |
| The Wales Audit Office updates the Committee regarding how the Council monitors and makes best use of recommendations from the National Shared Learning Agenda. | |
| The Chief Finance Officer be requested to report future budget variations to the Committee. | |
| 09/10/18 Min 52 – WAO Update October 2018 | |
| Details were provided in relation to the Financial, Pension Fund and Performance Audit work. The Committee highlighted the amount of bureaucracy that existed and the potential cost to the WAO. The potential cost of the bureaucracy to be highlighted to the Auditor General. | |
| 09/10/18 Min 54 – Audit Committee Workplan | |
| The Trusts & Charities Update to be reported to the next scheduled meeting in December. | |
| An Officer be requested to accompany the Chair and Vice-Chair to the Cardiff Audit Committee meeting on the 13/11/18. | The Chair, Vice Chair and Chief Auditor attended Cardiff Audit Committee meeting on 13/11/18. CLOSED |
| 14/08/18 Min 31 – Draft Audit Committee Annual Report 2017/18 | |
| The Annual Report, with the suggested amendments in relation to the narrative in paragraph 9.4 (Risk Registers) be approved and presented to a future meeting of the Council | Suggested amendments were made to the Draft report, with the revised version being circulated to Members. The final report was presented to Council on 25/10/18. CLOSED |
| 14/08/18 Min 32 – Audit Committee Performance Review 2017/18 Action Plan | |
| The approved action plan should be appended to the Audit Committee Workplan for the September and December meetings. | The approved Action Plan will be appended to the workplan at these meetings as requested to track implementation of the agreed actions. CLOSED |
| 14/08/18 Min 33 – Internal Audit Annual Report 2017/18 | |
| The Chief Auditor to raise the need for a refresh of the PI's through the Welsh Chief Auditors Group. Chair requested that future year's Internal Audit Plans include reference to the Council's corporate priorities. | Next Welsh Chief Auditors Group meeting is due to take place at the end of October – PI's will be raised as an agenda item. PI's were raised at the meeting on 19/10/18 and the group is working to review these. CLOSED Consideration will be given to reference the Council's corporate priorities in the 2019/20 Audit Plan. CLOSED |
| 17/07/18 Min 20 – Draft Annual Governance Statement 2017/18 | |

| | |
|--|---|
| The Chair and Head of Legal, Democratic Services & Business Intelligence discuss amendments to the Annual Governance Statement (AGS) 2017/18. An amended version it to be circulated to Audit Committee. A special meeting should be called to approve the amended version if necessary. | Amended version of the AGS was distributed to Members on the 13/08/18. A special meeting was held on the 23/08/18 to review and discuss the amendments and to approve the AGS. - CLOSED |
| The Chair is to discuss the term 'sustainable savings' in the AGS with the Head of Financial Services & Service Centre. | The term 'Sustainable Savings' remains unchanged in the final version of the AGS. - CLOSED |
| 17/07/18 Min 20 – Draft Statement of Accounts 2017/18 | |
| A briefing note is to be provided to the Committee on the position of Charitable Trust Funds to provide clarity on why they are not included in the Statement of Accounts. | Chief Treasury & Technical Officer has been informed of this request. Report presented to Committee on 11/12/18. CLOSED |
| 26/06/18 Min 17 – Audit Committee Review of Performance 2017/18 | |
| The Chair meets the Chief Executive to discuss the impact of the 31 high level risks identified and how the Authority is managing those risks. | The Chair is due to meet with the Chief Executive and The Chief Finance Officer on the 28/09/18. Chair met with the Chief Executive and Chief Finance Officer on 28/09/18. CLOSED |
| The Committee resolved to attend an Audit Committee of another public body. Mid and West Wales Fire Authority was proposed and agreed. It was also proposed that the Chair and Vice Chair visit an Audit Committee of another Local Authority, with RCT CBC being proposed. | Arrangements are being made for the Chair and Vice Chair to attend a committee meeting at Cardiff Council. Visit took place 13/11/18. CLOSED |
| 12/06/18 Min 5 – Internal Audit Monitoring Report Quarter 4 2017/18 | |
| Deferred audits relating to governance and risk to be undertaken in Q1 or Q2 2018/19. | Committee have already been made aware that these two audits have been prioritised in Q1 & Q2. Both audits were started in Q1 and are underway. Results will be reported back to Committee via the Quarterly Report in due course. Audits were finalised early in Q3, with both audits receiving a Substantial level of assurance. A summary of the key points from the audits has been included in the Q2 monitoring report for information. - CLOSED |
| GDPR should be added to the 2018/19 audit programme and the Committee should be advised if the Council is GDPR compliant. | GDPR was already included on the 2018/19 audit programme following the consultation exercise and review of risk registers to inform the planning of the 18/19 audit plan. This has also been prioritised in Q1. Results of the audit will be reported back to Committee via the Quarterly Report in due course. The audit was finalised early in Q3 with a Substantial level of assurance, concluding that the Authority is broadly compliant with the principal changes to legislation that were introduced as part of GDPR introduction, but some recommendations for improvement were made as a result of the review. - CLOSED |
| 12/06/18 Min 6 – Social Care Contracts Audit | |
| An update on the progress made in addressing the issues identified should be provided to Audit Committee at a later date. | Following meeting on the 14/08/18 at Committee's request, a representative from department is due to attend the December committee meeting to provide an update. Further update has also been scheduled for April 2019. |
| 12/06/18 Min 9 – 2016/17 Performance Review Update Report | |

