



Dinas a Sir Abertawe

Hysbysiad o Gyfarfod

Fe'ch gwahoddir i gyfarfod

Pwyllgor Archwilio

Lleoliad: Ystafell Bwyllgor 5, Neuadd y Ddinas, Abertawe

Dyddiad: Dydd Mawrth, 10 Rhagfyr 2019

Amser: 2.00 pm

Cadeirydd: Paula O'Connor

Aelodaeth:

Cynghorwyr: C Anderson, P M Black, D W Helliwell, T J Hennegan, P R Hood-Williams, O G James, P K Jones, J W Jones, E T Kirchner, M B Lewis, S Pritchard, L V Walton a/ac T M White

Agenda

Rhif y Dudalen.

- 1 Ymddiheuriadau am absenoldeb.**
- 2 Datgeliadau o fuddiannau personol a rhagfarnol.**
www.abertawe.gov.uk/DatgeliadauBuddiannau
- 3 Cofnodion.** **1 - 7**
Cymeradwyo a llofnodi, fel cofnod cywir, gofnodion y cyfarfod(ydd) blaenorol.
- 4 Cyflwyniad - Diweddariad ar yr Amgylchedd Rheoli Mewnol (gan gynnwys Rheoli Risgiau) - Cyfarwyddwr y Gwasanaethau Cymdeithasol. (Dave Howes)**
- 5 Orlhain Argymhellion Archwiliadau Hanfodol 2018/19. (Simon Cockings)** **8 - 23**
- 6 Cynigion Gwella Lleol Swyddfa Archwilio Cymru: Adroddiad 6 misol am y Statws Diweddaraf - Rhagfyr 2018 i Fehefin 2019 (Er gwybodaeth) (Richard Rowlands)** **24 - 27**
- 7 Trosolwg o'r Statws Risgiau Cyffredinol - Chwarter 2 2019/20. (Richard Rowlands)** **28 - 84**
- 8 Rheoli'r Trysorlys - Adroddiad Adolygu Blynyddol Dros Dro 2019/20 (Er gwybodaeth) (Jeff Dong)** **85 - 107**

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| 9 | Monitro'r Gyllideb Refeniw a Chyfalaf - 2il Chwarter 2019/20. (Er gwybodaeth) (Ben Smith) | 108 - 127 |
| 10 | Adolygu'r refeniw wrth gefn. (Er gwybodaeth) (Ben Smith) | 128 - 154 |
| 11 | Penodi Aelod Lleyg Ychwanegol ar gyfer y Pwyllgor Archwilio (Simon Cockings) | 155 - 164 |
| 12 | Adroddiad Orlhain Camau Gweithredu'r Pwyllgor Archwilio (Er gwybodaeth) (Jeremy Parkhouse) | 165 - 171 |
| 13 | Cynllun Gwaith y Pwyllgor Archwilio. (Er gwybodaeth) (Jeremy Parkhouse) | 172 - 187 |

Cyfarfod nesaf: Dydd Mercher, 29 Ionawr 2020 ar 2.00 pm

Huw Evans

**Huw Evans
Pennaeth Gwasanaethau Democrataidd
Dydd Mawrth, 3 Rhagfyr 2019**

Cyswllt: Gwasanaethau Democrataidd: - 636923

Agenda Item 3



City and County of Swansea

Minutes of the **Audit Committee**

Committee Room 5, Guildhall, Swansea

Tuesday, 8 October 2019 at 2.00 pm

Present: P O'Connor (Chair) Presided

Councillor(s)

C Anderson
P R Hood-Williams
M B Lewis
T M White

Councillor(s)

P M Black
J W Jones
S Pritchard

Councillor(s)

D W Helliwell
E T Kirchner
L V Walton

Officer(s)

Simon Cockings
Jeff Fish
Jeremy Parkhouse
Jonathon Rogers
Kelly Small
Ben Smith
Debbie Smith
Nick Williams

Chief Auditor
Corporate Fraud Team Investigator
Democratic Services Officer
Corporate Fraud Team Investigator
Head of Funding and Information Unit
Chief Finance Officer / Section 151 Officer
Deputy Chief Legal Officer
Director of Education

Also Present

Jason Garcia Wales Audit Office

Apologies for Absence

Councillor(s): O G James

41 **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: -

Councillors C Anderson, P M Black, D W Helliwell, P R Hood-Williams, J W Jones, E T Kirchner, L V Walton and T M White declared personal interests as school governors in Minute No.44 – Annual Report of School Audits and Director of Education response to Schools Audit Report.

Councillor L V Walton declared a personal interest as a school governor in Minute No.45 – Presentation – Update on Internal Control Environment (including risk management) – Director of Education.

Councillors C Anderson, M B Lewis, and T M White declared personal interests as Members of the Port Health Authority in Minute No.46 – Revenue and Capital Budget Monitoring 1st Quarter 2019/20.

Paula O'Connor – Agenda as a whole – Head of Internal Audit to Swansea Bay University Health Board – Personal.

42 Minutes.

Resolved that the Minutes of the previous meetings of the Audit Committee were approved as correct records.

43 Corporate Fraud Annual Report 2018/19.

Jeff Fish and Jonathan Rogers presented a summary of the work completed by the Fraud Function of Internal Audit in 2018/19.

The report provided a 12-month summary of the activities of the Fraud Function for 2018/19, the value of the function and reviewed achievements compared to target outcomes contained in the Fraud Function Anti-Fraud Plan 2018/19. The key activities in 2018/19 covered the following areas of work: -

- Joint work with Department of Work & Pensions' Counter Fraud, Compliance and Debt Service;
- National Fraud Initiative 2018;
- Fraud Awareness;
- Inter-Agency work and Data Exchange.

The Review of the Fraud Function Plan for 2018/19 reported that out of the 9 planned activities, 6 were fully achieved. Appendix 3 of the report provided details of these activities. It was added that for those activities not achieved, due to the teams reduced resources and the requirements of reactive work, particularly employee investigations, had continued to demonstrably restrict the opportunities for proactive work to be undertaken against the plan.

The Committee asked questions of the Officers, who responded accordingly. Discussions centred around the following: -

- The main areas identified in respect of fraud awareness;
- Council properties returned to stock and being available for letting;
- How the bi-annual in-year National Fraud Initiative 2018 system of data matching operates and the use of data matching within the Authority;
- Targeting procurement fraud;
- Concessionary travel fraud / annual audit;
- Working internally with Council departments, e.g. Trading Standards;
- How the Team coped with reduced resources and prioritised certain areas;
- Assurance being achieved in procurement throughout the Council;
- Increasing resources to introduce pro-active work – 'invest to save'.

The Chair thanked the Officers for their report and thanked them for the amount of work they had completed with limited resources.

Resolved that the contents of the report be noted.

44 Annual Report of School Audits 2018/19 & Director of Education response to Schools Audit Report.

Nick Davies, Principal Auditor presented a report which provided a summary of the school audits undertaken by the Internal Audit Section during 2018/19 and identified some common issues found during the audits. Kelly Small, Head of Funding and Information Unit provided responses on behalf of the Director of Education.

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 2018/19 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: -

- Evidence in Governing Body Minutes that audit reports had been presented and discussed by Governing Bodies and the follow up process undertaken by the School Funding and Information Unit;
- Confirmation whether all Governing Bodies had been presented with and considered their audit reports during 2017/18;
- The difficulties encountered by schools in the tendering process, i.e. obtaining 3 quotations and obtaining a breakdown of costs from Corporate Building Services which was resulting in schools dropping out of Service Level Agreements (SLA);
- All schools opting out of the Procurement SLA as they felt it was not fit for purpose;
- Review of Contract Procedure Rules;
- The Authority providing a catalogue for schools to purchase supplies;
- Further work being undertaken regarding schools tendering for services and approaching it as a whole job not just a specific job;
- Director of Education obtaining a full list of contracts from Corporate Building and circulating to all Clerks to Governing Bodies;
- School budgets - particularly 85% being spent on staff salaries and 15% on the remainder and setting the appropriate level to justify the risk / time spend on auditing this amount as it is only a small proportion of the budget;
- Quality Control Questionnaire – Internal Audit Section.

Resolved that: -

- 1) The content of the report be noted;

- 2) The Head of Funding and Information Unit clarifies if evidence had been received that all Governing Bodies had been presented with and considered their audit reports during 2017/18;
- 3) The Head of Funding and Information Unit clarifies if all remaining schools had provided evidence that their Governing Bodies had been presented with and considered their audit reports during 2018/19;
- 4) The Head of Commercial Services be requested to provide an update regarding providing a catalogue for schools;
- 5) The Director of Education obtains a full list of contracts from Corporate Building and circulates to all Clerks to Governing Bodies.

45 Presentation - Update on Internal Control Environment (Including Risk Management) - Director of Education.

Nick Williams, Director of Education, provided the Audit Committee with a detailed and informative presentation on Governance and Assurance within the Education Directorate. Details provided included: -

- Overview;
- Assurance Framework;
- Education Net Budgets 2019/20;
- School Governance;
- Governing Bodies;
- Authority Oversight;
- Schools Audits;
- School Balances;
- Use of Excessive Reserves;
- Powers to Intervene;
- Departmental Arrangements;
- Internal Controls / Compliance;
- Risk Management;
- Partnership Working.

The Committee asked a number of questions of the Director, which were responded to accordingly. The following were discussed: -

- The strong position of Swansea schools compared to other in Wales;
- Red, Amber, Green (RAG) Risk levels and the process of agreeing correct levels;
- Performance management process, pay rates of Head Teachers being increased by some Governing Bodies, covering increases in salaries / pension contributions;
- How the Council operates as a landlord in partnership with Head Teachers;
- Budget process undertaken by the Council in relation to schools;
- Reserves held by schools and powers available to the Director of Education to address any problems.

The Chair thanked the Director of Education for his presentation and stated that it had provided the Committee with a thorough understanding of procedures within the Education Directorate. She added that the presentation had also provided

assurance in relation to management controls that are operating within Education and the risks around financial pressures that are being worked through, in conjunction with the Section 151 Officer.

Resolved that the content of the presentation be noted.

46 Revenue and Capital Budget Monitoring 1st Quarter 2019/20. (For Information)

Ben Smith, Section 151 Officer presented 'for information' the Revenue and Capital Monitoring 1st Quarter 2019/20 Report that was presented to Cabinet on 15 August 2019. The report provided details on financial monitoring of the 2019/20 revenue and capital budgets, including the delivery of budget savings.

He made specific reference to paragraph 2.7, which outlined that no Responsible Officer was authorised to overspend their budget in line with Financial Procedure Rules and to the report recommendations requiring Directors to provide detailed plans to avoid any overspends.

The Committee discussed the following: -

- Contingency Fund 2018/19 and the commitments to the end of the financial year, including using earmarked reserves;
- Directors comments on budget variations and having a more robust, credible approach to specific items;
- Correcting the overspend for 2019/20 and how any overspends will be addressed in future years;
- The impact to the Medium Term Financial Plan if savings were not met and building in reasonable realistic proposals;
- Revenue and capital spending – ensuring no more unbudgeted spend occurs, affordability and use of reserves;
- Capital borrowing and capital projects awaiting for City Deal payments;
- Examining each Directorate and understanding what can / cannot be achieved.

Jason Garcia, Wales Audit Office (WAO) highlighted concerns regarding the failure of the Council to effectively manage its efficiency savings. He also reminded the Committee of their terms of reference and their power to examine the Authority's finances and make recommendations to Council.

The Chair noted the WAO comments and the financial position outlined by the Section 151 Officer. She added that the reports would continue to be discussed by the Committee and expressed concern regarding the financial position of the Authority.

47 Financial Sustainability Self-Assessment for Wales Audit Office. (Verbal)

The Section 151 Officer provided a verbal update report on the Financial Sustainability Self-Assessment for the Wales Audit Office (WAO).

He outlined that all 22 Local Authorities in Wales had submitted substantial evidence to WAO and a report was expected early in 2020. He added that he anticipated four

areas of challenge: performance against budget; use of reserves (general & earmarked); levels of borrowing; levels of Council Tax. He expected a challenging message for Local Government.

Jason Garcia (WAO) added that the report would be produced before Council Tax was set. He added that the Council would have to consider future efficiency savings and expressed concern regarding the capital schemes being progressed.

Resolved that the contents of the report be noted.

48 Treasury Management Annual Report 2018/19. (For Information)

The Section 151 Officer presented the Treasury Management Annual Report 2018/19 'for information'.

The Chair stated that in future, similar reports would be circulated outside Committee meetings.

49 Wales Audit Office - Feedback from Audit Committee Effectiveness Questionnaire.

Jason Garcia, Wales Audit Office (WAO) provided the Committee with feedback from the workshop annual self-assessment session held on 16 September 2019 and facilitated by WAO.

Appendix 1 provided a questionnaire which covered regularity and length of Audit Committee meetings; outstanding actions from Audit Committee Performance Review 2017-18; and information provided to Audit Committee Members. The responses provided by Members were provided in the report.

It was concluded that the Audit Committee needed to review the answers provided and decide what actions were needed to allow Members to fully discharge their duties under the terms of reference. It was added that once these actions were agreed, Officers should be advised regarding what Members want from them to help them discharge their duties.

