



City and County of Swansea

Notice of Meeting

You are invited to attend a Special Meeting of the

Audit Committee

At: Committee Room 6 - Guildhall, Swansea

On: Thursday, 23 August 2018

Time: 4.00 pm

Chair: Paula O'Connor

Membership:

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

Agenda

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| 1 | Apologies for Absence. | |
| 2 | Disclosures of Personal and Prejudicial Interests.
www.swansea.gov.uk/disclosuresofinterests | |
| 3 | Draft Annual Governance Statement 2017/18. | 1 - 41 |

Next Meeting: Tuesday, 11 September 2018 at 2.00 pm

A handwritten signature in black ink that reads 'Huw Evans'.

Huw Evans
Head of Democratic Services
Thursday, 16 August 2018

Contact: Democratic Services: - 636923

Agenda Item 3



Report of the Head of Legal, Democratic Services and Business Intelligence

Special Audit Committee – 23 August 2018

Draft Annual Governance Statement 2017/18

Purpose:	This report provides the draft Annual Governance Statement 2017/18 and allows the Audit Committee the opportunity to contribute to the annual review of governance.
Policy Framework:	None
Consultation:	Corporate Management Team, Legal, Finance and Access to Services.
Recommendation(s):	It is recommended that the Audit Committee reviews the Annual Governance Statement prior to approval by Council as part of the Statement of Accounts.
Report Author:	Tracey Meredith
Finance Officer:	Ben Smith
Legal Officer:	Tracey Meredith
Access to Services Officer:	Rhian Millar

1. Introduction

- 1.1 The Council is required by the Accounts and Audit (Wales) Regulations 2014 to undertake a review of its governance arrangements, at least annually. The review is intended to show how the Council has complied with its Code of Corporate Governance.

- 1.2 The Audit Committee's role in Corporate Governance is set out in the Local Government (Wales) Measure 2011. Paragraph 9.2 of the statutory guidance relating to the Measure states that one of the functions of the Audit Committee is to:

'Review, scrutinise and issue reports and recommendations on the appropriateness of the authority's risk management, internal control and corporate governance arrangements'

- 1.3 The review of governance is brought together in the Annual Governance Statement (AGS) which is to accompany the Council's Annual Statement of Accounts. The AGS is a key document informed by a number of both internal and external assurance sources.
- 1.4 An initial draft of the AGS was considered by the Audit Committee on 17 July 2018. Further discussions took place with the Chair of Audit and the Annual Governance Team and amendments have been made to the AGS. This report provides the opportunity for the Audit Committee to review and contribute to the amended AGS prior to being signed off and published.

2. Code of Corporate Governance

- 2.1 Following a number of high profile cases of failed corporate governance, in both the private and public sectors, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) published a Framework for Delivering Good Governance in Local Government in 2007. The Framework was reviewed by CIPFA and SOLACE in 2015 to ensure it remained fit for purpose and a revised Framework was published in spring 2016. The new *'Delivering Good Governance in Local Government Framework 2016'* applies to annual governance statements prepared for the financial year 2016/17 onwards.
- 2.2 The governance framework comprises the systems and processes, culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.3 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the

likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

2.4 The revised framework defines governance as:

‘Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.’

The Framework also states that:

‘To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity’s objectives while acting in the public interest at all times.

Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.’

2.5 The Framework introduces 7 principles as follows:

- A) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- B) Ensuring openness and comprehensive stakeholder engagement.
- C) Defining outcomes in terms of sustainable economic, social and environmental benefits.
- D) Determining the interventions necessary to optimise the achievement of the intended outcomes.
- E) Developing the entity’s capacity, including the capability of its leadership and the individuals within it.
- F) Managing risks and performance through robust internal control and string public financial management.
- G) Implementing good practices in transparency, reporting and audit to deliver effective accountability.

2.6 The concept underpinning the Framework is that it is helping local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure:

- Resources are directed in accordance with agreed policies and according to priorities.
- There is sound and inclusive decision making.
- There is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

- 2.7 To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the core and sub-principles contained in the Framework. It should therefore develop and maintain a local Code of Corporate Governance reflecting the principles set out in the Framework.
- 2.8 Council will approve the revised Code of Corporate Governance based on the 7 principles outlined above.
- 2.9 In 2016/17 a new Annual Governance Statement Group was established, tasked with the compilation of a revised Code of Corporate Governance, as well as a revised Annual Governance Statement. The Group is comprised of the Head of Financial Services & Service Centre, the Head of Legal, Democratic Services & Business Intelligence, the Chief Internal Auditor and the Business Performance Manager.
- 2.10 An annual review of compliance with the Code of Corporate Governance has been completed and published each year which is now in the format of the Annual Governance Statement.

3. Annual Governance Statement

- 3.1 The AGS should report publically on the extent to which the Council has complied with its own code of governance on an annual basis, including how it has monitored and evaluated the effectiveness of the governance arrangements in the year, and on any planned changes in the coming period. The process of preparing the AGS should itself add value to the effectiveness of the corporate governance and internal control framework.
- 3.2 The amended draft AGS 2017/18 is attached in Appendix 1.
- 3.3 The final version of the AGS will be reported to Council in September and signed by the Chief Executive and Leader and then published with the audited Statement of Accounts 2017/18.

4. Equality and Engagement Implications

- 4.1 An EIA is not required as 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 Production of the Annual Governance Statement is required under the Accounts and Audit (Wales) Regulations 2014 and supports the Annual Statement of Accounts.

Background Papers: None

Appendices: Appendix 1 Draft Annual Governance Statement 2017/18.