| | |
|--|--|
| <p>The Performance Review 2016/17 update report is to be discussed at the Special Audit Committee scheduled to take place on 26/06/18.</p> | <p>Issues identified were discussed and covered as part of the Performance Review on 26/06/18. CLOSED</p> |
| <p>12/06/18 Min 12 – Overall Status of Risk Report Q4 2017/18</p> | |
| <p>The Strategic Delivery & Performance Manager provides the Chair with access to the Risk Register.</p> | <p>Corporate risks are now included in the public reports pack to Audit Committee and ICT are working on developing a new ICT based Risk Management System to replace the existing one. – CLOSED</p> |

Appendix 2

| AUDIT COMMITTEE ACTION TRACKER 2017/18 | |
|--|---|
| Action | Outcome |
| 10/04/18 Min 73 – Work of Policy Development & Delivery Committees | |
| The Audit Committee be supplied with a written explanation of the roles of the Policy Development & Delivery Committees (PDC's) as well as their link with corporate objectives. | Chief Auditor sent e-mail to the Leader's PA on 18/06/18 requesting the information to be provided. An update report will be brought to committee at a future meeting. Email sent to Head of Democratic Services on 15/08/18 requesting update. Update report due to be presented to Committee on 09/10/18. Report presented to Committee on 09/10/18. CLOSED |
| The Audit Committee be supplied with the end of year report for PDC's for the current Municipal year. | As above. CLOSED |
| The Audit Committee be supplied with the structure/work plan for the next Municipal year for each PDC including expected outcomes and timelines. | As above. CLOSED |
| 10/04/18 Min 72 – Key Risks | |
| The Committee should have a flavour of the key risks of the Authority, particularly the impact of the 31 high risks identified. The Committee should be able to assess the significance of risks against the well-being objectives of the Council and the risks should be highlighted / made public. | Corporate risks are now included in the public reports pack to Audit Committee and ICT are working on developing a new ICT based Risk Management System to replace the existing one. – CLOSED |
| 10/04/18 Min 77 – Internal Audit Plan 2018/19 | |
| The Internal Audit Plan 2018/19 was approved subject to a few refinements to be discussed with the Chief Auditor and Chair. An amended Audit Plan to be provided at the next meeting of the Audit Committee. | Following discussions with the Chair it was agreed that the 2018/19 Audit Plan remain unchanged with any suggested revisions to be incorporated into future plans. CLOSED |
| 10/04/18 Min 80 – Audit Committee Performance Review 16/17 Update | |
| An update is to be provided to Audit Committee on the actions arising from the 2016/17 Performance Review. | Update report provided at committee meeting 12/06/18. CLOSED |
| 08/03/18 Min 67 – Internal Audit Monitoring Report – Moderate Reports | |