The Committee commented on the following: -

- Introducing a timed agenda to manage meeting times more effectively;
- Limit the time for presentations / questions;
- Limit meetings to 2 hours in order to do the reports justice.

The Chair added that she had discussed changes to the Committee with Huw Evans, Head of Democratic Services who had made the following suggestions: -

- 2/3 hour meetings was reasonable;
- Members can be asked regarding starting meetings at 10 am / 2 pm;
- Audit Committee can be moved to a six-week cycle after May 2020 and the Council Constitution would be amended to reflect this change;
- For information reports could be circulated outside the meeting.

She added that she would meet with the Democratic Services Officer in order to progress matters and would continue to meet on a quarterly basis.

Resolved that: -

- 1) The contents of the report be noted;
- 2) An update report be made to the next scheduled meeting.

50 Audit Committee Action Tracker Report. (For Information)

The Chief Auditor presented the Audit Committee Tracker Report 'for information'.

The Chair noted that some items remained outstanding and she had requested the Chief Auditor to nominate a lead officer / designation for each one.

The meeting ended at 3.45 pm

Chair

Agenda Item 5



Report of the Chief Auditor

Audit Committee – 10 December 2019

Fundamental Audits 2018/19 Recommendation Tracker

Purpose:	This report provides a summary of the recommendations made following the fundamental audits in 2018/19 and identifies whether the agreed recommendations have been implemented.
Policy Framework:	None.
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 2018/19.
Report Author:	Simon Cockings
Finance Officer:	Simon Cockings
Legal Officer:	Tracey Meredith
Access to Services Officer:	Rhian Millar

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 two 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 2019 on the implementation of the recommendations made following the 2018/19 fundamental audits.

2. Recommendations Tracker 2018/19

- 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 (1)
- 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 2018/19 fundamental audits, 12 out of the 14 audits had received a High Assurance rating, one audit has a Substantial Assurance rating (Accounts Payable) and one has a Moderate Assurance Rating (Accounts Receivable) at the last time of audit.
- 2.3 Appendix 1 shows, for each fundamental audit, the number of recommendations made following the 2018/19 audits and whether they have been implemented, partly implemented, not implemented or are not yet due.

2.4 The latest position on the 46 recommendations made is summarised in the following table

Recommendations	Number	%
Implemented	34	74
Partly Implemented	5	11
Not Implemented	6	13
Not Yet Due	1	2
Total	46	100

2.5 Ignoring the recommendations which are not yet due for implementation, the percentage of recommendations implemented by 30 September 2019 is 76%.

2.6 An analysis of the 11 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 of the five recommendations that had been partly implemented, one was classed as high risk, two were medium risk, one was low risk and one was a good practice recommendation. The partly implemented High, Medium and Low Risk recommendations all related to the Accounts Receivable audit. This audit 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 2019/20 audit. Please also see the additional commentary below in relation to the Accounts Receivable follow up results.

2.7 The remaining 6 recommendations that had not been implemented were classed either low risk or good practice and were in relation to the Accounts Payable audit. This is also audited on an annual basis.

2.8 Further details on the recommendations which have been partly or not implemented can be found in Appendix 3.

3. Accounts Receivable Audit

3.1 The Accounts Receivable Audit was issued with a moderate level of assurance in March 2019, with a summary of the key issues that resulted in the assurance rating being reported to Audit Committee in June 2019 as part of the Internal Audit Quarterly Monitoring Report.

3.2 The Audit Committee also received an update report from the Service Centre Manager and Cash Management & Accounts Receivable Manager, which detailed the progress that had been made in implementing the recommendations made as at May 2019.

3.3 The Chair of the Audit Committee queried whether the 'decentralisation' of debt recovery was prolonging the recovery process and assurances were sought in relation to the effectiveness of the debt recovery process via the follow up exercise.

- 3.4 The results of the follow up exercise revealed that the actual recovery of debt hasn't been 'decentralised' as such, as the Accounts Receivable (AR) Team, in collaboration with the Legal Department, still retain overarching responsibility for the debt recovery process. This process, and the associated time limits, has not changed. However, it was confirmed that the Accounts Receivable Team do rely on Service Department (SD) involvement at various stages during the process.
- 3.5 The steps involved in the invoicing and debt recovery process have been summarised in the table in Appendix 4. This shows that Service Departments are involved in the following stages of the process:
- i) Raising of the invoice.
 - ii) Resolving invoice disputes.
 - iii) Monitoring outstanding debt in collaboration with the AR Team. AR promotes SD engagement with the debtor by liaising with SD Officers and educating them on how to access system reports and advising on monitoring processes. Due to the limited resources of the AR team, a flexible approach is taken so that selective engagement is targeted at those SD's with high value debts, where recurring services are being provided and/or where there is evidence of a lack of action being taken by the SD to engage with debtors. The debt areas selected is varied so that all areas are covered at some point but it is not possible to target all areas at once with the current resources and backlog.
 - iv) As per the AR/Legal Department Protocol, where the debt remains outstanding, AR contact the SD to provide evidence of the debt as required by the Pre-Action protocol legislation as this is required before any court action can be taken by the Legal Department.
- 3.6 To conclude, whilst it is clear that the AR Team encourage SD's involvement in the debt recovery process, the underlying AR/Legal protocol stipulates the deadlines and associated actions that are initiated during the debt recovery process. The underlying process has not changed. However, as noted above, the AR Team has sought to encourage greater involvement of SD Officers in an attempt to increase engagement with debtors throughout the debt recovery process.
- 3.7 It should be noted that any lack of action by SD's would not have any impact on the underlying actions that are initiated as stipulated in the AR/Legal Protocol. As such, the debt recovery process has not been 'decentralised', with AR and the Legal Department processes remaining unchanged.
- 3.8 As noted in the Accounts Receivable Audit Report, the deterioration in the debt recovery rates is primarily the result of the reduced resources in both the Accounts Receivable Team and in the Legal Department.

- 3.9 Discussions with the Accounts Receivable Manager revealed that due to regulatory requirements, SD's have to provide evidence of any debt before the Legal Department is able to take any action. As a result, some debts remain with AR pending referral to Legal whilst awaiting evidence of the debt from the SD's. It is accepted that on occasion, this has prolonged the time taken by AR to refer debts to Legal. (Note that previously, AR referred the debt to Legal and the Legal Department was required to obtain evidence of the debt from SD's. Retention of this step by AR has standardised the evidence request process).
- 3.10 As noted in Appendix 3, one high risk and two medium risk recommendations had not been fully addressed at the time of the AR follow-up review. As noted previously, the main reason provided for the recommendations not being implemented was resource limitations, and it is not envisaged that the resource challenges faced by the AR and Legal Department will ease in the near future. The full annual audit of AR is due to commence imminently and the results will be reported back to Committee in due course.
- 3.11 Following the introduction of the new referral process, officers in Legal have been dealing with cases referred from AR in a timely manner and as a result there is no backlog of recent referrals. However, the long standing issue of the variances in the historical debt listing between Legal and AR remains and will do so until the reconciliation process is completed. As a result, it was agreed that current referrals would be prioritised over historical debts until the data cleansing exercise had been completed. Please note that all six of the debts in the sample noted in Appendix 3 (Recommendation 3.6.7) where it was noted that legal action had not been taken were debts currently listed on the historical reconciliation list, and hence these were not considered as a priority.
- 3.12 In connection with the points above, Committee should be made aware of the fact that due to Oracle Cloud testing that commenced in November 2019, three of the six existing AR staff have been seconded to this project for a year. It is envisaged that the three vacancies in the AR team will be filled and the remaining staff will be required to provide training. This will have a further immediate impact on the department's capacity to undertake recovery activities.

4. Conclusion

- 4.1 Overall the results of the Recommendations Tracker exercise to the end of September 2019 are positive with 35 (75%) of agreed recommendations due for implementation being implemented.
- 4.2 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.

4.3 The Accounts Receivable and the Accounts Payable fundamental audits are completed on an annual basis and the results of the current year audits will be reported to Committee in due course.

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: Fundamental Audit Reports 2018/19

Appendices: Appendix 1 – Implementation of Recommendations
Appendix 2 – Classification of Recommendations
Appendix 3 – Not or Partly Implemented Recommendations
Appendix 4 – Invoice & Debt Recovery Process

Recommendation Tracker 2018/19
Implementation of Recommendations

Audit	Implemented	Recommendations			Total No. of Recs.
		Partly Implemented	Not Implemented	Not Yet Due	
Fixed Assets (Capital Accounting)*	0	0	0	0	0
Main Accounting	0	0	0	0	0
Housing & Council Tax Benefit*	0	0	0	0	0
Cash	0	0	0	0	0
NNDR*	0	0	0	0	0
Council Tax	6	1	0	0	7
Accounts Receivable	16	4	0	1	21
Accounts Payable	6	0	6	0	12
Treasury Management - B&I	1	0	0	0	1
Pension Fund Investments*	0	0	0	0	0
Employee Services (Payroll)	3	0	0	0	3
Pensions Admin	2	0	0	0	2
Teachers Pensions*	0	0	0	0	0
Housing Rents*	0	0	0	0	0
Total	34	5	6	1	46
%	73.91	10.87	13.04	2.17	100.00
<i>* Audits not due in 2018/19</i>					

Recommendation Tracker 2018/19
Classification of Recommendations

Audit	Partly Implemented				Not Implemented			
	HR	MR	LR	GP	HR	MR	LR	GP
Fixed Assets (Capital Accounting)*	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	0	0
Cash	0	0	0	0	0	0	0	0
NNDR*	0	0	0	0	0	0	0	0
Council Tax	0	0	0	1	0	0	0	0
Accounts Receivable	1	2	1	0	0	0	0	0
Accounts Payable	0	0	0	0	0	0	3	3
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	0	0	0	0	0
Total	1	2	1	1	0	0	3	3

* Audits not due in 2018/19

Key

HR - High Risk

MR - Medium Risk

LR - Low Risk

GP - Good Practice

Recommendation Tracker 2018/19 - Not or Partly Implemented Recommendations

Appendix 3

Report Ref	Recommendation	Class	Agreed Action/Comments	Responsibility For Implementation	Implementation Date	Action Taken
Council Tax 2018/19						
2.9.3	The use of new print software should be explored with Design Print to make the production of documents and the reconciliation more efficient.	GP	Discussions on-going with DP to improve processes although a 100% reconciliation between documents created and mail sent is impractical.	Martin Webborn	31/07/19	Partly Implemented - Ongoing with DP, they are waiting for technical assistance from IT to move forward with increased automation of the mailing process.

Recommendation Tracker 2018/19 - Not or Partly Implemented Recommendations

Appendix 3

Report Ref	Recommendation	Class	Agreed Action/Comments	Responsibility For Implementation	Implementation Date	Action Taken
Accounts Receivable 2018/19						
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">3.6 & 3.7 Page 97</p>	<p>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 refer to Legal or write-off the debt. (Previous Audit Recommendation)</p>	<p>HR</p>	<p>Agreed in principle but there is a finite amount of resource on the team which will limit the capacity to review the backlog of invoices. There is a strategy in place to review the debt backlog and staff are given work targets to complete. Debt recovery activities have to be constantly reviewed and adjusted so that all high, middle and low value debts are covered. The team works on different invoices as prioritised but it's not possible to provide assurance that every invoice will be progressed within the timescales. Communications have been sent out to HOS in Jan 2019 for cascading to staff responsible for collecting income to remind them of their responsibilities and to request that they implement a monthly debt recovery routine in each section to support the central service. In addition, there is development work in progress to create Ageing Debt reports in the Apex application which will allow Service Depts to extract real-time reports themselves. Once these self-serve reports go live the reminder to implement a debt recovery routine in each Service Dept will be included in all of the communications that will be issued.</p>	<p>Michelle Davies</p>	<p>July 2019 to complete Apex Aging Debt report development and issue communications</p>	<p>Partly Implemented - Escalation of debt: Of a sample of 20 unpaid invoices selected for testing, 18 had not been escalated on a timely basis. However, The review of all outstanding debt remains a top priority for AR and some progress has been made here. 138 invoices have been referred to Legal to a total value of £511,560.86 since April 2019. High level liaison has also been carried out with Heads of Service and a Director to target specific customers (large organisations) to highlight issues related to old outstanding invoices and improve recovery rates and procedures ongoing. In addition, over 1000 old low value invoices have been reviewed since Nov 2018 with over 400 being approved for WO in August and a further 250 placed on awaiting WO status in readiness for next WO list extract before end of year. Apex reporting: a small amount of progress has been made in this area but it has not been possible to complete this as yet due to unanticipated tasks / project preparations (Oracle Due Diligence) that has tied up available resource. This area remains a priority to progress.</p>