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1. Scope of Responsibility

- 1.1 The City and County of Swansea is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government (Wales) Measure 2009 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the City and County of Swansea is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions which includes arrangements for the management of risk.
- 1.3 The City and 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 revised framework applies to all annual governance statements prepared for the financial year 2017/18 onwards. A copy of the Code can be obtained by contacting the Chief Auditor on 01792 636463 or e-mailing simon.cockings@swansea.gov.uk. This statement explains how the Authority has complied with the Code and also meets the requirements of the Accounts and Audit (Wales) Regulations 2014 to review the effectiveness of its internal control systems at least once a year.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at the City and County of Swansea throughout the year ended 31 March 2018 and up to the date of approval of the Statement of Accounts.

3. The Governance Framework

- 3.1 The Delivering Good Governance in Local Government Framework 2016 Edition produced by CIPFA and SOLACE (the Framework) defines governance as

‘Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.’

The Framework also states that

‘To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity’s objectives while acting in the public interest at all times,

Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.’

- 3.2 In local government, the governing body is the full council.

4. Background

- 4.1 The *Delivering Good Governance in Local Government Framework* published by CIPFA and SOLACE in 2007 set the standard for local authority governance in the UK. CIPFA and SOLACE reviewed the Framework in 2015 to ensure it remained fit for purpose and published a revised Framework in spring 2016.

- 4.2 The new *Delivering Good Governance in Local Government Framework* 2016 edition applies to annual governance statements prepared for the financial year 2017/18 onwards.

- 4.3 The new Framework introduces 7 new principles as follows:

- A) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- B) Ensuring openness and comprehensive stakeholder engagement.
- C) Defining outcomes in terms of sustainable economic, social and environmental benefits.
- D) Determining the interventions necessary to optimise the achievement of the intended outcomes.
- E) Developing the entity’s capacity, including the capability of its leadership and the individuals within it.
- F) Managing risks and performance through robust internal control and strong public financial management.
- G) Implementing good practices in transparency, reporting and audit to deliver effective accountability.

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- 4.4 The concept underpinning the Framework is that it is helping local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure
- Resources are directed in accordance with agreed policies and according to priorities
 - There is sound and inclusive decision making
 - There is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities
- 4.5 The term local Code of Corporate Governance essentially refers to the approved governance structure in place, as there is an expectation that a formally set out local structure should exist, although in practice it may consist of a number of local codes or documents.
- 4.6 To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the core and sub-principles contained in the Framework. It should therefore develop and maintain a local Code of Corporate Governance reflecting the principles set out in the Framework.
- 4.7 It is also crucial that the Framework is applied in a way that demonstrates the spirit and ethos of good governance, which cannot be achieved, by rules and procedures alone. Shared values that are integrated into the culture of an organisation and are reflected in behaviour and policy are hallmarks of good governance.
- 4.8 The Accounts and Audit (Wales) Regulations 2014 require that a review of the effectiveness of the governance arrangements must be undertaken at least annually and reported on within the authority e.g. to the Audit Committee or other appropriate member body and externally with the published accounts of the authority. In doing this, the authority is looking to provide assurance that
- Its governance arrangements are adequate and working effectively in practice
 - Where the reviews of the governance arrangements have revealed significant gaps, which will impact on the authority achieving its objectives, what action is to be taken to ensure effective governance in future.
- 4.9 In 2016/17 a new Annual Governance Statement Group was established, tasked with the compilation of a revised Code of Corporate Governance, as well as a revised Annual Governance Statement. The Group is comprised of

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the Head of Financial Services & Service Centre (S151 officer), the Head of Legal, Democratic Services & Business Intelligence (Monitoring Officer), the Chief Internal Auditor and the Business Performance Manager. The Group meets periodically to discuss the governance arrangements of the Council.

- 4.10 The key elements of the policies, systems and procedures that comprise the governance framework in the Council are shown on the pages that follow, linked to the 7 fundamental principles.

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Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes, they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea - Evidence
Behaving with integrity	<p>Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation</p> <p>Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Principles of Public Life (the Nolan Principles)</p> <p>Leading by example and using these standard operating principles or values as a framework for decision making and other actions</p> <p>Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively</p>	<ul style="list-style-type: none"> • Members Code of Conduct in Constitution which reflects Local Authorities (Model Code of Conduct) (Wales) Order 2016 • Officers Code of Conduct in Constitution • Member/Officer Protocol in Constitution • Member led authority principles/document • Council Values – people focused, working together and innovation • Whistleblowing Policy • Data Protection Policy • Money Laundering Policy • HR Policies • Anti-Fraud and Corruption Policy • Financial, land transaction and procurement procedure rules in Constitution • Standards Committee with Annual Report presented to Council • Member Dispute Resolution • Monitoring Officer training on Code • Officers/members declaration of interest • Officer Secondary Employment Policy

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Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea – Evidence
Demonstrating strong commitment to ethical values	Seeking to establish, monitor and maintain the organisation’s ethical standards and performance	<ul style="list-style-type: none"> • Council Values – people focused, working together and innovation • Commitment to the Nolan principles • Code of Conduct • Swansea Pledge • Constitution contains comprehensive Procurement and Financial Procedure Rules
	Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation’s culture and operation	
	Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values	
	Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation	
Respecting the rule of law	Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations	<ul style="list-style-type: none"> • Member and Officer code of Conduct in Constitution • Role of Head of Paid Service, Section 151 Officer and Monitoring Officer established in Constitution • CIPFA statement on the Role of the Chief Financial Officer • Robust Scrutiny function • Anti-Fraud and Corruption Policy • Audit Committee • Internal Audit Section • Corporate Fraud Team • External Auditors • Annual Audit Letter • Standards Committee • Whistleblowing Policy
	Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements	
	Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders	
	Dealing with breaches of legal and regulatory provisions effectively	
	Ensuring corruption and misuse of power are dealt with effectively	
Principle B – Ensuring openness and comprehensive stakeholder engagement		