| | |
|---|---|
| <p>The Chief Auditor is to write to all Heads of Service (HoS) and Directors to inform them of Committee's decision to invite all HoS to attend the next Audit Committee Meeting to explain the action that will be taken to address any points arising in any moderate or limited assurance reports that have been presented to Committee as part of the Chief Auditor's Quarterly Monitoring Report.</p> <p>A summary e-mail outlining the new agreed process to be distributed to all Committee Members once the minutes of the meeting on the 08/03/18 have been published.</p> | <p>E-mail outlining the new process was sent to all HoS and Directors on 22/03/18 as requested.</p> <p>E-mail outlining the agreed new process was distributed to all Committee Members on 23/03/18. CLOSED</p> |
| <p>08/03/18 Min 67 – Internal Audit Monitoring Report – Moderate Reports</p> | |
| <p>On issuing a moderate or limited assurance audit report, the relevant Cabinet Member should also be included in the distribution list when the final report is issued.</p> | <p>The relevant Cabinet Member will be included in the distribution list for any moderate and limited assurance reports from 08/03/18. Principal Auditor has been instructed to ensure this is in place going forward. CLOSED</p> |
| <p>08/03/18 Min 68 – Amendments to Contract Procedure Rules</p> | |
| <p>Once the amendments to the Contract Procedure Rules have been finalised, a copy should be forwarded to all Schools' Governing Bodies to make them aware of the changes. Schools are also to be requested to ensure the amended CPRs are included as an agenda item on the next Finance Committee and Building/Property Committee Meeting.</p> | <p>Amended Contract Procedure Rules are currently going through a consultation process. Chief Auditor discussed proposed amendments with Head of Commercial Services on 30/07/18. Further e-mail sent to Head of Commercial Services on 20/08/18. Further e-mail sent to Head of Commercial Services 05/11/18 – amended CPR's are with Legal pending approval. Awaiting proposed amended version.</p> |
| <p>12/12/17 Min 53 – Good Governance When Determining Significant Service Changes</p> | |
| <p>The impact of the proposed cuts included in the 2018-19 budget and the potential impact upon the Internal Audit Section was discussed. It was resolved that the Chair, on behalf of the Audit Committee, writes to the Chief Executive highlighting concern regarding the potential impact of the proposed cuts on the Internal Audit Section.</p> | <p>Letter was sent to the Chief Executive on 20/12/17 as requested. Letter and response presented to Committee on 08/03/18 for information. – CLOSED</p> |
| <p>12/12/17 Min 56 – Internal Audit Monitoring Report Q2 17/18</p> | |
| <p>The appropriate Head(s) of Service are requested to attend the next scheduled meeting in order to update the Committee regarding the progress in respect of their moderate audit ratings.</p> | <p>As agreed at the meeting on the 08/03/18 those HoS that have received reports with moderate assurance ratings will be invited to attend the next committee meeting to explain how they are addressing the issues identified. Staggered invitations commenced from 10/04/18 meeting, and as they arise going forward. - CLOSED</p> |
| <p>26/09/17 – Procurement in Schools</p> | |
| <p>A meeting to be arranged with Procurement and Education representatives do discuss procurement issues at schools as identified in the Annual Report of School Audits. An update on Procurement is to be provided in the February meeting.</p> | <p>Meeting was held with representatives from Education, Procurement and Audit on 18/01/18. Feedback from the meeting provided to Audit Committee on 08/03/18. CLOSED</p> |
| <p>11/07/17 – Performance Review Development of the Audit Committee</p> | |

| | |
|---|--|
| In relation to the Audit Committee Performance Review findings, the Chair of the Audit Committee is to investigate the possibility of reinstating regional working groups for Chairs/Audit Committee Members to consider joint training and benchmarking possibilities. | Due to the departure of the previous Chair, no action has been taken to date. This and other development actions will be picked up as part of the next Performance Review initially scheduled for June 2018 with the new Chair in post. - CLOSED |
| 11/07/17 Min 16 – Draft Statement of Accounts | |
| The Section 151 Officer be requested to provide Committee with an update regarding the funding of reserves and overall good financial management. | Section 151 Officer is due to attend the December meeting to provide an update on the review of reserves and overall budget monitoring/control. - CLOSED |
| 20/06/17 Min 5 – Work Programme | |
| A description to accompany items within the Work Programme be provided in future. | Standard agenda items have been highlighted in bold in the workplan. CLOSED |

Agenda Item 14



Report of the Chief Auditor

Audit Committee – 11 December 2018

Audit Committee – Workplan 2018/19

| | |
|------------------------------------|--|
| Purpose: | This report details the Audit Committee Workplan to May 2019 |
| Report Author: | Simon Cockings |
| Finance Officer: | Simon Cockings |
| Legal Officer: | Tracey Meredith |
| Access to Services Officer: | Rhian Millar |
| For Information | |

1. Introduction

- 1.1 The Audit Committee's Workplan to May 2019 is attached in Appendix 1 for information.
- 1.2 The dates included for the meetings in 2018/19 are subject to approval by Council.