Report Ref	Recommendation	Class	Agreed Action/Comments	Responsibility For Implementation	Implementation Date	Action Taken
3.6.4	Very old unpaid invoices should be prioritised to ensure limitation period does not expire.	MR	Agreed. Old invoices will be reviewed as part of the AR debt recovery activities prioritisation. These were reviewed at the last debt recovery extract and will be regularly reviewed.	Michelle Davies	Mar-19	<p>Partly Implemented - this is a work in progress and actions have been given to the team and is being monitored on a routine basis.</p> <p>A sample of 10 old unpaid invoices was taken, 9 out of 10 did not test satisfactorily as debt recovery action was not being pursued, the remaining one tested satisfactorily. It was noted at the time of the audit, that this was due to be progressed from April 2019, however the previous list of old unpaid invoices has taken longer to progress than expected with the current resources.</p>
Page 18 3.6.7	Officers in Legal should pursue unpaid debts. (Previous audit recommendation)	MR	Agreed. AR Team will review the identified cases and refer to legal where appropriate.	Michelle Davies / Debbie Smith	Apr-19	<p>Part Implemented - Legal continue to pursue unpaid debts on a case by case basis given the current resources. Summary of testing:-Sample of 10 invoices with 'referred to legal' status was taken from Oracle and the following was noted:</p> <ul style="list-style-type: none"> • 2 invoices tested satisfactorily. • AR had not taken the appropriate action on 2 invoices after legal instruction. • The remaining 6 invoices evidenced that legal had not taken the appropriate action. It was noted that the testing evidenced a mixture of invoices whereby there was some failure to recover and some non-compliances with expected processes. These are included on a reconciliation list of historical matters that is currently being reviewed (please see further details in the main body of the report). <p>Also note that this recommendation will be tested in further detail as part of the Legal Debt Recovery Audit which will be carried out during QQ4 of 2019/2020.</p>

Report Ref	Recommendation	Class	Agreed Action/Comments	Responsibility For Implementation	Implementation Date	Action Taken
3.6.8	An up-to-date reconciliation should be carried out to confirm the status of all debts categorised as "Referred to Legal" and this reconciliation and should be carried out periodically in the future. (Previous audit recommendation)	LR	Agreed in principle but there is a finite amount of resource on the team which will limit the capacity to carry out a complete review of the invoices in this area. Work has been periodically carried out over the previous 8 years and progress has been made each time but the problem has persisted as there has been insufficient resource to complete the task as it is very time consuming. The work area will continue to be periodically worked throughout the year, however the extent to which it can be completed will depend on the amount of resource available to dedicate to it.	Michelle Davies / Debbie Smith	Sep-19	Partly Implemented - Communication has taken place with Legal to initiate a reconciliation to be carried out on invoices on a 'referred to legal' status for over a 1 year period. Legal have confirmed that they have almost completed their review of the reconciliation list, but due to lack of resources in the AR Team the full reconciliation process has been delayed as AR Officers are not currently in a position to complete the subsequent actions.

Report Ref	Recommendation	Class	Agreed Action/Comments	Responsibility For Implementation	Implementation Date	Action Taken
Accounts Payable 2018/19						
2.3.3	Communications should be issued to all staff who have the ability to raise purchase orders, reminding them that the order should be raised in advance and not retrospectively. In exceptional circumstances where Orders are raised retrospectively, sufficient checks should be undertaken to ensure payment has not already been made.	LR	Agreed – Will review but this will depend on resource. New “Retrospective PO Report” has been created and reported at Resource PFM. It is proposed that it is reported at CMT and will take this idea forward.	Neil Payne	Jun-19	Not Implemented - Communications to be issued reminding staff of ordering accounting instructions. Payables will have difficulties in identifying that retrospective purchase orders are being used to process payment.
2.3.4	Enquires should be made to ensure that the parameters in place are capturing all relevant information.	LR	Agreed - We can review the access and discoverer reports but changing the parameters is likely to increase the amount of data by significant volumes, which will increase the resource required to review data.	Neil Payne	Jun-19	Not Implemented - Low risk working on higher priorities
2.3.6	A data cleanse exercise should be undertaken in order to identify duplicate supplier records. Appropriate action should then be taken to either close or merge the records as deemed necessary.	LR	Agreed – But will depend on resource. Will review over year.	Neil Payne	Aug-19	Not Implemented - Work to commence on this in October 2019 as part of Oracle Cloud project

Recommendation Tracker 2018/19 - Not or Partly Implemented Recommendations

Appendix 3

Report Ref	Recommendation	Class	Agreed Action/Comments	Responsibility For Implementation	Implementation Date	Action Taken
2.4.2	Performance reports should be periodically reported to Managers for review.	GP	Agreed – NP to review, new PFM metrics created. Possible 1/4ly review by CMT.	Neil Payne	Aug-19	Not Implemented - NP to work with Sian Williams in ways to report all Payable and Purchasing performance including payment on time, retrospective PO, Oracle compliance to departments.
2.12.3	The Procedure note for Cheque Collection to be updated to reflect current Cashiers processes.	GP	Agreed.	Neil Payne	Jun-19	Not Implemented - To be completed in October 2019
2.15.1	Accounting Instructions No's 4 & 5 should be reviewed and updated.	GP	Agreed.	Neil Payne	Sep-19	Not Implemented - Not a priority due to low risk, high volume of work required and ongoing projects.

Invoicing & Debt Recovery Process

Responsibility	Activity
SD	Invoice raised
AR	Print & issue invoice
AR	Issue system generated letters on 29 th & 43 rd days
AR	Invoice disputes received > put hold on recovery action > notify SD of dispute details. AR Section sends individual notifications for each dispute at the point it is received and, in addition sends monthly dispute lists to Heads of Service for cascading to officers in SDs. AR also monitors old disputes every 6 months (with full liaison with SDs) and cancels any disputed invoices where there is no action or response from the SD.
SD	Resolve all invoice disputes. Accounting Instruction 7 requires that disputes are resolved within 14 days or as soon as possible.
AR & SD	<p>Monitor outstanding debt. Engage with customer to chase up outstanding invoices to obtain payment. Instalment plans managed only by AR.</p> <p>AR has encouraged SDs to do more of this to try and maximise recovery due to the severely diminished resource in AR. Activities by both AR & SD will include reviewing outstanding debt lists, phone calls and emails to the debtor, diarising follow up action, liaison between AR & SD and ensuring that further credit is not given where possible.</p> <p>AR sends 60 day debt lists (list of all invoices over 60 days old) to Heads of Service on a quarterly basis for cascading down to officers in SDs. SDs are requested to review and follow up outstanding debts appropriately. AR promotes SD engagement with the debtor by liaising with SD officers and educating them on how to access system reports and advising on monitoring processes. The limited AR staff resource means that this a selective approach is taken so that SDs where high value invoices, recurring services/credit is being supplied or SDs where there is very little pro-active activity taking place are targeted. AR will seek to escalate debts to the Legal Dept for further action wherever possible.</p> <p>'Ownership' of the debt ultimately lies with the SD as they engage with the debtor and provide the services. AR recognises that a 'whole council' approach is needed for successful debt recovery as SDs, AR and LD all play a vital role in the recovery process. It is not just one Depts responsibility. If debts are not recovered successfully then it will result in lost revenue reflected through increased debt write off.</p>
AR	Customer with outstanding debts is vetted against a range of internal databases and against external sources such as Experian and Companies House to establish that all debtor information is correct.
AR	Review individual outstanding invoices to apply the AR/Legal Protocol. Invoices that cannot be referred to Legal are placed on 'awaiting write off' status. Invoices that cannot be written off under the protocol are prepared for referral to Legal. The Pre-Action protocol legislation requires that evidence of the debt must be submitted to Legal Debt Recovery Section before any legal action can be taken against individual debtors through the courts. Swansea Council Legal Section has decided that this will be applied to all Swansea Council customers, including businesses and organisations, as best practice. AR Section requests the documents as evidence of the debt from the Service Dept. 2 requests are sent. If the value is less £1000 and there is no response from the SD the debt is put onto write off. If the value is over £1000 an email is also sent to the HOS highlighting the lack of response.
SD	Evidence of debt supplied to AR
AR	Refers debt to Legal Dept for court action. Referral is via a digital form and supporting docs are attached.
LD	Court Warning Notice issued by Legal Dept
LD	Legal action instigated by entering debt into court, usually through the High Court Enforcement Office (HCE). Other action may include a Third Party Debt Order or a Charging Order to secure a debt against a property

LD	Instruction sent to AR to notify outcome – write off, (irrecoverable or rely on charge), monitor an instalment agreement or the debt may be paid in full.
AR	Progresses outcomes form Legal by changing the invoice status to write off or monitors the instalment plan

AR = Accounts Receivable Team

SD = Service Department

LD = Legal Department

Agenda Item 6



Report of the Chief Transformation Officer

Audit Committee – 10 December 2019

Wales Audit Office Proposals for Improvement: Six-Month Status Update December 2018 to June 2019

Purpose: The report presents an overview of the status of Swansea Council's response to earlier proposals for improvement made by WAO to provide assurance to the Committee on progress.

Report Author: Richard Rowlands

Finance Officer: Paul Roach

Legal Officer: Debbie Smith

Access to Services Officer: Catherine Window

For Information

1. Background

1.1 The Audit Committee requested a regular overview on the status of the Council's response to earlier WAO proposals for improvement.

2. Overview of progress

2.1 This is the fourth six monthly report (Dec 18 – June 2019), which reviews progress and describes next steps to meet the proposals for improvement previously made by WAO in reports concerning Swansea Council.

2.2 The detail is set out in Appendix A.

3. Future Reports

3.1 All WAO local performance audit reports and relevant national WAO reports (i.e. those with recommendations for local government) and action plans to address WAO proposals for improvement are now scheduled as a matter of course into the Scrutiny work programme.

- 3.2 WAO local performance audit reports and relevant national WAO reports (i.e. those with recommendations for local government) will also go to Audit Committee **for information purposes only** once reported to Scrutiny. The Committee may decide to prioritise and track specific proposals / recommendations in addition to the oversight provided by Scrutiny; this process does not include the WAO reports that would ordinarily go to Audit Committee.
- 3.3 This arrangement should provide Scrutiny, Audit Committee, Members and WAO with assurance that there is a consistent, proportionate and sustainable system in place to ensure that the Council responds and puts in place action plans to address any WAO recommendations and that these are appropriately challenged and followed-up.

4. Equality and Engagement Implications

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

5. Legal Implications

- 5.1 There are no direct legal implications.

6. Financial Implications

- 6.1 There are no direct financial implications.

For Information

Background papers: *None*

Appendices: Appendix A - WAO Proposals for Improvement: Six-month status update report Dec 18 to June 19

WAO Recommendations Tracker_Dec to June19_v1.2_ 19 July 19

Current R Jun-19

Status	Ref	Title of Audit	ACTION	LEAD Officer	KEY MILESTONES	Achievements to date: Dec 18 to June 19	Next Milestone
Open	1.3		P2 Ensure records of delegated decisions made by officers are accurately recorded Improve transparency and create and publish a corporate record of executive decisions delegated to officers: · Establish financial thresholds for recording decisions · Ensure that relevant officers and Cabinet	Head of Legal & Democratic Services	2017/18	Officer delegated decisions relating to FPR 7 and CPR's have been trialled over a 3 month period using mod.gov system. A report highlighting the process has been presented to CMT who have approved roll out for the following delegated decisions: FPR 7 reports, CPR awards band c and d, officer delegated decisions from Cttee. REport amending the constitution will be scheduled for	Roll out and amendment of Constitution.
Open	1.21	WAO Good Governance 2016/17	P2 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.	Corporate Director (Resources)		Co-Production and Consultation and engagement strategies in draft and inputted to by various internal stakeholders first including the Policy Development Committee (PDC). Input will also be sought from partners. Sustainable Swansea web pages updated and being developed so links to outcomes and impact are clear.	Go forward for CMT and cabinet approval
Open	2.2	WAO Annual Improvement Report 2015/16	Build relevant actions into the Innovation Programme, including: · increasing employee empowerment · problem solving and learning, and; ensure delivery across all Service Areas through the performance review process Proposal P4 Improve performance management by: · Increasing the coverage, positive impact and frequency of formal staff appraisals.	Head of HR/OD Leadership Team	2017/18	There is a corporate objective for 100% completion of appraisals. However, that cannot be accurately monitored due to systems issues and limited availability to online system for non-intranet users. Re-prioritised OD Implementation Plan being followed. Employee Benefits programme in place. Management Development Programme commenced.	Project to review and implement a revised Performance Management Policy and system (including appraisal) ongoing. Work ongoing to develop Managers toolkit.
Closed re 17-18 findings	2.3	WAO Savings Planning 2017/18	P1 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	Chief Finance Officer	Annual budget setting. Quarterly budget	Balanced budget was set for 2019-20 by deadline and certificated as such by the S151 Officer. A stronger, more detailed medium term financial plan also approved, albeit with accepted risks and gaps to the overall savings ask. Outturn for 2018-19	First quarter report for 19-20 - likely indication of a £3m savings shortfall and some limited spending pressures on top. All Directors have

Open	3.2	Corporate Assessment 2014/15	P4 Ensure service business plans consistently incorporate workforce and asset management requirements as expected in corporate guidance Workforce Integrate workforce planning activities in all	Head of HR & OD Leadership Team	2017/18	Work commenced with Directorates to develop Sectional and Directorate Workforce plans	Work will continue to develop a corporate workforce plan by by 31st March 2020.
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Agenda Item 7



Report of the Head of Communications & Marketing

Audit Committee – 10 December 2019

Overview of the Overall Status of Risk - Quarter 2 2019/20

Purpose:	The report presents an overview of the status of risk in the Council during Quarter 2 2019/20 to provide assurance to the Committee on the operation of the risk management policy and framework within the Council.
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Report Author:	Richard Rowlands
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Finance Officer:	Paul Roach
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Legal Officer:	Debbie Smith
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Access to Services Officer:	Rhian Millar
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For Information

1. Background

1.1 Audit Committee requested on the 11th July 2017 an overview each 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 2019/20 period and compares an overview of the position to Quarter 1 2019/20.