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Local government is run for the public good; organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea - Evidence
Openness	<p>Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness</p> <p>Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided</p> <p>Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear</p> <p>Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action</p>	<ul style="list-style-type: none"> • Agendas published in advance of meetings • Minutes published following meetings • Decision making process described in Constitution • Forward Plan published on Internet showing key decisions to be made by Council and Cabinet • Consultation and Engagement Strategy & Consultation Toolkit • Annual budget consultation • Publication Scheme • Freedom of Information Scheme • Challenge Panel and call-in procedure • Public questions at Council and Cabinet • Engagement with hard to reach groups, such as BME, Disability and LGBT communities. As well as engagement with children and young people to meet the requirement of the UNCRC

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Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea - Evidence
<p>Engaging comprehensively with institutional stakeholders</p>	<p>Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably</p>	<ul style="list-style-type: none"> • Public Service Board and One Swansea Plan/Well-Being Plan • Western Bay • ERW • Community Safety Partnership • Partnership agreements. • Co-production on policy and decision making <p>Effective use of website and social media.</p>
	<p>Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively</p>	
	<p>Ensuring that partnerships are based on:</p> <ul style="list-style-type: none"> • trust • a shared commitment to change • a culture that promotes and accepts challenge among partners <p>and that the added value of partnership working is explicit</p>	

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Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea - Evidence
Engaging stakeholders effectively, including individual citizens and service users	Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes	<ul style="list-style-type: none"> • Ward role of Councillors • Consultation and Engagement framework • 'Have Your Say' consultations on Internet • Residents telephone surveys • Consultation principles and toolkit available on Intranet • Role of Consultation Co-Ordinator and Equality Impact Assessments • Co-production • Annual Staff Survey • Complaints Policy and Annual Report.
	Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement	
	Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs	
	Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account	
	Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity	
	Taking account of the interests of future generations of tax payers and service users	

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Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits

The long-term nature and impact of many of local government’s responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority’s purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available

Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea - Evidence
Defining outcomes	Having a clear vision which is an agreed formal statement of the organisation’s purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation’s overall strategy, planning and other decisions	<ul style="list-style-type: none"> • Corporate Plan produced annually in accordance with Local Government (Wales) Measure 2009 and ‘Wellbeing Objectives’ in Wellbeing of Future Generations (Wales) Act 2015 • Quarterly & annual Performance Monitoring Reports • Annual Performance Review • Well-Being Plan produced by Public Service Board • Service Plan produced annually by each Head of Service • Monthly Performance and Financial Monitoring meetings held for each Directorate • Corporate Risk Policy and Framework • Corporate, Directorate Service and Information Risk Registers • Capital Review Programme and workshops with senior staff managing large scale capital projects to ensure an efficient, coordinated and structured approach to capital projects and the City Deal.
	Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer	
	Delivering defined outcomes on a sustainable basis within the resources that will be available	
	Identifying and managing risks to the achievement of outcomes	
	Managing service users’ expectations effectively with regard to determining priorities and making the best use of the resources available	

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Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea - Evidence
<p>Sustainable economic, social and environmental benefits</p>	<p>Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision</p>	<ul style="list-style-type: none"> • Medium Term Financial Plan covering 3 financial years approved annually by Council • Corporate Plan produced annually • Publication of Well-Being Objectives • Service Plans • Corporate Risk Management Policy and Framework • Strategic Equality Plan
	<p>Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints</p>	
	<p>Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs</p>	
	<p>Ensuring fair access to services</p>	

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Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes

Local government achieves its intended outcomes by providing a mixture of legal, regulatory and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource input while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised

Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea - Evidence
Determining interventions	<p>Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided</p> <p>Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts</p>	<ul style="list-style-type: none"> • Policy development by Policy Development and Delivery Committees • Scrutiny function • Finance, Legal and Access to Services implications in all Council, Cabinet and Committee reports • Results of consultation exercises • Annual Internal Audit consultation exercise • Annual Service Planning • Annual Review of Well-Being Objectives • Annual Review of Performance Indicators and targets

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Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea - Evidence
Planning interventions	Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets	<ul style="list-style-type: none"> • Timetable exists for producing or reviewing plans, priorities etc. on an annual basis • Consultation and Engagement framework • Monthly Performance and Financial Monitoring meetings for each Directorate reviews progress and authorises corrective action where necessary • Quarterly and Annual Performance Monitoring reports to Cabinet including achievement of national and local performance indicators • Medium Term Financial Plan • Annual budget setting process in place including consultation exercise
	Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered	
	Considering and monitoring risks facing each partner when working collaboratively including shared risks	
	Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances	
	Establishing appropriate local performance indicators (as well as relevant statutory or other national performance indicators) as part of the planning process in order to identify how the performance of services and projects is to be measured	
	Ensuring capacity exists to generate the information required to review service quality regularly	
	Preparing budgets in accordance with organisational objectives, strategies and the medium-term financial plan	
	Informing medium and long-term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy	

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Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea – Evidence
Optimising achievement of intended outcomes	Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints	<ul style="list-style-type: none"> • Quarterly Financial Monitoring reports to Cabinet • Mid-Year Budget Statement to Cabinet • Medium Term Financial Plan • Sustainable Swansea – Fit for the Future • Beyond Bricks and Mortar (community benefit clauses in council contracts)
	Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term	
	Ensuring the medium-term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage	
	Ensuring the achievement of ‘social value’ through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is “the additional benefit to the community...over and above the direct purchasing of goods, services and outcomes”	

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Principle E – Developing the entity’s capacity, including the capability of its leadership and the individuals within it.