2. Equality and Engagement Implications

- 2.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:
 - Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
 - Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment process ensures that we have paid due regard to the above.

2.2 There are no equality and engagement implications associated with this report.

3. Financial Implications

3.1 There are no financial implications associated with this report.

4. Legal Implications

4.1 There are no legal implications associated with this report.

Background Papers: None

Appendix 1 – Audit Committee Workplan 2018/19

Appendix 2 – Performance Review 2017/18 Action Plan

Appendix 3 – Audit Committee Statement of Purpose

Audit Committee Workplan 2018/19

| Terms of Reference | 12 June 2018 | 26 June 2018 (Special) | 17 July 2018 | 14 August 2018 | 11 September 2018 | 9 October 2018 | 11 December 2018 | 12 February 2019 | 9 April 2019 |
|--|---|---|---|---|---|--|---|---|--|
| Training | Audit Committee Initial Training Risk Management | | Financial Management & Accounting Governance | Internal Audit | External Audit | Counter Fraud | | | |
| Governance | Election of Chair & Vice Chair Audit Committee Training Programme 2018/19 | | *Draft Annual Governance Statement 2017/18 | Draft Audit Committee Annual Report 2017/18 | AC Performance Review 17/18 Action Plan Update | Chair of Scrutiny Programme Committee Update on work of PDC's | AC Performance Review 17/18 Action Plan Update | AC Performance Review 17/18 Action Plan Update | |
| Internal Audit | Internal Audit Monitoring Report Q4 2017/18 Performance Review 16/17 Action Plan Update Report | | | Internal Audit Annual Report 2017/18 Audit Committee Review of Performance 2017/18 Action Plan - Draft | Internal Audit Monitoring Report Q1 2018/19 | Annual Report of School Audits 2017/18 Chief Education Officer response to Schools Audit Report | Internal Audit Monitoring Report Q2 2018/19 Recommendation Tracker Report 2017/18 Social Care Contracts & ICT Disaster Recovery Updates | Internal Audit Monitoring Report Q3 2018/19 Internal Audit Annual Plan Methodology Report 2019/20 | Internal Audit Charter 2019/20 Internal Audit Annual Plan 2019/20 Social Care Contracts Update |
| Risk Management & Performance | WAO Proposals for Improvement Report – Six Month Update Overview of the Overall Status of Risk Report Q4 2017/18 | | | Overview of the Overall Status of Risk Report Q1 2018/19 | | | Overview of the Overall Status of Risk Report Q2 2018/19 | WAO Proposals for Improvement Report – Six Month Update Overview of the Overall Status of Risk Report Q3 2018/19 | Overview of the Overall Status of Risk Report Q4 2018/19 |
| Counter Fraud | | | | | Corporate Fraud Annual Report 2017/18 | | | | Corporate Fraud Annual Plan 2019/20 |
| External Audit | | Audit Committee Review of Performance 2017/18 | | | WAO ISA 260 Report 2017/18 – CCS WAO ISA 260 Report 2017/18 – Pension Fund | | WAO Annual Audit Letter 2017/18 | WAO Grants Report 2017/18 WAO Annual Audit Plan 2018/19 CCS & Pension Fund | Audit Committee Review of Performance 2018/19 |

Audit Committee Workplan 2018/19

| | | | | | | | | | |
|---------------------|--|--|---|--|--|--|--|--|--|
| Financial Reporting | | | Draft Statement of Accounts 2017/18 - CCS Letters of Representation CCS & Pension Fund | Draft Statement of Accounts 2017/18 - Pension Fund | | | Review of Reserves Report. Trusts & Charities Update Report. Treasury Management Annual Report | | |
|---------------------|--|--|---|--|--|--|--|--|--|

*Note: Audit Committee Action Tracker Report and Audit Committee Workplan will be included as agenda items at each meeting. An update from WAO will also be on the agenda for each meeting
Special Meeting held 23/08/18 to discuss and approve the amended Annual Governance Statement 2017/18