2. Corporate & Directorate Risk Registers

2.1 The Corporate & Directorate Risk Registers (dated 21/11/19) are attached at Appendix B and Appendix C respectively.

3. Equality and Engagement Implications

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

4. Legal Implications

4.1 There are no legal implications.

5. Financial Implications

5.1 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 2019/20.

Appendix B – Corporate Risk Register dated 21/11/19

Appendix C – Directorate Risk Register dated 21/11/19

Audit Committee

Summary of the overall status of risk within the Council – Quarter 2 2019/20

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

Overall Risk Status – Quarter 2 2019/20

The table below contrasts the overall risk status as at Quarter 1 with Quarter 2 2019/20.

	Low Risk	Medium Risk	High Risk
Quarter 1 19/20	20	129	29
Quarter 2 19/20	19	132	28
+ - change	-1	+3	-1

Summary – changes to the Risk Registers

- 97.2% of the risks that were in place as at Quarter 1 2019/20 were recorded as having been reviewed in Quarter 2 2019/20 (173 of 178 risks were recorded as being reviewed).
- This is a slight decline from the position at Quarter 1 2019/20 where 97.4% of risks had been reviewed since Quarter 4 2018/19.



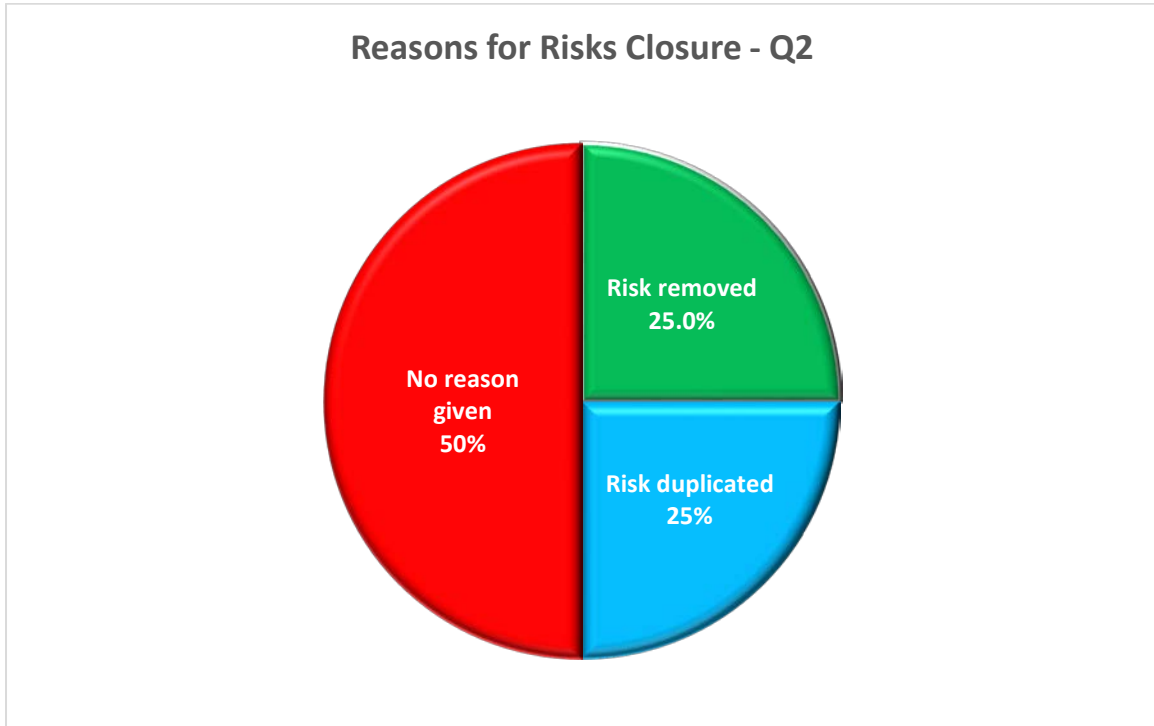
- 5 new risks were added to the registers.

Low Risk	Medium Risk	High Risk
0	3	2

- 4 risks were closed.

Low Risk	Medium Risk	High Risk
0	3	1

- **2** out of the **4** risks (**50%**) that were closed had reasons/comments for doing so recorded, compared to **89.3%** in Quarter 1 2018/19. Reasons for closure displayed in the chart below:



- **1** risk was escalated in Q2 whereas **3** risks were escalated in Quarter 1.
- The overall RAG status of 10 risks were changed.
- Of these **5** showed a reduction in risk level and **5** showed an increase.

Other observations

- Controls and actions are in place for all risks on the registers.
- CMT are reviewing the Corporate Risks each month.
- A new risk register ICT application is being rolled out incrementally across the Council. All Place directorate risks have been transferred to the new application. It is expected that the transfer of all risks from the old to the new system will be complete early on in the New Year.

Corporate & Directorate Risk Registers

- The Corporate Risk Register and Directorate Risk Registers dated 21/11/19 are attached at **Appendix B** and **Appendix C** respectively.

Appendix B

Corporate Risk Register Report 21/11/19

Id	Risk Title	Category	Responsible Officer	Date Last Updated	Overall RAG
CR 80	Financial Control – MTFP aspects of Sustainable Swansea	Corporate Finance	ben smith	05/11/2019	R
CR 82	Safeguarding	Corporate Plan Priorities	david howes	20/11/2019	R
CR 83	Pupil attainment and achievement	Corporate Plan Priorities	nick williams	22/10/2019	A
CR 84	Tackling poverty	Corporate Plan Priorities	david howes	19/11/2019	A
CR 85	Workforce Strategy	Corporate Governance	Sarah Lackenby	22/10/2019	A
CR 86	Digital, data and cyber security	Corporate Governance	Sarah Lackenby	22/10/2019	A
CR 87	Emergency Planning, Resilience and Business Continuity	Corporate Governance	adam hill	19/11/2019	A
CR 88	Health & Safety	Corporate Governance	adam hill	19/11/2019	A
CR 89	New legislative and statutory requirements	Corporate Governance	tracey meredith	05/11/2019	A
CR 90	Decision to leave the European Union (BREXIT)	Corporate Finance	adam hill	19/11/2019	R
CR 91	Tax evasion	Corporate Finance	ben smith	05/11/2019	A
CR 101	Regional Working	Corporate Governance	phil roberts	18/11/2019	A
CR 102	Supplement to risk CR90 - Decision to leave the European Union (BREXIT)	Corporate Finance	adam hill	19/11/2019	R
CR 103	Sustainable Swansea Transformation Programme Delivery	Corporate Plan Priorities	Sarah Lackenby	22/10/2019	A

Risk ID	Risk Title	Risk Level	Risk Description	Directorate	Service Area	Project Name	Responsible Officer	Updater	Prev Overall RAG	Current Overall RAG	Last Updated	Active
49	City Centre (CR81)	Corporate	IF we are unable to attract sufficient investment and development and do not regenerate the city centre, THEN there will be a detrimental impact on the Swansea economy and reputational damage for the Council	-	-	-	Martin.Nichols	Martin.Nichols	Red	Red	02-NOV-19	Yes

CR 80: Financial Control – MTFP aspects of Sustainable Swansea

Risk Description:

If we fail to deliver Sustainable Swansea and maintain sufficient financial control, and in particular do not ensure we contain service overspending, 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.

RR 19/07/19 - Description changed from 'Financial Control (Service Overspending) and Sustainable Swansea' to 'Financial Control – MTFP aspects of Sustainable Swansea' as per CMT 10/07/19

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.
- Launch of Reshaping Board to further challenge delivery/mitigations for non-delivery and accelerate timescale for assuring delivery
- MTFP.
- Dedicated Scrutiny Service Improvement and Finance Performance Panel consider and scrutinise the budget on a quarterly basis

All the above refreshed for 2019-20 budget round including launch of Zero Based Budget as next phase of Sustainable Swansea

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.

BGS 13/2/19 - final settlement £1.5m better than provisional - this had been fully factored into Dec Cabinet budget report. Capital settlement for next 3 years £20m better than provisional, saving £1.5m in borrowing costs per annum longer term. Again fully factored into December Cabinet report.

Feb 19 - 3rd quarter budget monitoring indicates no material improvement - S151 action to ensure budget technically balances for 18/19 - downside is increases risks faced in 2019/20 budget round.

Feb 19 - current budget and mtfp reports going through Scrutiny and Cabinet and Council process. Publication for Special Cabinet missed publication deadline for February Audit Committee. Will follow to next Audit Committee (April).

Apr 9 - latest position reported to Audit Committee re controls exercised/action being taken

May 23 - outturn 18-19 finalised and services continue to overspend but actions in year have limited overspend (some only temporarily). Early indications are overspending pressures likely to continue in social services, education and resources/corporate services. S151 Officer retains a range of options to contain and mitigate overall impact on Council.

Sep 9 - 1st quarter report to Cabinet - services reporting £4.3m overspend forecast - covered temporarily by use of contingency. S151 Officer advice issued and Cabinet resolved that Directors must bring forward credible action plans to rebalance and in the meantime no officer may bring forward material

further spending commitments. Audit Committee received same advice from S151 Officer and has asked to urgently see implementation plans to achieve the required savings.

Nov 5 - 2nd quarter still being reviewed - will report an improved position to Cabinet

Responsible Officer: ben smith

Current Likelihood: Very High

Current Impact: Very High

Overall RAG Status: Red

Report Date: 21/11/2019 12:11:15

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. Principal Officers for Safeguarding within social services
- Corporate Safeguarding Policy and Group.
- Strong performance monitoring and reporting arrangements.
- Positive engagement and support from Cabinet and Council.
- Mandatory 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
- Separate safeguarding arrangements in place in schools, with a central education safeguarding officer within the main local authority directorate
- Two dedicated scrutiny panels in place to scrutinize social services work and performance.
- New and revised Safeguarding Policy following a review undertaken by the Safeguarding PDDC'

Updates (16/7/2019)

Children services have completed the restructure of the frontline supported care planning teams.

First phase training for staff in the adult services practice model is almost complete.

Multi agency monitoring of potential safeguarding referrals is now in place at the front door of adult services.

A process for the regular audit of safeguarding cases has now been established within adult services to mirror the equivalent arrangements for children services.

Update 20/9/19

Some concern about diminished capacity within frontline child protection teams due to high levels of churn within the workforce.

Update 10/10/19

Additional concern identified regarding the operation of HR transactions processes in relation to DBS checks and some other employment checks in regulated services.

Update 19/11/19

CMT have agreed action plan to stabilise recruitment and retention of frontline children services staff

Actions to be taken:

As part of a wider restructuring of adult services, there is still a plan to re-establish a dedicated safeguarding team at the front door.

Children services are planning to further enhance the multi-agency front door team with a dedicated safeguarding hub.

Director of Social Services to advise Cabinet and CMT on options to bolster resilience of the workforce in frontline child protection teams.

Action plan being developed in response to recent audit on DBS compliance in schools.

Subgroup of the corp. safeguarding board reviewing additional safeguards that can be implemented by the HR transactions team.

Updated 20 November 2019- David Howes, Director of Social Services

Responsible Officer: david howes

Current Likelihood: Medium

Current Impact: Very High

Overall RAG Status: Red

Report Date: 21/11/2019 12:11:15

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:

25/09/19-22/10/19: The work of Swansea's Skills Partnership continues to gain momentum in collaborative work with partners to improve advice and guidance for school leavers and also to build digital capacity.

10/06/19: CAs continue to support schools to work as learning organisations.

- Managing the review of ERW and strong KS4 outcomes in 2018.
- ALN Commissioning Review complete but now requires separate risk.
- OECD principles of schools as learning organisations disseminated to schools and senior leaders in schools
- The Chief Exec and Director have continued to lead on ERW arrangements at Joint Committee including issues regarding funding in particular. However,

there remain uncertainties regarding commitment of all LA to regional working under the current budget arrangements although there is a commitment to the model in principle.

- Provided a consultation response regarding the “middle tier” to the Assembly.
- Attendance rates remain variable but still within an acceptable variance. Primary attendance has gone up but secondary attendance is down compared to the half-term last year.
- School Improvement Partnership provides a suitable forum to support and challenge schools regarding their use resources but also to provide support.
- EOTAS project is progressing although there is an anticipated delay. There has been a good outcome to the recent PRU inspection.
- ALN Strategy in place but there are significant capacity issues that need addressing which need raising as a separate risk.