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities

Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea - Evidence
Developing the entity’s capacity	Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness	<ul style="list-style-type: none"> • Commissioning Review as part of Sustainable Swansea – Fit for the Future strategy • Annual performance review for all staff under the Employee Performance Management Policy. Training and development needs included in review • Departmental service planning including succession plans and service resilience • Engagement with benchmarking groups such as APSE, CIPFA • Service planning process includes workforce planning and this is included in the overarching Workforce Plan • Quarterly financial and performance reports to Cabinet • Collaborative working with partners including the Public Service Board, Western Bay.
	Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority’s resources are allocated so that outcomes are achieved effectively and efficiently	
	Recognising the benefits of partnerships and collaborative working where added value can be achieved	
	Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources	

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Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea - Evidence
Developing the capability of the entity's leadership and other individuals	Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained	<ul style="list-style-type: none"> • Member/Officer Protocol in Constitution • Scheme of Delegation published in Constitution • Cabinet portfolio roles agreed and documented in Constitution • Monthly One to One meetings are held involving the Leader, Cabinet Members, Chief Executive, Corporate Directors, Chief Officers, Heads of Service and 3rd tier staff • Councillor Training Programme developed based on a Training Needs Assessment • Annual performance review for all staff under the Employee Performance Management Policy. Training and development needs included in review. Occupational Health and Wellbeing Policy exists with aim of promoting the health and wellbeing of all employees to enable them to achieve their full potential at work
	Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body	
	Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure, whereby the chief executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority	

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Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea – Evidence
	<p>Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:</p> <ul style="list-style-type: none"> • ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged • ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis • ensuring personal, organisation and system-wide development through shared learning, including lessons learnt from both internal and external governance weaknesses <p>Ensuring that there are structures in place to encourage public participation</p>	<ul style="list-style-type: none"> • Mandatory corporate induction course for new staff • Mandatory courses for staff i.e. safeguarding • Corporate learning and development courses • Stress and health advice available online • Helping Hands support, information and guidance service. • WLGA Peer Review of Swansea Council 2014

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Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea – Evidence
	Taking steps to consider the leadership’s own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections	
	Holding staff to account through regular performance reviews which take account of training or development needs	
	Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing	

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Principle F – Managing risks and performance through robust internal control and string public financial management

Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will ensure financial discipline, strategic allocation of resources, efficient service delivery and accountability. It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea - Evidence
Managing risk	Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making	<ul style="list-style-type: none"> • Risk Management Policy with sophisticated risk matrix Framework • Corporate, Directorate, Service and Information risk registers • Quarterly review of Corporate Risks by Corporate Management Team • Monthly review of Directorate Risks at PFM meetings •
	Implementing robust and integrated risk management arrangements and ensuring that they are working effectively	
	Ensuring that responsibilities for managing individual risks are clearly allocated	
Managing performance	Monitoring service delivery effectively including planning, specification, execution and independent post-implementation review	<ul style="list-style-type: none"> • Corporate Plan produced annually • Annual Performance Report produced • Quarterly performance monitoring report to Cabinet • Annual Service Plan produced by each Head of Service • Scrutiny function • Monthly Directorate Performance and Financial Monitoring meetings
	Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook	

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Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea - Evidence
	<p>Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made, thereby enhancing the organisation's performance and that of any organisation for which it is responsible</p> <p>Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement</p> <p>Ensuring there is consistency between specification stages (such as budgets) and post-implementation reporting (e.g. financial statements)</p>	
Robust internal control	<p>Aligning the risk management strategy and policies on internal control with achieving objectives</p> <p>Evaluating and monitoring risk management and internal control on a regular basis</p> <p>Ensuring effective counter fraud and anti-corruption arrangements are in place</p> <p>Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor</p>	<ul style="list-style-type: none"> • Audit Committee provides assurance on effectiveness on internal control, risk management and governance • Audit Committee Annual Performance Review • Audit Committee Annual Report to Council • Anti-Fraud and Corruption Policy • Role of Internal Audit Section and Corporate Fraud Team • Internal Audit and Corporate Fraud Annual Plans approved by Audit Committee • Internal Audit and Corporate Fraud Annual Reports to Audit Committee • Annual Governance Statement

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Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea - Evidence
	<p>Ensuring an audit committee or equivalent group or function which is independent of the executive and accountable to the governing body:</p> <ul style="list-style-type: none"> • provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment • that its recommendations are listened to and acted upon 	
Managing data	Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data	<ul style="list-style-type: none"> • Data Protection Policy • Information Governance Unit • The Council is signed up to the Wales Accord for Sharing Personal Information (WASPI) • Information management governance arrangements • Senior Information Risk Officer (SIRO) in place • Information Asset Register • Information sharing guidance published • Annual Performance Data Quality Audits
	Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies	
	Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring	
Strong public financial management	Ensuring financial management supports both long-term achievement of outcomes and short-term financial and operational performance	<ul style="list-style-type: none"> • Financial Procedure Rules in Constitution • Contract Procedure Rules in Constitution • Accounting Instructions on Intranet • Spending Restrictions document on Intranet • Adoption of the CIPFA Treasury Management in the Public Services: Code of Practice • All borrowing and long term financing is made in accordance with CIPFA's Prudential Code.
	Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls	

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		Treasury Management update reports are made to Audit Committee.
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Principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out it's a Activities in a transparent manner. Both external and internal audit contribute to effective accountability.

Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea - Evidence
Implementing good practice in transparency	Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate	<ul style="list-style-type: none"> • Reports Authors Protocol exists to ensure consistency in reports • Clear Writing guide published on Intranet • The Council's Publication Scheme is available on the website
	Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand	
Implementing good practices in reporting	Reporting at least annually on performance, value for money and the stewardship of its resources	<ul style="list-style-type: none"> • Annual Statement of Accounts audited by external auditor and approved by Council and published on website • Code of Corporate Governance based on CIPFA/SOLACE Framework 2016 • Annual Governance Statement • Annual Review of Performance
	Ensuring members and senior management own the results	
	Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (annual governance statement)	

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Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea - Evidence
	<p>Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate</p> <p>Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations</p>	
Assurance and effective accountability	Ensuring that recommendations for corrective action made by external audit are acted upon	<ul style="list-style-type: none"> • External Audit provided by Wales Audit Office • Performance of Internal Audit Section monitored by Audit Committee • Implementation of WAO and Internal Audit recommendations monitored by Audit Committee • Peer Review, Corporate Assessment and Corporate Governance Review action plan monitored by Corporate Management Team • Annual Governance Statement • The Strategic Delivery Unit tracks and monitors all corporate and audit recommendations including peer reviews, which are reviewed by CMT. This is being reviewed as part of a review of the procedures for scrutiny examination of WAO reports and action plans.
	Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon	
	Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations	
	Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement	
	Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met	

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5. Review of Effectiveness

- 4.1 The City and County of Swansea has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Chief Auditor's annual report and also by comments made by the external auditors and other review agencies and inspectorates. The newly formed Annual Governance Statement Group discuss the governance arrangements in place across the Authority and provide updates to the Corporate Management Team and Cabinet when necessary.
- 4.2 Heads of Service and Corporate Directors completed a Senior Management Assurance Statement which were reported to the Corporate Management Team for review.
- 4.3 The processes for maintaining and reviewing the effectiveness of the governance framework within the Council include the following broad headings.

5 Internal Control Self-Assessment

- Each Head of Service has provided a signed **Senior Management Assurance Statement** for 2017/18 which provides assurance over the internal control, risk management and governance framework for their area of responsibility.
- The **Senior Management Assurance Statement** contains 10 questions covering governance issues and requires a 'Yes', 'No' or 'Partly' answer. The vast majority of answers provided by Heads of Service were 'Yes' with a small number of 'Partly' responses. There were no 'No' assurance responses. The main areas where 'Partly' answers were given related to limitations of central control given the delegated budgets within Education and rectifying contract non compliance. However, in each case assurance was provided that sufficient monitoring was in place so as not to pose a risk to governance. Attached at Appendix A is the Senior Management Assurance Statements Analysis for 2017/18.

5.1 Internal Sources of Assurance

The following provide assurance based on reports covering 2016/17: as the reports for 2017/18 are not yet available. The 2017/18 reports will be reflected in the next Annual Governance Statement.

- The **Annual Performance Review 2016/17** was approved by Cabinet on 19/10/17 in accordance with the publishing requirements of the Local Government (Wales) Measure 2009. The report showed the results of each performance measure for the 5 Key Priorities ('Improvement Objectives') set out in the Corporate Plan 2015/17 '*Delivering for Swansea*'. The results

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showed that the Council was 'mainly successful' in achieving the performance measures for 5 of the Key Priorities and that, 'Improvement prospects are good with no major barriers'.

- The **Standards Committee** met on 4 occasions during 2017/18 and the **Standards Committee Annual Report 2016/17** was presented to Council on 26/10/17. The report described the work of the Committee during 2016/17 including an update on the new model Code of Conduct adopted by Council on 19/05/17 and an update on the new Ethical Framework – new statutory provisions. The Committee noted that of the 12 complaints made to the Public Service Ombudsman, the Ombudsman refused to investigate 10 and discontinued his investigation into 2 complaints. There were no referrals to the Monitoring Officer and Standards Committee. The Members Internal Dispute Resolution Process has not yet been utilised and underpins the strong commitment to and provides assurance that the Council's Code of Conduct is adhered to.
- The **Corporate Complaints Policy** was in place throughout 2017/18 and the **Corporate Complaints Annual Report 2016/17** was presented to Cabinet on 19/10/17. The Annual Report noted that in 2016/17 there was a 16% increase in the number of complaints and requests for service handled by the team. Requests for information also remained high. There was a 22% rise in the number of corporate complaints referred to the Ombudsman with 4 being resolved at an early stage. There is assurance in that the Ombudsman did not consider any complaints needed to be taken to full investigation. The highest number of complaints recorded were in Highways and Transportation and Waste management and Parks. The majority were dealt with as stage 1 complaints or requests for service which provides assurance that the majority of complaints were dealt with initially and did not proceed to stage 2.
- Adult Services stage 1 complaints increased by 14%. There is assurance that of the stage 2 complaints only 9 out of 25 complaints were upheld. There is also assurance in that there were no findings of maladministration by the Ombudsman in relation to adult services.
- Children Services stage 1 complaints were broadly similar to the previous year at 118. There were 3 stage 2 complaints with various complaints being made and a number of those were upheld. There is assurance that there were no findings of maladministration by the Ombudsman in relation to children services.
- The report also provides assurance that a number of service improvements have been introduced as a result of complaint investigations.
- The **Internal Audit Annual Report 2016/17** was reported to the Audit Committee on 08/08/17 and included the Chief Auditor's opinion that based on the audit reviews undertaken in 2016/17, Internal Audit can give reasonable assurance that the systems of internal control, risk management and governance were operating effectively and that no significant weaknesses were identified.
- The **Audit Committee Annual Report 2016/17** was presented to Council on 14/12/17 and outlined the assurance the Committee had gained over control, risk management and governance from various sources over the course of 2016/17.