**KEY FINDINGS & PROPOSED ACTION PLAN
AUDIT COMMITTEE PERFORMANCE REVIEW 2017/18**

| Key Finding | Proposed Actions | Target Date | Progress Update 30/11/18 |
|--|---|-------------------------------------|--|
| Assurance Framework – The Audit Committee needs clarity on the Council's Assurance Framework. | Audit Committee to be provided with a report that outlines the governance and assurance arrangements operating across the Council. Lead Office: Chief Executive | September 2018 | Ongoing |
| Risk Register – The Audit Committee needs to see the detail behind the Corporate Risk Register. | Corporate Risk Register to be reported to Audit Committee at future meetings. Lead Officer: Strategic Delivery & Performance Manager | August 2018 | Complete Committee received register details on 14/08/18. |
| Annual Governance Statement (AGS) – The Audit Committee would like to see the AGS separated from the Annual Accounts and a draft copy sent to them for comment prior to approval. | Annual Governance Statement received at the July 2018 meeting and comments made by members. The Chair also met with Officers after the meeting to highlight further queries. The Annual Governance Statement to be brought back to Audit Committee as a second draft. Lead Officer: Head of Legal, Democratic Services & Business Intelligence | September 2018 | Complete AGS was presented to Committee separated from the Annual Accounts on 17/17/18. Amended version was distributed to Members on 13/08/18. Special Meeting was arranged to discuss and approve final amended version of the AGS on 23/08/18. |
| Benchmarking – The Chair has provided benchmarking detail to Internal Audit (from other Councils) but there are no plans to visit and meet with other Audit Committees: i) Consider how to best use this benchmarking information. ii) Consider visits to other audit committees to search for good practice. | The Corporate Management Team will consider this further and update the Audit Committee. The Chair has asked for arrangements to be made to visit Cardiff Audit Committee. Lead Officer: Head of Democratic Services | December 2018 September 2018 | Ongoing Completed Cardiff Council has been approached and visit is being arranged. Visit took place 13/11/18 – Chair, Vice Chair and Chief Auditor attended. |

Audit Committee Workplan 2018/19

| Key Finding | Proposed Actions | Target Date | Progress Update 30/11/18 |
|---|---|--------------------|--|
| <p>Council Objectives – The Audit Committee would like to see the amount of over-run and deferred audits to be included in the AGS.</p> | <p>As noted above comments and queries will be progressed/actioned by the Head of Legal, Democratic Services & Business Intelligence and the Governance Group.</p> <p>Lead Officer: Head of Legal, Democratic Services & Business Intelligence</p> | September 2018 | <p>Complete Amended version of the AGS included commentary to reflect this, as approved by Committee on 23/08/18.</p> |
| <p>Partnerships – Review the mechanisms for assessing and scrutinising the risk associated with partnerships.</p> | <p>Audit Committee to be provided with a report that outlines the mechanisms for assessing and scrutinising the risks associated with partnerships.</p> <p>Lead Officer: Chief Executive / Head of Legal, Democratic Services & Business Intelligence.</p> | December 2018 | <p>Ongoing</p> |
| <p>Reporting – produce a programme of expected external reports for Audit Committee to receive.</p> | <p>Known expected external reports will be added to the Audit Committee Work Programme.</p> <p>Lead Officer: Strategic Delivery & Performance Manager.</p> | December 2018 | <p>Ongoing Email sent to RR 16/08/18, expected by December.</p> |
| <p>Recommendations – produce a tracker for the recommendations that arise from the work of internal and external audit so that Audit Committee can effectively monitor progress.</p> | <p>Tracker for recommendations to be developed that will capture internal and external recommendations.</p> <p>To be discussed with Chief Auditor and Chief Finance Officer.</p> <p>Lead Officer: Chief Auditor, Chief Finance Officer</p> | December 2018 | <p>Ongoing Report provided to Committee outlining the method of tracking internal and external audit recommendations on 11/12/18.</p> |