Responsible Officer: nick williams

Current Likelihood: Medium

Current Impact: Medium

Overall RAG Status: Amber

Report Date: 21/11/2019 12:11:15

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 and performance framework in place
- Council Poverty Forum renewed, chaired by Deputy 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:

Review of Poverty and Prevention infrastructure completed with objective of further strengthening a whole Council approach to tackling poverty. Interim management arrangements agreed with direct report through to the Director of Social Services.

Commissioning reviews in Employability and Financial inclusion are underway with cross-directorate involvement. Internal and external stakeholders have been identified and workshops are scheduled.

The Poverty Truth Commission start-up group is established with representation from Cabinet and partner organisations, including SCVS who have been confirmed as the Commission host. The current focus is on securing funds for the commission with 50% of the required funding now in place.

Swansea has been successful in being selected to be one of four UK pilot areas involved in a Coordinated Crisis Support programme to support citizens facing financial crisis to address the underlying needs to prevent the recurrence of crisis. There has been a good response from the initial meeting with partners regarding the programme. The next stages include confirming a programme Steering Group, developing the Implementation Plan detailing the funding allocation plans with the aim to start delivery from February 2020. The programme is complementing and supporting the work of the Financial Inclusion Commissioning Review.

Poverty forum refreshed with leadership via the Deputy Chief Exec. Updated action plan is being implemented with actions identified across Council services, these include; targeted support for Pension Credit claims, employability support for families facing benefit status changes, approaches to addressing debt to the authority and employability support through the new education curriculum framework.

Updated 19 November 2019 - David Howes, Director of Social Services

Responsible Officer: david howes

Current Likelihood: Medium

Current Impact: Medium

Overall RAG Status: Amber

Report Date: 21/11/2019 12:11:15

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
- Organisational Development (OD) strategy and implementation plan in place
- Tracking and monitoring of OD plan and delivery
- New reporting through revised CMT/Cabinet governance
- New reporting through Leadership Team

Actions to be taken:

Latest update October 2019:

- New service planning template being co-produced with Heads of Service to incorporate workforce planning
- Public Sector Equality Duty (PSED) return made to WLGA
- OD strategy incorporated into Future Council strand of Sustainable Swansea
- Leadership Hub sessions underway
- Management training and development underway
- Mandatory training reviewed and updated
- HR Policy review underway
- Workforce development part of the Future Council aspect of Sustainable Swansea
- Gender pay gap analysis and plan part of Policy Development Committee work plan
- Service plans completed, which is informed by a workforce analysis by each service

Responsible Officer: Sarah Lackenby

Current Likelihood: Medium

Current Impact: Medium

Overall RAG Status: Amber

Report Date: 21/11/2019 12:11:15

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
- 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
- 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.
- Revised ICT Security Policy, Cyber Strategy and Information Governance framework approved by CMT
- General Data Protection Regulation (GDPR) compliance monitoring and reporting through P&FMs and new CMT/Cabinet governance
- GDPR project complete
- 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.
- 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.

Actions to be taken:

Latest update October 2019:

- LRF cyber exercise planned and revised SIRO training
- Further mitigation includes live testing of DR plan - options being reviewed potentially in line with wider corporate business continuity exercise
- Cyber essentials accreditation achieved
- PSN certification achieved
- New regional multi-agency cyber cell meetings being attended to share intelligence and actions
- Embarking on Cyber Essential and Cyber Essentials Plus accreditation
- Digital Services working with internal audit and emergency planning to further improve the ICT Disaster recovery plan.
- Cyber Security strategy created and ready for engagement with staff.

Responsible Officer: Sarah Lackenby

Current Likelihood: Low

Current Impact: High

Overall RAG Status: Amber

Report Date: 21/11/2019 12:11:15

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 from 29 October 2018.
- Responsible Officer changed from Phil Roberts to Adam Hill as per CMT on

13/02/19

Business continuity plans being reviewed and updated
continue to monitor situation and additional training being undertaken within
CMT to build capacity.

24 June 2019 AH Training has been arranged for Senior officers at Gold
Level, to ensure experience and knowledge is up to date.

24 July 2019 AH Training at Gold Level has been undertaken by Adam Hill to
increase capacity at strategic level.

23/08/2019 AH business continuity plans are being reviewed in light of a EU
exit.

16/09/2019 AH As part of the EU preparedness the Emergency planning and
resilience has been subject to an assurance review. This is reviewed by the
team and any areas that need additional work or support will be raised as part
of the ongoing preparedness work.

14/10/2019 Emergency planning training and awareness undertaken with a
prepare and protect conference on 2 October, a Brexit strategic workshop on
4th October, an all wales connect exercise on 12 October and a CBRN
exercise on 16 October.

19/11/2019 AH - Cyber exercise was postponed until the new year due to
Brexit.

Responsible Officer: adam hill

Current Likelihood: Low

Current Impact: Very High

Overall RAG Status: Amber

Report Date: 21/11/2019 12:11:15

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.
 - Greater responsibility given to Deputy CE from 29 October 2018.
- Responsible Officer changed from Phil Roberts to Adam Hill as per CMT on 13/02/19.

Regular update on corporate Health and Safety introduced as part of Resources DMT to look at trends and patterns.

24 June 2019 AH Health and Safety mandatory training updated to ensure it is included with the corporate mandatory training.

24 July 2019 AH Health and Safety is reviewed on a weekly basis as part of CMT to identify any areas which require escalation or are of concern.

23/08/2019 AH 2 posts within health and safety have been reviewed and are being recruited to maintain operational levels.

16/09/2019 AH Business continuity plans are being reviewed in light of the current situation regarding EU exit.

14/10/2019 AH Risk reviewed and continued to be monitored via CMT and Leadership team regularly.

19/11/2019 AH Business continuity plans are almost complete with only 2 Outstanding which have been followed up with the Director to encourage completion.

Responsible Officer: adam hill

Current Likelihood: Low

Current Impact: High

Overall RAG Status: Amber

Report Date: 21/11/2019 12:11:15

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

Update 8/4/19

- Well Being of Future Generations guidance to be updated to include toolkit which will be referenced in report writing new guidance.

Update 10/04/19

- Created a web page to provide information on Well-being of Future Generations and to point staff and Members to Welsh Government and Future Generation Commissioner resources to refer to and to help inform the development of any proposals / reports at the earliest stage.

16 June 2019 Well Being Future Generations webpage updated. CMT updated by monitoring Officer on Legislative changes/consultations in WG from LLG

29 August 2019 LLG changes to legislation circulated to CMT
no further update

Responsible Officer: tracey meredith

Current Likelihood: Low

Current Impact: Medium

Overall RAG Status: Amber

Report Date: 21/11/2019 12:11:15

CR 90 / 102: Decision to leave the European Union (BREXIT)

Risk Description:

New Description 23/01/19 (see below) - If there is continuing uncertainty from the decision to exit the European Union (BREXIT), then the Council will not be able to prepare as effectively as it would like to in order to ensure service continuity and to safeguard the financial / economic, social, environmental and cultural well-being of citizens and resident EU nationals.

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

and subsequent review of Corporate Risks. Supersedes risk CR64. (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 Description revised on 23/01/19 following approval by cross-departmental Brexit Steering Group on 21/01/19.

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.
- Internal steering group focussed on preparedness across the organisation and linking through to external groups set up and meeting monthly with action log to ensure measures are put in place and tracked

Updated 28/03/19 RR

- Ensured that organisations supplying Agency Workers to the Council are complying with Government advice, guidance and rules concerning the employment and status of resident EU nationals
- Draft communications plan and portal for Brexit related internal and external communication and information, including the dissemination of Welsh and UK Government advice developed.

Actions to be taken:

- Lobby via WLGA, professional associations for locally retained business rates
- 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 (COMPLETE)
- Undertake a BREXIT impact assessment (COMPLETE)

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 consequential - 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.

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 (COMPLETE - Description revised 23/01/19).
- 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. 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.

AH 14/12/18 - Welsh Audit Office call for Evidence was used to gather information on work undertaken to date to prepare and identify issues in relation Brexit. This information will be used to develop a more robust response through the Brexit Steering group.

RR 16/12/18 - Review of Civil Contingency Plans: Duty Rotas. Continue to monitor with partners

RR 28/01/18 - New controls added following Brexit Steering Group held on 21/01/19. Progress to be reviewed at the next meeting on 26/02/18.

- List all the groups that are meeting with internal and external partners to discuss and respond to Brexit.
- Develop a single communications plan and portal for Brexit related internal and external communication and information, including the dissemination of Welsh and UK Government advice (DRAFT COMPLETE 22/03/19).
- Direct communication with partners through the Local Resilience Forum.
- Revise and fully test Business Continuity Plans (as well as the Port Authority), including the robustness of supplier and partner arrangements.
- Ensure that organisations supplying Agency Workers to the Council are complying with Government advice, guidance and rules concerning the employment and status of resident EU nationals (COMPLETE 26/02/19).
- Establish a working group to prepare an action plan to manage and support the affected EU resident Council workforce and the implications for service delivery.
- Establish a gap analysis to identify all programmes and projects dependent upon EU funding & create a list of strategic options post 2020.
- Procurement - identify level of exposure amongst suppliers and alternative arrangements (especially in services to vulnerable people) should supply be disrupted.

AH 7/3/2019 - This is all covered through the Brexit Steering group with officers allocated responsibility for managing and acting on each point above and feeding back to the steering group.

RR 28/03/19 - controls and actions updated.
monitoring of actions and controls undertaken

Ah 24/6/2019 Steady state is in place and regular communication takes place with other agencies and within the council.

24/7/2019 AH New Prime Minister elected so expect more detailed information to come forward for the steering groups and working groups to work on and develop plans to mitigate any issues.

AH 23/8/2019 The Deputy Chief Executive attends welsh government and UK government briefings, sits on the SWLRF and has re-introduced the Brexit working group to ensure our preparedness and checks are in place and to mitigate any risks where possible or escalate where necessary. These meetings are held every 2 weeks on the run up to the 31 October.

AH 16/09/2018 all services have completed an assurance assessment and RAG rating on their preparedness and what mitigation and investigations have taken place and where additional work is required to give additional assurance. The deputy chief executive has also met with a range of companies and organisations to check Preparedness and also met with the Port Health Authority. Internal audit has also undertaken a Audit on the work undertaken on Preparedness and the outcome is High Assurance and no actions.

14/10/2019 Brexit Steering group meets every 2 weeks and a Teams site established to share information and updates between meetings. A Brexit strategic Workshop for South wales was held on 4th October to share information, good practice and scenario test.

19/11/2019 AH - Brexit extended till January and General Election on 12 December. Brexit steering group stood down, with the Teams site being updated with any updates and remains an agenda item at CMT and Leadership Team and services to continue to work up Brexit plans.

Responsible Officer: adam hill

Current Likelihood: Very High

Current Impact: Medium

Overall RAG Status: Red

Report Date: 21/11/2019 12:11:15

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 have established policies, procedures and communication to follow financial rules, procedures and guidance and to prevent the risk.
- Audit/Corporate Fraud have incorporated 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

BGS Reviewed 12/12/18 - no change to assessment - mitigations adequate

BGS Reviewed 13/2/19 - no change to assessment - mitigations remain adequate, following S151 action taken to strengthen schools segregation of duties for online banking access to own school accounts.

BGS reviewed 23/05/19 - no change to assessment - mitigations adequate

BGS reviewed 09/09/19 - no change to assessment - mitigations adequate

BGS reviewed 05/11/19 - no change to assessment - mitigation adequate

Responsible Officer: ben smith
Current Likelihood: Low
Current Impact: Medium
Overall RAG Status: Amber
Report Date: 21/11/2019 12:11:15

CR 101: Regional Working

Risk Description:

If the Council, along with its partners and Welsh Government, does not develop and improve regional working, then it will divert the Council and its resources from key priorities and will not benefit Swansea and its residents.

We need to (Recommendations from Scrutiny Inquiry):

- Continue to be ahead of the game by looking at positive ways forward for Swansea in Regional Working collaborations by being involved, where possible, in pilots/trials that may ease and prepare the way forward for us.
- Address or mitigate the barriers found in existing regional partnerships and use the lessons learnt to inform our new collaboration activities.
- Ensure that we learn particularly from previous large collaborations both positive and negative aspects to help ease our way into new partnership arrangements.
- Ensure all partnerships have an effective governance structure that has a suitable amount of elected member challenge built in, particularly scrutiny in those larger most impactful partnerships like Swansea Bay City Region, Western Bay and ERW.
- Ensure that each partnership has one clear structured lead that can facilitate communication between the partnership and scrutiny.
- Ensure that the current financial and resource implications for Swansea (including quantifying officer time) are clearly and continually understood.
- Review the regional bodies that we work with, to see if any can be rationalised or amalgamated. We must be SMART about the partnerships which we are involved in to ensure we are adding value for time spent.
- That modern technology is used for meetings to reduce travel time, including, for example skype, video conferencing. Ensuring the right facilities are available for Councillors and staff and that they are encouraged and trained to use them.
- Make more use of the third and private sector bodies in our collaboration activities.
- Make representations to Welsh Government through our different working partnerships about streamlining and simplifying the business case and grant application process.
- Partnerships regularly review their governance, membership and impact. This should include the publishing of an annual report.