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- The **Scrutiny Programme Committee and Panels** met throughout 2016/17 and were supported by the Scrutiny Support Team. The **Scrutiny Annual Report 2016/17** was presented to Council on 27/07/17. The report highlighted the work carried out by Scrutiny, showed how Scrutiny had made a difference and supported continuous improvement for the Scrutiny function. The report also highlighted the increase in pre decision scrutiny and the high level of councillor commitment with 104 meetings held.
- The End of Year 2016/17 **Performance Monitoring Report** was approved by Cabinet on 20/07/17, which presented the detailed performance results for 2016/17. In summary, 62% of indicators that had targets met their targets. 73% comparable indicators also showed improvement compared to 2015/16. The results of the review are used to inform executive decisions on resource allocation and to take corrective action to improve performance and efficiency.

The following provides assurance based on reports covering 2017/18:

- The **Internal Audit Annual Report 2017/18** was reported to the Audit Committee on 14/08/18 and included the Chief Auditor's opinion that based on the audit reviews undertaken in 2017/18, Internal Audit can give reasonable assurance that the systems of internal control, risk management and governance were operating effectively and that no significant weaknesses were identified in 2017/18 which would have a material impact on the Council's affairs or the achievement of its objectives.
- The Well-Being Objectives and Statement 2017/2018 were approved by Council on 23/3/17 and carried forward into the Corporate Plan after May elections in line with Well Being of Future Generations (Wales) Act 2015.
- The **Corporate Plan 2017-22** '*Delivering a Successful and Sustainable Swansea 2017-22*' produced in accordance with the Local Government (Wales) Measure 2009 and the 'Wellbeing Objectives' under the Wellbeing of Future Generations (Wales) Act 2015 was approved by Council on 24/8/17. The Plan describes the Council's vision for Swansea, its 5 Well-being Objectives and the organisation values and principles that will underpin the delivery of the priorities and the overall strategy. The Corporate Plan feeds into service planning process across Directorates and the process is managed corporately by the Strategic Delivery Unit to ensure consistency. The Wales Audit Office audited the Council's Corporate Plan in accordance with section 17 of the Local Government (Wales) Measure 2009 and WAO Code of Audit Practice and determined that the Council discharged its duties under section 15(6) to (9) of the Measure and acted in accordance with Welsh Government guidance sufficiently to discharge its duties.
- The adoption of the **Council Constitution** was reaffirmed at the Annual Meeting of the Council on 25/05/17. Various reports have been approved by Council throughout 2017/18 making changes to the Constitution.
- The **Audit Committee** met on 7 occasions during 2017/18 and followed a structured work-plan, which covered all areas of the Committee's responsibilities with the aim of obtaining assurance over the areas included in its terms of reference. The Committee includes a lay member as required

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by the Local Government (Wales) Measure 2011. The lay member is also the Chair of the Committee.

- As in previous years, some audits that had originally been included in the 2017/18 Internal Audit Plan had to be deferred to 2018/19, with those audits being prioritised where appropriate in the following year. However, this has not had a significant impact on the overall assurance that can be given on the effectiveness of the internal control. The 2018/19 plan contains governance and risk which will be undertaken early 2018/19 to give level of assurance.
- The **Scrutiny Programme Committee** met on 13 occasions in 2017/18 and had overall responsibility for the scrutiny function.
- The annual **Scrutiny Work Planning Conference 2017/18** was held on 19/6/17 and a report on the **Scrutiny Work Programme 2017/18** was agreed by the Scrutiny Programme Committee on 10/7/17.
- The **Constitution Working Group** met twice during 2017/18 to consider issues relating to local authority governor appointments requiring a change to the Council Constitution and nominations to the office of Lord Mayor and Deputy Lord Mayor.
- The **Medium Term Financial Plan 2019/20 – 2021/22** was approved by Council on 6/03/18. The Plan outlined the significant shortfall in funding faced by the Council over the period and the strategy to be adopted to address the shortfall as well as the inherent risks to the success of the adopted strategy.
- The revised **Corporate Risk Management Policy and Framework** was approved by Cabinet in 2017/18 and is being implemented. Corporate Management Team and Cabinet review the risks on a regular basis and from 2018/19 Audit Committee will in future receive the Corporate Risk Register
- Each Corporate Director held monthly **Performance and Financial Monitoring** meetings where Chief Officers and Heads of Service reported on progress in terms of continuous improvement and budgets.
- Quarterly **Performance Monitoring Reports** were presented to Cabinet during 2017/18, which provided detailed performance tables and identified the Council's performance outturn for the indicators, which had been selected for their suitability to measure performance against the Council's 5 Well-being objectives. The reports were scrutinised each quarter by the Service Improvement and Finance Scrutiny Panel.
- Quarterly **Financial Monitoring Reports** were presented to Cabinet throughout 2017/18. The reports consistently identified a revenue budget overspend at year end based on available information and stressed the need for expenditure to be contained within the budget set by Council. That overspend has now been confirmed and a draw from General Fund reserves of over £3m will be necessary for 2017/18, a position that is clearly unsustainable and unrepeatable in future years, given the S151 Officer has already ruled reserves to be at the absolute minimum.
- A **Mid Term Budget Statement 2017/18** was presented to Council on 26/10/17 which provided a strategic and focussed assessment of the current year's financial performance and an update on strategic planning assumptions over the next 3 financial years. The conclusion of the

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Statement was that the Council would struggle to deliver within the overall resources identified to support the budget in 2017/18 and beyond. The likely projected outturn was dependent upon the willingness and ability of the Council to reduce and restrict ongoing expenditure across all areas.