Audit Committee Workplan 2018/19

| Key Finding | Proposed Actions | Target Date | Progress Update 30/11/18 |
|--|--|-----------------------|---|
| <p>Wales Audit Office (WAO) escalation process – clarify the process the WAO uses to escalate actions when recommendations have not been completed.</p> | <p>WAO to explain the process at the next Audit Committee Meeting.</p> <p>Lead: Wales Audit Office</p> | <p>September 2018</p> | <p>WAO Response received 22/08/18 for discussion:</p> <p>There is no formal process as such. The process is to agree actions with service managers and directors. If we have any problems with agreement or progress we will escalate to the Chief Executive. If we still have issues we will then raise with the Audit Committee Chair Audit Committee.</p> |
| <p>Meeting with WAO – consider who should attend meetings with the WAO as external auditor (just the Chair or the whole committee).</p> | <p>To be discussed by Committee.</p> <p>Lead: Chair of the Audit Committee</p> | <p>September 2018</p> | <p>WAO Response received 22/08/18 for discussion:</p> <p>This is a decision for the Audit Committee although as a minimum we would expect at least an annual meeting with the Chair. We are happy to meet the Chair and the Committee or a combination of both during the year. As per comment above, if we feel it is necessary we will request an ad hoc meeting with the Chair or the full Audit Committee.</p> |

Audit Committee Statement of Purpose

1. Our audit committee is a key component of the City and County of Swansea's corporate governance. It provides an independent and high level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
2. The purpose of our audit committee is to provide independent assurance to the members of the adequacy of the risk management framework and the internal control environment. It provides independent review of the City and County of Swansea's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Governance, Risk and Control

3. To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
4. To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances.
5. To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
6. To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
7. To monitor the effective development and operation of risk management in the Council.
8. To monitor progress in addressing risk related issues reported to the committee.
9. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
10. To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
11. To monitor the counter fraud strategy, actions and resources.

Internal Audit and External Audit

12. To approve the internal audit charter and resources.
13. To consider the head of internal audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.
14. To consider summaries of specific internal audit reports as requested.
15. To consider reports dealing with the management and performance of the providers of internal audit services.
16. To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.
17. To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
18. To consider specific reports as agreed with the external auditor.
19. To comment on the scope and depth of external audit work and to ensure it gives value for money.

Audit Committee Workplan 2018/19

20. To commission work from internal and external audit.

Financial Reporting

21. To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

22. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability Arrangements

23. To report to full Council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.

Note: Audit Committee Statement of Purpose extracted from the Council Constitution (31.01.18).

Agenda Item 15

Report of the Chief Legal Officer

Audit Committee – 11 December 2018

Exclusion of The Public

| | | |
|---------------------------|--|--|
| Purpose: | To consider whether the Public should be excluded from the following items of business. | |
| Policy Framework: | None. | |
| Consultation: | Legal. | |
| Recommendation(s): | It is recommended that: | |
| 1) | The public be excluded from the meeting during consideration of the following item(s) of business on the grounds that it / they involve(s) the likely disclosure of exempt information as set out in the Paragraphs listed below of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007 subject to the Public Interest Test (where appropriate) being applied. | |
| | Item No. | Relevant Paragraphs in Schedule 12A |
| | 16 | 14 |
| Report Author: | Democratic Services | |
| Finance Officer: | Not Applicable | |
| Legal Officer: | Tracey Meredith – Chief Legal Officer (Monitoring Officer) | |

1. Introduction

- 1.1 Section 100A (4) of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007, allows a Principal Council to pass a resolution excluding the public from a meeting during an item of business.
- 1.2 Such a resolution is dependant on whether it is likely, in view of the nature of the business to be transacted or the nature of the proceedings that if members of the public were present during that item there would be disclosure to them of exempt information, as defined in section 100I of the Local Government Act 1972.

2. Exclusion of the Public / Public Interest Test

- 2.1 In order to comply with the above mentioned legislation, Cabinet will be requested to exclude the public from the meeting during consideration of the item(s) of business identified in the recommendation(s) to the report on the grounds that it / they involve(s) the likely disclosure of exempt information as set out in the Exclusion Paragraphs of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007.

- 2.2 Information which falls within paragraphs 12 to 15, 17 and 18 of Schedule 12A of the Local Government Act 1972 as amended is exempt information if and so long as in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.
- 2.3 The specific Exclusion Paragraphs and the Public Interest Tests to be applied are listed in **Appendix A**.
- 2.4 Where paragraph 16 of the Schedule 12A applies there is no public interest test. Councillors are able to consider whether they wish to waive their legal privilege in the information, however, given that this may place the Council in a position of risk, it is not something that should be done as a matter of routine.