Category:

Corporate Governance

Controls in Place:

- The senior management restructure approved by Council on 21st June strengthens the Council's management capacity to ensure that the regional collaboration agenda can be taken forward proactively by Swansea whilst also allowing the Council to manage its ambitious programmes based around the corporate priorities.
- The new senior management structure agreed at Council on 21st June 2018 has director leads in place for each partnership.
- The Council is playing a leading and proactive role in major regional collaborations.
- A mapping exercise has been undertaken that identified the key local, regional and national partnerships.
- ERW produces audited and published accounts and are inspected by Estyn and has produced a document called Democratic Accountability and Scrutiny, which recognises the role of scrutiny in, amongst other things, monitoring performance and budgets. The City Deal is in the development stages of practical formation and detailed agreement; it is envisaged that the governance structure will be similar to that of ERW.
- The Chief Executive takes the lead role for ERW and Western Bay as well as being an executive member of the City Deal Joint Committee.
- The Leader of the Council is the City Region Joint Committee Chair.
- The City Deal has a Joint Working Agreement in place, which was approved at Council on 26th July 2018.
- A review of progress has been undertaken by IPC on the Western Bay Health & Social Care collaboration.
- The Council meets up regionally with 5 other local authorities to discuss collaboration projects.
- The Council has a clear rationale in place when collaborating and it is clear on the anticipated benefits and costs.
- ERW has fully formed Governance Arrangements, which includes a Joint committee, an ERW Service Committee and a joint scrutiny mechanism. A Joint Committee Agreement and joint scrutiny arrangements were agreed for the City Deal at Council on 26th July 2018. Western Bay has a Joint Committee in place; there are scrutiny arrangements in place for all three partnerships
- The Council is playing a leading and proactive role in major regional collaborations.
- The Council has a clear rationale in place when collaborating and it is clear on the anticipated benefits and costs.
- The Council understands what it currently contributes directly to ERW, Western Bay and City Region and how much it contributes to all other partnerships.
- The Council is rolling out and promoting the use of Skype as part of the wider roll out of Office 365 resulting from the Council's Digital Strategy and modernisation agenda.
- The City Deal is being delivered with the involvement of the private sector.

The Western Bay Programme supports collaborative working between four statutory partner organisations, together with the third and independent sectors. ERW has independent members involved in the Executive Board.

- Representations have been made to Welsh Government on reforming the grant regime; for example through the Council's response to the recent Green Paper on Local Government Reorganisation.

Actions to be taken:

- Continue to influence the collaboration agenda and decision-making at Welsh Government (Responsible officer – Chief Executive).
- Undertake a lessons learnt exercise (including learning points identified by the Scrutiny Inquiry Panel) across the three main regional collaborations and develop an action plan/s with resource implications to address any specific and remaining barriers (Responsible officer - Director leads).
- Review governance arrangements of the 3 main partnerships – ERW, Western bay and City Deal - to ensure they remain fit for purpose (Responsible officer - Director leads & Monitoring Officer).
- Continue to assess the value to the Council from being involved in existing or new partnerships, including an analysis of costs and benefits (Responsible Officer - CMT).
- Review how Skype could be used amongst partners to reduce travelling and officer and Councillor time and further encourage participation in partnership working (Responsible officer – Chief Transformation Officer).
- Continue to engage the third sector in existing partnerships (Responsible officer - Director leads).
- Continue to press Welsh Government for a more streamlined grant process (Responsible officer – Chief Executive).
- Produce an annual report to Council on the progress made across the main regional collaborations; ERW, Western Bay and City Deal (Responsible officer – Chief Executive).

Update February 2019

- Responsible officer changed from Phil Roberts to Jack Straw as per CMT on 13/02/19.
- Regional Working Annual Report to proceed to Council on 25th April 2019

Update March 2019

- Regional Working Annual Report to proceed to Council annual meeting on 23rd May 2019

Update June 2019

- Responsible officer changed from Jack Straw to Phil Roberts as per CMT on 12/06/19.
- Discussion with CMT/Cabinet on possible approaches to regionalisation at next Awayday

Update August 2019

- Informal discussions held with Minister following CMT/Cabinet awayday discussion.

The Chief Executive has met with senior civil servants to discuss a regional

proposition.

Further discussions taken place with the Minister.

Regional discussion to be held next month.

CEO and Leader attendance at Regional Scrutiny enquiry to update on 15/10/19.

Update November 2019

Chief Executive has held discussions with other regional CEOs in mid and South West Wales.

Further discussions to be held with WG post-election.

Responsible Officer: phil roberts

Current Likelihood: Medium

Current Impact: Medium

Overall RAG Status: Amber

Report Date: 21/11/2019 12:11:15

CR 103: Sustainable Swansea Transformation Programme Delivery

Risk Description:

If the Sustainable Swansea Transformation Programme does not deliver radical cross-cutting change, then the Council and its workforce are at risk of being unsustainable in the longer term

RR 19/07/19 - Corporate Services Risk CS92 Sustainable Swansea Programme Delivery closed and matter escalated to Corporate Risk Register, as per CMT 10/07/19

Category:

Corporate Plan Priorities

Controls in Place:

- Programme plan.
- Robust programme governance and reporting.
- Monitoring and reporting at CMT away days and CMT/Cabinet Away Days.
- 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.
- Annual Report to Scrutiny.

Actions to be taken:

Latest update October 2019:

- WAO invited to November Sustainable Swansea Board session.

- 2019 review underway.
- Risk re-positioned in August: a) Escalated to corporate risk as delivery is the responsibility of CMT and Heads of Service; and b) The programme is large and articulates change and transformation across four areas many of which are not financial. Risks related to the MTFP savings have therefore been separated out.
- Scheduled 'deep dive' sessions and overall highlight report monitoring at CMT away days and CMT/Cabinet away days.
- Timing of complex change and transformation continues to be a challenge, particularly where services are trying to delivery business as usual and change at the same time with the same resources. Sickness has also impacted in some services. Mitigations are being delivered such as multiskilling and matrix working.
- Focus on digital transformation moving forward - digital first as per the strategy.
- New programme implementation underway following MTFP approval at March Council.
- Programme governance and reporting reviewed.
- Programme review underway - this year reviewing original strategic principles and framework.
- Commissioning review progress presented to Scrutiny in December - further questions and information will be presented at April Scrutiny Performance Panel.

Responsible Officer: Sarah Lackenby

Current Likelihood: Medium

Current Impact: High

Overall RAG Status: Amber

Report Date: 21/11/2019 12:11:15

Appendix C

Corporate Services Directorate Risk Register Report 21/11/19

Risk Id	Risk Title	Owner	Date Last Updated	Overall RAG
CS 83	ICT Disaster Recovery	Sarah Lackenby	22/10/2019	A
CS 91	Corporate Governance	Adam Hill	19/11/2019	A
CS 93	Snap Parliamentary Election/Referendum	Huw Evans	07/11/2019	A

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:

Latest update October 2019:

- Digital Strategy approved by CMT - cloud first strategy to significantly improve DR.
- New ERP system approved to improve DR as it is cloud based for major processes.
- Options for live testing of DR plan being considered.
- Audit undertaken in August 2018 with limited assurance. All actions from the recommendations now complete, Audit Committee updated.
- Information asset register created, next phase underway with asset owners
- Plans are being developed to provide a full DR solution covering Schools and corporate services.
- ICT resilience significantly improved with implementation of digital strategy, i.e. Office 365, new infrastructure and network configuration, new storage and back-up storage.
- Project underway moving more services to cloud to improve resilience.

- ICT working with resilience staff to support services with their business continuity arrangements.
- New projects underway in 2018 as part of Digital Strategy review.
- Oil change in transformer successfully completed with no down time in November 2017.

Owner: Sarah Lackenby

Responsible Officer: Sarah Lackenby

Current Likelihood: Low

Current Impact: Very High

Overall RAG Status: Amber

Report Date: 21/11/2019 12:42:33

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:

- 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).

MTFP agreed with finance reports also for HRA account and Capital programme agreed at Council on 28 February 2019.

Deputy Chief Executive presented at the Audit committee to show the link between risk and assurance and also at Scrutiny planning meeting to help shape.

AH 24/6/2019 CMT and Leadership governance review undertaken and new way of working introduced for management of agendas, schedule of business and core business items.

24/7/2019 AH Review of appraisal, 121 and Service plans being undertaken to look at format and ensure golden thread feeds throughout the process. This is expected to be completed by November 2019.

23/08/2019 a review of the annual governance statement has been undertaken in terms of how it is managed during the production of the SMAS submissions. This will transfer to the strategy team to co-ordinate.

16/09/2019 AH Annual Assurance Statement preparations SMAS have transferred to Richard Rowlands and an initial meeting is being set up to hand over.

14/10/2019 AH Annual Governance Statement handover meeting taken place and work has started on preparation for this years senior Managers assurance statements.

19/11/2019 AH - SMAS Templates circulated to Heads of Service and Directors for a 6 month review of current position within the directorates.

Owner: Adam Hill
Responsible Officer: adam hill
Current Likelihood: Low
Current Impact: High
Overall RAG Status: Amber
Report Date: 21/11/2019 12:42:33

CS 93: Snap Parliamentary Election/Referendum

Risk Description:

If a snap Parliamentary Election / Referendum is called due to Brexit or other reason Then this will have a risk impact on the Team ability to deliver it without additional support. It must be delivered therefore support must be provided.

Given the ongoing situation within Political Parties and the issues surrounding a Brexit deal, there is a likelihood that a snap Parliamentary Election or Referendum could be called at short notice. The minimum time that the Government need give is 25 working days. This could place the Authority in a difficult position when looking to deliver the election due to Officer planned leave, the need to book venues (Rooms within Guildhall, Polling Stations & Count Venue), appoint and train Postal Voting Staff, Polling Station Staff, and Counting Staff etc.

Controls in Place:

- The HoDS and Electoral Services Team Leader manage Officer Leave and they ensure that there is adequate cover in place for the planned period; however this could get difficult if a snap election were called.
- All additions, deletions and amendments to the Register of Electors are carried out as quickly as possible so as to ensure that as many people as possible are able to vote.
- The Electoral Services Team Leader has informed the relevant Room Booking Officers within the Authority of the potential for a snap election and for them to be prepared to cancel bookings in order to accommodate the election.
- The Head of Democratic Services formally requests additional support from the Chief Executive (Returning Officer) during such periods in order to assist with making contact with all 145 Polling Station venues in order to ensure that they are booked for the day.
- Electoral Services Team Leader / HoDS attends Association of Electoral Administrator Meetings & works closely with the Electoral Commission.
- Continue with the online training of staff system currently in place. Whilst there is a cost to this, it frees up the Electoral Services Team with the aid of the DS Team to get on with the detailed work linked to an election.

Actions to be taken:

- The HoDS to ask relevant Officers to consider cancelling their leave in the event of a snap election. Consideration needs to be given to recompense any critical Officer needed to run such an election.
- In the event of a snap election, the Chief Executive should instruct those responsible for Room Bookings within the Authority, that Elections take precedence and that all bookings will be cancelled. This becomes difficult when Weddings and other major events are being held in the Brangwyn Hall and surrounding rooms. Consideration in that event would be to utilise the LC or other Leisure Centres in Swansea.

Reviewed - The ongoing effect of Brexit and the Deal / No Deal debate continues to keep this as a very real risk. No update required on 26 November 2018

Reviewed 11/12/2018.

RR 07/01/19 - Legal & Demo Service Risk LD33 escalated to Corporate

Services Directorate Risk Register as per email dated 18/12/18 from Huw Evans Head of Democratic Services.

Reviewed: 18/02/2019 - The risk remains real. We will continue to liaise with Electoral Commission etc and are ready to react. Staffing risk due to leave remains a concern.

Reviewed: 18/03/2019 - The potential of a Snap Parliamentary Election and / or a Referendum remain as real risks. There is now an additional risk, with the UK potentially having to participate in the European Parliamentary Elections on 23-26 May 2019. A European Parliamentary Election is one of the most straight forward elections to deliver as Swansea will not be the Returning Officer, therefore we will not have any links with Candidates, Ballot Paper Design or Proofing. All key venues are provisionally booked and key staff are ready to work to deliver it. Easter leave will mean some staffing difficulties but this has been factored in.

Reviewed: 16/05/2019 - No change.

Reviewed: 23/06/2019. European elections successfully delivered. Imminent Conservative Party Leadership Election. There remains high possibility of snap General Election/further referendum which is being closely monitored.

Reviewed: 15/07/2019 - No Change.

Reviewed: 21/08/2019 - There is significant chatter in the media of a potential of a Snap Election in Autumn 2019 with the likely dates being 24 or 31 October or 7 or 14 November 2019. HoDS has kept Returning Officer appraised and has shared draft Election timetables for those dates. Count Venues are booked, Staffing Letters have been sent out and Polling Station Letters have also been sent out.

Reviewed: 04/09/2019 - The likely hood of a Snap Election gathered momentum last night, with the PM stating that he would be putting a motion in relation to the Fixed Term Parliament. The expected date is now Tuesday, 15 October 2019 but nothing set in stone. On Monday, 2 September 2019, the Head of Democratic Services asked the Returning Officer (Chief Executive) for officer support to speed up the administration of the Annual Canvass as this impacted on a Snap Election. The Returning Officer released officers to assist with the work and this is ongoing.