- All reports presented to Cabinet and Council during 2017/18 had been reviewed by Finance, Legal and Access to Services staff and included the appropriate paragraphs detailing the Financial, Legal and Equality and Engagement Implications of the report.
- The Council is the Administering Authority for the City and County of Swansea Pension Fund (the Pension Fund) and Swansea Bay Port Health Authority (SBPHA). The governance arrangements detailed in this Annual Governance Statement apply equally to the Council's responsibilities to the Pension Fund and SBPHA. There are further specific requirements for the Pension Fund which are:
 - the Statement of Investment Principles
 - Funding Strategy Statement
 - A full actuarial valuation to be carried out every third year
- During 2015/16 the governance structure for the Pension Fund was amended to include the Local Pension Board, in compliance with the Public Service Pensions Act 2013. The role of the Board is to assist the Council as Scheme Manager and Administering Authority to secure compliance with LGPS regulations and other legislation relating to the scheme. Board members were appointed and the Board first met on 21/07/15. The Board met on 05/09/17 in 2017/18 and met 3 times during that year.
- The **Pension Fund Committee** met on 5 occasions during 2017/18 and dealt with all issues relating to the governance of the Pension Fund.

5.2 External Sources of Assurance

- In determining the breadth of work undertaken during the year, the Auditor General considered the extent of accumulated audit and inspection knowledge as well as other available sources of information including the Council's own mechanisms for review and evaluation. For 2016-17, the Wales Audit Office undertook improvement assessment work at all councils under three themes: governance, use of resources, and improvement planning and reporting. Based on, and limited to, the work carried out by the Wales Audit Office and relevant regulators, the Auditor General determined within the **Annual Improvement Report 2016-17** on Swansea Council that the Council was likely to comply with the requirements of the Local Government Measure (2009) during 2017-18. The Auditor General did not make any formal recommendations. However, a number of proposals for improvement were made Progress meeting proposals for improvement are monitored by Audit Committee on a six monthly basis.
- In June 2017, the Wales Audit Office issued a report on **Good governance when determining service changes**. The report concluded that the Council has a clear governance framework for determining significant service change but needs to clarify how the impact of change for service users will be evaluated. Proposals for improvement included: Improving

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public access to information about the Council's Commissioning Review activity and outcomes by linking together all the web site information about the overall programme and signposting its availability; whilst potential financial savings are consistently identified the Council should ensure that the process for concluding a review consistently identifies the intended impact for service users and the means by which that impact will be evaluated in the future.

- Six month status update reports track progress on WAO proposals .
- The Appointed Auditor's **Annual Audit Letter 2016/17** was issued in November 2017 and presented to the Audit Committee on 12/12/17. The letter stated that *'The Council complied with its responsibilities relating to financial reporting and use of resources'*. The letter also stated that an unqualified audit opinion had been issued on the accounting statements confirming that they present a true and fair view of the Authority's and the Pension Fund's financial position and transactions. The letter also stated that *'The Auditor General for Wales is satisfied that the Authority has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources but the financial outlook is very challenging'*.
- The Wales Audit Office published in March 2017 a **Savings Planning Review** of the Council's financial savings arrangements, including how well it is delivering the required savings and whether it has robust approaches to plan, manage and deliver budget savings, at a pace that supports financial resilience. The Wales Audit Office concluded that whilst the Council has a sound financial planning framework, the Council recognises the delay in delivering savings plans to required timescales presents risks to its financial resilience. Proposals were made to strengthen financial planning arrangements by: ensuring that savings plans are sufficiently well developed and risk assessed before inclusion in the budget; assigning responsibility for the delivery of all planned savings to specific managers' services.
- When reviewing the Council's statutory improvement planning and reporting duties under the 2009 Measure, the Wales Audit Office concluded that the Council had complied with its duties and the relevant certificates of compliance were issued.
- The Wales Audit Office on behalf of the Auditor General for Wales presented the **Audit of Financial Statements Report 2016/17** to Audit Committee on 26/09/17 and to Council on 28/09/17. The report highlighted any significant issues to those charged with governance that needed to be considered prior to the approval of the financial statements. The report concluded that the Auditor General intended to issue an unqualified audit report on the financial statements for both the City & County of Swansea and the City and County of Swansea Pension Fund.
- The Wales Audit Office undertook an assessment of the Council's Corporate Plan following publication in August 2017 and issued a Certificate of Compliance as the Council had discharged its duties under the Local Government (Wales) Measure 2009 and Code of Audit Practice.
The Council is subject to **Statutory External Inspections** by various bodies including Wales Audit Office, ESTYN and CSSIW. ESTYN inspected 11 educational establishments during 2017/18 with inspection reports being

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provided to the Governing Body in each case. Work continued in 2017/18 to implement the 5 recommendations arising from ESTYN's Education Services for Children and Young People Inspection Report 2013/14. A final update report was taken to Cabinet on 14/12/17 where it was noted that future reports would provide updates on future new and emerging priorities. In future the Audit Committee will receive reports on external inspections but this will be considered during 2017/18 as part of the review of procedures for WAO reports and proposals to scrutiny.