3. Financial Implications

- 3.1 There are no financial implications associated with this report.

4. Legal Implications

- 4.1 The legislative provisions are set out in the report.
- 4.2 Councillors must consider with regard to each item of business set out in paragraph 2 of this report the following matters:
 - 4.2.1 Whether in relation to that item of business the information is capable of being exempt information, because it falls into one of the paragraphs set out in Schedule 12A of the Local Government Act 1972 as amended and reproduced in Appendix A to this report.
 - 4.2.2 If the information does fall within one or more of paragraphs 12 to 15, 17 and 18 of Schedule 12A of the Local Government Act 1972 as amended, the public interest test as set out in paragraph 2.2 of this report.
 - 4.2.3 If the information falls within paragraph 16 of Schedule 12A of the Local Government Act 1972 in considering whether to exclude the public members are not required to apply the public interest test but must consider whether they wish to waive their privilege in relation to that item for any reason.

Background Papers: None.

Appendices: Appendix A – Public Interest Test.

Public Interest Test

| No. | Relevant Paragraphs in Schedule 12A |
|-----------|--|
| 12 | Information relating to a particular individual. |
| | <p>The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 12 should apply. Their view on the public interest test was that to make this information public would disclose personal data relating to an individual in contravention of the principles of the Data Protection Act. Because of this and since there did not appear to be an overwhelming public interest in requiring the disclosure of personal data they felt that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Members are asked to consider this factor when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.</p> |
| 13 | Information which is likely to reveal the identity of an individual. |
| | <p>The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 13 should apply. Their view on the public interest test was that the individual involved was entitled to privacy and that there was no overriding public interest which required the disclosure of the individual's identity. On that basis they felt that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Members are asked to consider this factor when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.</p> |
| 14 | Information relating to the financial or business affairs of any particular person (including the authority holding that information). |
| | <p>The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 14 should apply. Their view on the public interest test was that:</p> <p>a) Whilst they were mindful of the need to ensure the transparency and accountability of public authority for decisions taken by them in relation to the spending of public money, the right of a third party to the privacy of their financial / business affairs outweighed the need for that information to be made public; or</p> <p>b) Disclosure of the information would give an unfair advantage to tenderers for commercial contracts.</p> <p>This information is not affected by any other statutory provision which requires the information to be publicly registered.</p> <p>On that basis they felt that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Members are asked to consider this factor when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.</p> |
| | |

| No. | Relevant Paragraphs in Schedule 12A |
|-----|--|
| 15 | <p>Information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under, the authority.</p> |
| | <p>The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 15 should apply. Their view on the public interest test was that whilst they are mindful of the need to ensure that transparency and accountability of public authority for decisions taken by them they were satisfied that in this case disclosure of the information would prejudice the discussion in relation to labour relations to the disadvantage of the authority and inhabitants of its area. On that basis they felt that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Members are asked to consider this factor when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.</p> |
| 16 | <p>Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.</p> |
| | <p>No public interest test.</p> |
| 17 | <p>Information which reveals that the authority proposes: (a) To give under any enactment a notice under or by virtue of which requirements are imposed on a person; or (b) To make an order or direction under any enactment.</p> |
| | <p>The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 17 should apply. Their view on the public interest test was that the authority's statutory powers could be rendered ineffective or less effective were there to be advanced knowledge of its intention/the proper exercise of the Council's statutory power could be prejudiced by the public discussion or speculation on the matter to the detriment of the authority and the inhabitants of its area. On that basis they felt that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Members are asked to consider this factor when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.</p> |
| 18 | <p>Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime</p> |
| | <p>The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 18 should apply. Their view on the public interest test was that the authority's statutory powers could be rendered ineffective or less effective were there to be advanced knowledge of its intention/the proper exercise of the Council's statutory power could be prejudiced by public discussion or speculation on the matter to the detriment of the authority and the inhabitants of its area. On that basis they felt that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Members are asked to consider this factor when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.</p> |

Agenda Item 16

By virtue of paragraph(s) 14 of Schedule 12A
of the Local Government Act 1972
as amended by the Local Government (Access to
Information) (Variation) (Wales) Order 2007.

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