Reviewed: 10/09/2019 - Parliament was prorogued yesterday until 14 October 2019. As such, a Snap Parliamentary Election is delayed until 21 November 2019 at the earliest.

Reviewed: 10/10/2019 - The Prorogation of Parliament was found to be unlawful by the Supreme Court and Parliament continued to meet. However, it has since been prorogued again with a Queen's speech due early next week. The weekend of 19 & 20 October 2019 may bring about more certainty as to whether there will be a snap Parliamentary Election / Referendum. However,

at the moment, everything is uncertain.

Reviewed: 07/11/2019 - Writ was issued today. We will publish the notice of Election on 08/11/2019. The careful planning and monitoring of the risk has allowed the Deputy Returning Officer and supporting team to be ready. Election will be held on 12 December 2019. All venues booked. Staffing is well underway.

Owner: Huw Evans

Responsible Officer: tracey meredith

Current Likelihood: High

Current Impact: Medium

Overall RAG Status: Amber

Report Date: 21/11/2019 12:42:33

People Directorate Risk Register Report 21/11/19

Risk Id	Risk Title	Owner	Date Last Updated	Overall RAG
PE 61	Withdrawal or changes to grants at short notice	David Howes	06/11/2019	R
PE 83	Capacity to transform services and deliverability of budget proposals	Nick Williams	17/10/2019	R
PE 84	Increasing Demand for Specialist Services	David Howes	10/10/2019	A
PE 85	Workforce Planning	Dave Howes	06/11/2019	A
PE 87	Band B Programme funding envelope is reduced	Nick Williams	17/10/2019	A
PE 89	Data Breaches of Confidentiality	Dave Howes	06/11/2019	A
PE 90	Financial Stability of Social Care Market	David Howes	10/10/2019	A
PE 92	Specialist Provision and OOC Placements	Mark Sheridan	02/09/2019	R
PE 93	Accessibility Plan in light of WG guidance	Louise Herbert-Evans	17/10/2019	A
PE 94	Implementation of ALNET Act 2018	Mark Sheridan	02/09/2019	R
PE 95	Capacity for effective commissioning arrangements	David Howes	06/11/2019	A
PE 96	Failure to manage the provision of ALN in line with the ALN act will result in increased expenditure	Mark Sheridan	02/09/2019	R

PE 97	Failure to administer a multiagency approach to vulnerable learners will encounter increased resource costs	Nick Williams	18/09/2019	R
PE 98	AVAILABILITY OF DOMICILIARY CARE	David Howes	06/11/2019	R

PE 61: Withdrawal or changes to grants at short notice

Risk Description:

There is a significant risk of the withdrawn or reduction at short notice, particularly around the uncertainty of Brexit.

If this happens there are additional costs to the Council as well as planning challenges for reduction in service delivery.

Controls in Place:

Monthly liaison with Welsh Government takes place to identify potential loss of grants at an early stage and joint working arrangements in place to understand the impact of any loss or reduction of grants feeding into WG Brexit plans. Spending review in WG currently underway, the majority of these grants are not EU funded however the impact of funded needed by WG to mitigate for Brexit will effect reserves, which in turn will effect funding allocations to these areas.

Grants are coordinated via the Commissioning Hub to ensure:

- A consistent approach to commissioning externally funded grant programmes by managing them through a single hub in line with WG developments Flexible Funding approach to Grant for both internal and external services.
- We maximise use of grant opportunities to draw down additional funds in a coordinated and planned way to add value to service delivery
This approach enables us to have full oversight of grant programmes and mitigate against withdrawal or changes in grant allocation at short notice by giving us the ability to move between grant programmes if applicable, this is in line with WG approach to flexible funding Grant applications are considered carefully and rejected if the terms and conditions are too restrictive.

Corporate Finance are advising departments about the need to comply with Council procedures. This has had a particular focus on the requirement for NGAs and ensuring grants with a value of £75k and above are considered by External Funding Panel.

Actions to be taken:

Continued monitoring of grants – ongoing – all on track for 19/20

Continued discussions with WG – ongoing – nothing will be confirmed for 20/21 until January 2020

Scenario planning to take place now to identify what a potential 10% reduction in grants would look like and how this would impact on service delivery and existing saving plans.

This will be incorporated into the commissioning reviews already underway looking at these areas to understand the impact of a funding reduction and help prioritise areas based on need, demand and outcomes.

All commissioning reviews are underway, apart from the Flying Start Childcare Settings in Schools which will start in January 2020

Information re-inputted (6 November 2019) due to system failure - David Howes, Director of Social Services

Owner: David Howes

Responsible Officer: jane whitmore

Current Likelihood: High

Current Impact: High

Overall RAG Status: Red

Report Date: 21/11/2019 13:39:46

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 be able to effectively manage service pressures and so deliver budget targets

Controls in Place:

09/09/19:

Regular reporting on budget proposal tracker to PFM

Proposals developed in good time for agreement with Cabinet

Cabinet Members well briefed on the issues and decisions that will need to be taken

Wherever possible capacity for invest to save opportunities built into budget plans 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 Budget Forum.

Continuing work to, as far as possible, deliver required MTFP savings targets

over next three years.

Actions to be taken:

29/05/19-17/10/19 - Budget tracker, outturn variances and continuing service pressures reported to PFM on a monthly basis. Whilst specific savings proposals remain deliverable, the scale of continuing unfunded pressures on demand led and inherently volatile service budgets presents a considerable challenge and almost certainly a budget overspend.

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.

Service plans completed.

Savings targets still deliverable but external and unforeseen pressures may delay delivery of targets.

External statutory pressures are now creating a risk of overspends in other areas particularly out of county/independent placements and recoupment as well as support for severe and complex needs.

ERW Directors and joint council agreed in principle greater transparency of distribution based on purpose rather than historical precedent.

Owner: Nick Williams

Responsible Officer: nick williams

Current Likelihood: High

Current Impact: High

Overall RAG Status: Red

Report Date: 21/11/2019 13:39:46

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 (All options appraisals to be finalised by April 2020).

Implementation of commissioning review options for OP res care to develop more specialist internal services for older people. Re-commissioning of domiciliary and respite at home services (contract awards to commence October 2019)

Updated 10 October - David Howes, Director of Social Services

Owner: David Howes

Responsible Officer: peter field

Current Likelihood: Medium

Current Impact: High

Overall RAG Status: Amber

Report Date: 21/11/2019 13:39:46

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. Social Care Wales as the workforce regulator sets the strategic direction for the development of the social care workforce. Significant changes in legislation and statutory requirements in the current economic climate pose a risk to their implementation within the required timescales for internal as well as external commissioned providers.

Controls in Place:

Senior Workforce development group (SWFDG) in partnership HR established to produce clear data sets to understand workforce current future needs.

- Improvement plan for Child and family services that link workforce-planning needs throughout to ensure a skilled, qualified and experienced workforce.
- Transformation Plan for Adult services in place, outlining what will be required to achieve change.
- Preparation and action planning for the workforce in readiness for legislative and regulatory changes.

All roles have been mapped and plans in place in readiness for the All Wales induction Framework for our registered services.

A risk matrix has been developed for internal and external staff identifying number of staff with or without qualification and what actions will be taken to

ensure all staff are on a pathway to register to enable timely registration.

Further development of regional working and where appropriate sharing resources.

The Staff Development & Training unit are working together with The Domiciliary Service Manager to ensure our internal Domiciliary care workers achieve the requirements needed for their imminent registration We are also working regionally with the external providers providing information, guidance and assistance where required .

In the process of employing suitably qualified and experienced assessors to meet the requirements of the new qualification framework.

- Interim Training Needs Analysis and Workforce Plan is in place.
- Improvement program for skilled workforce in place for Child and family Services.
- SCWWDP – financial application for 2019/20 has been completed and letter of confirmation received.
- Agreed Practice Frameworks for both Child and Family and Adult Services.

Actions to be taken:

- Identify reporting mechanisms, which must include and incorporate a performance framework this work is ongoing with SWFDG.
- To continue development of Action planning for residential registration and qualification needs.
- Conclude a performance framework and ensure it is embedded within services – Ongoing.
- The development of marketing opportunities in social care.
- Work force structure and data cleanse linked to the work force development plan.- Ongoing work with SWDG.
- Role profile linked to qualification framework and CPD for all social care staff ongoing.
- Development of system to ensure verified qualification review.
- Production of training hub project plan.
- Communication strategy specific to workforce planning to be developed.
- Completion of the SCWWDP midpoint review on progress for priority outcomes regionally and locally is being collated in readiness for November submission date.

Information re-inputted (6 November 2019) due to system failure - David Howes, Director of Social Services.

Owner: Dave Howes

Responsible Officer: teresa mylan-rees

Current Likelihood: Medium

Current Impact: Medium

Overall RAG Status: Amber

Report Date: 21/11/2019 13:39:46

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:

29/05/19-17/10/19: Continuing positive progress to develop detailed business cases for WG approval and deliver early priority capital investment areas. Concerns have been consistently raised regarding the capacity of teams across the Council to deliver the scale of capital investment to the required timescales.

- 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: 21/11/2019 13:39:46

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) has been completed.

PO for Resources attends all breach panels and communicates lessons learned.

Communication on keeping data safe has been circulated via May's edition of the staff newsletter in both Adult & Children's Services.

Actions to be taken:

DPIA has been completed along with a process for sending mail. Next steps are to roll out communication/training workshops.

Changes in processes agreed via Panel to be incorporated into guidance for staff with master copy held by PO Resources.

Practice guidance being developed for Social Work Staff to be discussed at SMT September 2019.

Working Group to be formed to plan formal training.

Exercise being undertaken to ensure all managers have completed the GDPR compliance checklist and that all systems holding personal data are on the Information Asset Register by the end of June 2019.

New process for Adoption Reviews being developed to tighten up on security following recent breach. To be signed off at POG September 2019.

Mandatory face to face training being introduced as part of Social Services Induction. Monitoring to take place of ELearning compliance – ongoing.

PO- Resources to be member of the newly formed Corporate Information Governance Group.

Information re-inputted (6 November 2019) due to system failure - David Howes, Director of Social Services.

Owner: Dave Howes

Responsible Officer: Sonia Miles

Current Likelihood: Medium

Current Impact: High

Overall RAG Status: Amber

Report Date: 21/11/2019 13:39:46

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. Escalating Concerns multi agency home closure processes in place to transfer residents to alternative settings.

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 West Glamorgan 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 stabilize 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 supported living and domiciliary care service Providers. This will help to build stability in the sector (contract awards scheduled for first of October 2019).

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. This involves assessing impacts of NLW and other inflationary pressures to ensure fees paid cover these cost pressures.

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

Updated 10 October 2019 - David Howes, Director of Social Services

Owner: David Howes

Responsible Officer: peter field

Current Likelihood: Medium

Current Impact: Medium

Overall RAG Status: Amber

Report Date: 21/11/2019 13:39:46

PE 92: Specialist Provision and OOC Placements

Risk Description:

If there continues to be a shortfall in specialist in county placements for pupils with moderate to profound and complex difficulties including ASD then the department will face escalating costs to place out of area or escalating home education placements and provision or overspend of the severe and complex needs budget.

A lack of in-county placements is reducing parents' confidence of in-county provision as well as calls from STFs for extra funding to meet the complexity of needs. There will continue to be significant pressure on the out of county and recoupment budgets which will be difficult to mitigate.

Controls in Place:

Escalated from Service Risk ED36 linked to EDR044.

The LA is looking to increase recoupment charges in line with updated S.52 statement and including admin charges.

Band B proposals submitted for a new special school submitted although these are now likely to be pushed back to Band C.

3 x new ASD STFs due to open opened in Jan 2018.

Further proposals increase further specialist provision capacity being drafted for approval at SLB and Cabinet/Council now subject to consultation.

Actions to be taken:

02/09/19

- 20 new places created in Penybryn Special School.
- Arfryn identified as site for interim provision for learners with ASD and challenging behaviour.
- Special School Plans now prioritised and project group agreed to deliver. MS to chair.
- Outreach not sustainable under current grant conditions but ABA practitioners trained.
- However, severe and complex needs budget and independent and out of county budgets now predicted to overspend.

- Although Welsh figures show that overall home educated learners have not risen in numbers in Swansea the proportion who have ALN and are being educated at home has risen from 15 in 2014 to over 70 in 2019.

02.05.19

Capacity issues are hampering progress. Paper to restructure ALN services presented to CMT.

06/18:

Alison Lane added as responsible officer following appointment as Head of ALNU. Mark Sheridan remains risk owner as Head of Service.

- Renewed bid to transformation grant to increase/enhance capacity building activity over the next two years.
- In medium term increase STF places by re-designating current STFs, increasing number of STFs for MLD and ASD. In long term build new special school as part of Band B. The development of outreach support will help to mitigate risk. Seek to ensure ABA providers are quality assured.
- ALN Strategy to map need and provision.

12/17: In short term use innovation funding to provide outreach capacity from special schools. Identify good practice in specialist provision and provide funding to release staff from specialist provision to help with the monitoring. Develop a monitoring and evaluation framework which enables the LA to review specialist provision on an annual basis.