- 5.3 The Annual General Meeting of the Council held on 25/05/17 appointed the required number of Councillors to sit on the Boards of the companies included in the Council's Statement of Accounts.
- 5.4 The Council has partnership arrangements in place with the Wales National Pool Swansea, National Waterfront Museum Swansea, Liberty Stadium and the LC. Cabinet agreed a new legal agreement with the Liberty Stadium on 16 November 2017. In addition, partnership arrangements are also in place with the 360 Beach and Watersports Centre, Swansea Indoor Bowls Centre and Swansea Tennis 365 but there is no Council representation on the Board and the Council's financial contribution is nil or limited.
- 5.5 Corporate Management Team have reviewed the Annual Governance Statement and governance arrangements, which operated for 2017/18 and are satisfied with the level of assurance and that no major issues exist.
- 5.6 The evidence gathered as part of the governance review for 2017/18 i.e. the Internal Control Self-Assessment and the review of internal and external sources of assurance supports the view that the governance arrangements continue to be fit for purpose although a small number of issues were identified where improvements can be made which are highlighted in Section 7.

6 Significant Governance Issues

- 6.1 The following table shows the significant governance issues which were identified during the review of effectiveness undertaken when preparing the Annual Governance Statement 2016/17 and the action taken during the year to address the issues.

Issue	Proposed Action	Action Taken
1.Regionalisation and associated governance issues	Senior Officers time will continue to be devoted to developing regional working and joint committee structures, particularly in relation to the City	Regional legal and financial working groups were set up to consider City Deal structure and governance issues. Work in this area is ongoing and will continue into 2018/19.

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	Deal and any other emerging work. Work in this area is ongoing and will continue into 2017/18.	
2. Major Projects (including Capital Schemes)	Significant Officer time will continue to be committed to relevant projects in 2017/18. Wider issues in relation to support to schemes from a Legal, Finance, Procurement and Governance view point will be reviewed and address during 2017/18 in line with the ongoing Capital Commissioning Review.	A range of officer support and programme management has been provided for major projects with regular updates to CMT/Cabinet. Legal, financial and procurement officers have all been involved in project work including governance considerations.
3. Ongoing Council restructures and consideration of remaining Officer Capacity	Senior Officers are aware of the governance risks resulting from continued and ongoing reductions in resources. This will be monitored throughout 2017/18. The retention of the Director of Resources position will ensure overall corporate governance and control issues are identified and addressed where necessary. The roles of the Section 151 Officer and the Director will continue to be split to ensure adequate segregation	An interim Director of Resources was appointed in 2017/18 to ensure overall corporate governance. Further changes to the senior management structure will mean ongoing monitoring. The roles of s 151 officer and Corporate Director remain segregated.

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	is in place and to allow for arrangements to be effectively challenged throughout 2017/18.	
4.Risk Management	A new risk policy and framework will be reported to Council for adoption, which will then be implemented during 2017/18.	A revised risk management policy was reported to Cabinet on 17/08/17. Audit committee will receive a quarterly report on the overall status of risk.
5. Public Service Board management and co-ordination	Current post-holders are leaving / going to different job. A temporary co-ordinator will be appointed for 1 year after which there will be a review.	A governance review of the PSB will take place in 2018/19.
6. Wales Audit Office Annual Improvement Report 2016/17– proposals for improvement	The proposals made by the Wales Audit Office will continue to be addressed during 2017/18.	Audit Committee reviews progress meeting WAO proposals on a six monthly basis.
7. Wales Audit Office Savings Planning Review 2016/17 – proposal for improvement	The proposal made by the Wales Audit Office will continue to be addressed during 2017/18.	Audit Committee reviews progress meeting WAO proposals on a six monthly basis.

- 6.2 The following table identifies issues, which have been identified during the review of effectiveness, and also highlights any other significant governance issues that need to be considered, together with the proposed actions to be taken during 2018/19 to address the issues.

Issue	Proposed Action
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<p>1. Budgetary pressures within the Council.</p> <p>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.</p> <p>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</p>	<p>Reports to Cabinet/Council, where appropriate, setting out governance arrangements/benefits. This will include City Deal, Western Bay and</p>

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and transparent but also that regional working benefits CCS.	ERW and any new regional collaborations.
4. Workforce capacity and performance- Directorates have seen a reduction in staff resources and it is essential that workforce performance is monitored through an effective system of appraisal which supports and upskills existing officers.	Staff development through workforce planning and review of the appraisal system to ensure staff are performing and are being supported in their role.
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

6.3 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed Chief Executive

Date

Signed..... Leader

Date

Assurance Statement Category	Yes	Partly	No
1. Risk Management – escalation to Directorate or Corporate Risk Register	100%		
2. Risk Management – management of risk monitored	88%	12% (2 respondents)	
3. Internal Controls	100%		
4. Compliance with Procedure Rules	94%	6% (1 respondent)	
5. Internal Control/risk management and governance process	100%		
6. Internal controls around service change/system development	100%		
7. Monitoring of Savings proposals and impact	94%	6% (1 respondent)	
8. Partnerships/collaborative working	100%		
9. Audit report monitoring	100%		
10. Fraud and Financial Impropriety	100%		

A total of 18 responses were received from Heads of Service and Corporate Directors.