In short term more closely manage severe and complex needs budget and increase places in Pen-y-bryn and current STFs. In medium term increase STF places by re-designating current STFs, increasing number of STFs for MLD and ASD. In long term build new special school as part of Band B. The development of outreach support will help to mitigate risk. Seek to ensure ABA providers are quality assured.

11/17: Finalise specialist provision and special school paper. Continue with Band B proposal process. Bring STFs online

Owner: Mark Sheridan

Responsible Officer: Alison Lane (Edu)

Current Likelihood: High

Current Impact: High

Overall RAG Status: Red

Report Date: 21/11/2019 13:39:46

PE 93: Accessibility Plan in light of WG guidance

Risk Description:

If the Plan is not updated this year then the LA is liable to Equality Act discrimination appeals or Ombudsman complaints

Controls in Place:

- Review and update Accessibility Strategy
- Carry out condition surveys
- Identify lead officer

Actions to be taken:

09/09/19-17/10/19: Work is ongoing with existing control measures.

22/05/19:

New risk

Owner: Louise Herbert-Evans

Responsible Officer: louise herbert-evans

Current Likelihood: High

Current Impact: Medium

Overall RAG Status: Amber

Report Date: 21/11/2019 13:39:46

PE 94: Implementation of ALNET Act 2018**Risk Description:**

The new ALNET Act 2018 has significantly widened the potential statutory demands on LAs and increased the likelihood of escalating appeals for assessment and provision from a wider group of stakeholders.

If the confidence of parents and schools is not improved then the LA will face increasing costs awarded against it by Tribunal if the LA is not supported to oppose the appeals legally and otherwise.

The number of statements of special educational needs is proportionately the highest in Wales and is currently increasing. Statutory PIs are, therefore, deteriorating due to capacity within the LA to manage the volume of work. Inclusion of actual levels of statements and statement resource in the formula used to delegate the severe and complex needs budget has introduced a perverse incentive that may encourage schools to maintain statements and seek new statements.

The implementation of the ALNET Act by September 2020 is compromised by the lack of capacity at strategic levels in the ALN Unit due to the high level of operational management required. If these capacity issues are not resolved then there is a risk to the LAs reputation and consequent financially damaging legal actions because of the statutory nature of the reform.

05/06/19: If we do not get sign up from other key stakeholders with regard to their responsibilities to identify need and secure provision it is likely the local authority will not meet its statutory obligations with regards to the ALNET Act and face significant cost implications.

Controls in Place:

05/06/19: Review existing ALN Strategy and Implementation Plan.

- Engaging with parents and key stakeholders through the commissioning review.
- Working with schools with regard to the funding formula
- Working group set up to look at the funding formula.
- There are robust decision making and moderation processes in place for starting statutory assessments and stating levels of provision in statements.
- Proposals for addressing the staffing capacity issues are being presented to SLB.
- New models of service delivery being developed to clarify the provision offer and make it more flexible and targeted.
- Training in person centred approaches is being secured.

Actions to be taken:

02/09/19

- Continuing engagement with Regional ALN leads about the regional transformation plan.
- Annual review shows good progress against the ALN Strategy and Implementation Plan despite significant capacity issues.
- However, the issue of a statutory EYALNLO has not been resolved.
- New ALNU structure has been presented to CMT.
- Corporate paper on new structure with all costs and metrics being drafted as part of the wider Education re-structure.

06/06/19 - Escalated from service risk register due to Likelihood and Impact being revised to very high.. Previously ED35. Moved by administrator CRG

05/06/19:

- ALNU structure approved in principal.
- Attendance at ALN leads meetings.
- Judicious use of transformation grant funding to support training and engagement events with regard to the Act and Draft Code.

06/18

Alison Lane added as responsible officer following appointment as Head of ALNU. Mark Sheridan remains risk owner as Head of Service.

- Commissioning Review completed and changes in staffing structures agreed and in the process of implementation, although there are issues with recruitment to key posts.
- Joint working group to look at formula funding set up but progress is slow
- PCP training will be part of the regional implementation plan
- Outreach services commissioned using innovation funding to build school capacity.
- Panels already provide robust decision making and moderation. However, lack of capacity to oppose appeals to Tribunal and volume of tribunal appeals have mitigated against this action.

- ALN Strategy to be developed.
- Website and online presence requires improving
- Parent partnership/Early disagreement/dispute resolution processes and services require developing.

12/17:

- Careful management of decision and moderation processes including Panels.
- Meetings arranged with head reps to discuss this issue and review formula prior to ALNET Bill implementation.
- Need to look at wordings on Statements.

11/17:

- Conclude the commissioning review options appraisal
- Implement models of service delivery and commissioning review options
- Conclude negotiations with regard to funding formula
- Continued engagement with parents, carers, children and young people with regard to implementation
- Develop a communication plan and strategy as well as training for ALNET implementation

Owner: Mark Sheridan

Responsible Officer: Alison Lane (Edu)

Current Likelihood: Very High

Current Impact: Very High

Overall RAG Status: Red

Report Date: 21/11/2019 13:39:46

PE 95: Capacity for effective commissioning arrangements

Risk Description:

If there is insufficient capacity for decommissioning and re-commissioning, the Council's procurement arrangements remain at risk in terms of legal compliance, the effective drawdown of funding to comply with grant T&Cs and our ability to utilise a co-productive approach.

Controls in Place:

A cross directorate review has taken place and available resources have been reorganized to maximize capacity.

Opportunities for further development have been identified.

A commissioning hub has been established

Cross directorate governance arrangements have been established.

Actions to be taken:

A People Directorate Workplan is in place outlining areas of work for the next 12 – 18 months. This demonstrates a cross cutting commissioning approach.

New Commissioning Hub established from 1st August 2019

Planning work underway to review all roles around the commissioning cycle within the structure over the next 4 – 6 months. An initial workshop bringing all the teams together and explore roles around the IPC commissioning cycle, is planned for the 11th November which will identify gaps to inform review of job roles.

Further work to be undertaken with education to further embed integrated arrangements, maximise resources and realise commissioning opportunities, however capacity in this area is an issue which will be looked at in future structures.

Information re-inputted (6 November 2019) due to system failure David Howes, Director of Social Services

Owner: David Howes

Responsible Officer: jane whitmore

Current Likelihood: Medium

Current Impact: High

Overall RAG Status: Amber

Report Date: 21/11/2019 13:39:46

PE 96: Failure to manage the provision of ALN in line with the ALN act will result in increased expenditure**Risk Description:**

The ALN Act extends the local authority's responsibilities for identifying ALN and securing additional learning provision (ALP) to the age range of 0-25. Currently it is not clear if there is sufficient provision across the authority to meet the additional learning needs for learners aged 0-3 and 16-25 with severe and or complex needs. IF there is insufficient provision available to meet identified additional learning needs in these age ranges THEN it is likely the authority will face increased costs due to the use of independent placements and provision which the local authority will be required to secure under the new legislation.

Controls in Place:

02/09/19

- Review current ALN Strategy and Implementation Plan
- Work closely with Social Services and Health to include 0 – 3 and 19 – 25 with ALN in their commissioning reviews and planning so that there is a robust local authority offer.

- Work closely with Family Support Services and People Commissioning Group to secure grant funded specialist posts for 0 – 3 which can be used to identify and to support need flexibly.
- Secure core funding for EYALNLO as a statutory role.
- Secure flexible grant funding to enable assessment of 16 – 25 age range.
- Provide training to early years providers to improve capacity and reduce referrals for LA maintained IDPs.
- Awareness training for post-16 providers in Social Services.

19/06/19:

We need to map additional learning needs for the 0-3 and post 16 age ranges as well as the provision that is available across the Authority offered by Health, Social Services, Education and the third sector as well as non-maintained settings.

To work with local FE colleges to improve the capacity for them to include learners with more severe and complex needs as part of their Post 16 offer. Work with Early Years non-maintained settings as well as central Early Years teams and flying start to enable early identification and increased capacity to meet needs in an integrated way.

Further details are set out in the ALN Strategy and Implementation Plan.

Actions to be taken:

19/06/19: New risk escalated from Education PFM 17/06/19.

Owner: Mark Sheridan

Responsible Officer: Alison Lane (Edu)

Current Likelihood: High

Current Impact: High

Overall RAG Status: Red

Report Date: 21/11/2019 13:39:46

PE 97: Failure to administer a multiagency approach to vulnerable learners will encounter increased resource costs

Risk Description:

There are a significant cohort of learners with severe, complex and challenging needs who are proving difficult to place within the County and also out of County or in independent provision. IF the local authority cannot find a multi-agency integrated response to meet the needs of these learners THEN it will face increasing statutory costs, accommodation, and placement out of county which will have an impact on current corporate priorities such as the safe LAC reduction strategy.

Controls in Place:

18.09.19 Following formation of the task and finish group the following control

measures have been identified:

Form and operational group to look at immediate multi-agency wrap-around solutions to current cohort of learners who are hard to place.

Map the potential numbers of learners who are falling into this group.

Map current provision.

Identify interim solutions that can increase the offer of educational placements for this group of learners.

19.06.19 Within authority multi-agency task and finish group needs to be formed to generate solutions and implementation plan.

Actions to be taken:

18/09/19 Hard to Place Task and Finish Group formed and met twice.

19/06/19: New risk escalated from Education PFM on 17/06/19.

Owner: Nick Williams

Responsible Officer: mark sheridan

Current Likelihood: High

Current Impact: High

Overall RAG Status: Red

Report Date: 21/11/2019 13:39:46

PE 98: AVAILABILITY OF DOMICILIARY CARE

Risk Description:

Difficulty recruiting and retaining domiciliary care workers is having an impact on the availability of domiciliary care. This in turn creates a number of pressures. The number of people on the waiting list for dom care services continues to grow and is close to being at an all-time high. Step down from hospital is prevented leading to delayed transfers of care. Use of rehab services for these purposes (and to prevent hospital admission) cannot be optimised since these resources are backed up providing temporary bridging services, pending availability of longer term domiciliary care. Over reliance of residential care may occur at increased cost, risk of reduced capacity, and increased dependency / reduced quality of life for individuals.

Controls in Place:

Re-procured services at higher cost, with improved terms and conditions for dom carers and more efficient geographical coverage, to enhance provider capacity to deliver services and recruit and retain staff.

Revised direct payments strategy to incentivise take up and reduce burden on commissioned services.

Daily management of waiting lists and contact with care providers to facilitate access to services.

Piloting of “hospital to home” initiatives to alleviate hospital pressures and reduce escalation of care and support needs.

Actions to be taken:

Opportunities to develop more preventative services being explored (e.g. community catalyst type services aimed at developing community solutions, micro enterprises, social enterprises and shared care arrangements which meet needs, prevent escalation and reduce demand of dom care.

Commissioning officers currently examining potential to expand care home services into dom care market to address capacity issues.

Re-fresh of procurement framework in 2020 to encourage further new entrants to market.

Ongoing support for dom care providers to build capacity and recruit workforce.

Information re-inputted 6 November 2019 due to system failure - David Howes, Director of Social Services.

Owner: David Howes

Responsible Officer: peter field

Current Likelihood: High

Current Impact: High

Overall RAG Status: Red

Report Date: 21/11/2019 13:39:46

Place Directorate Risk Register Report 21/11/19

Risk Category :

Risk ID	Risk Title	Risk Level	Risk Description	Directorate	Service Area	Project Name	Responsible Officer	Updater	Prev Overall RAG	Current Overall RAG	Last Updated	Active
72	PL Gen 45 Highways -Failure to adequately maintain structural integrity of Highway Assets.	Directorate	The Highway and its infrastructure is in a poor condition due to a lack of investment over many years. There is a substantial backlog of outstanding maintenance. Current funding levels mean that the number of roads in poor condition is increasing and will double within 10 years. An increase in traffic, HGV movements and prevailing weather conditions are increasing contributory factors. An increase of assets managed without additional budget is also an increasing pressure. There is a risk that sections of the highway will become unfit for purpose. There is a risk of increasing claims due to failure to meet statutory duty. Risk to continued operation through inadequate condition of car parks may have significant impact on revenue and the City Centre Economy.	Directorate - Place	Highways and Transportation	-	Bob.Fenwick	Bob.Fenwick	Amber	-	31-OCT-19	Yes
66	Inadequate supply of affordable housing to meet needs	Directorate	if the Authority can not deliver enough affordable housing to meet the identifies need then there will be a negative reputational impact on the Authority.	Directorate - Place	Housing and Public Health (PLACE)	-	Carol.Morgan	Peter.Williams	Red	Red	19-NOV-19	Yes
73	Major Transport Provider Ceases Trading	Directorate	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.	Directorate - Place	Highways and Transportation	-	Cath.Swain	Cath.Swain	Amber	-	31-OCT-19	Yes
48	Loss of Trees due to Ash Die Back	Directorate	Ash Die Back (ADB) is a disease which is likely to affect all Ash trees across the country. Any Ash trees which become infected need to be felled for safety. If ADB is not managed and resourced effectively, then there will be significant overspends incurred, risk to life and property, and risk o reputation.	Directorate - Place	Waste Parks and Cleansing	-	Chris.Howell	Jeremy.Davies	Red	-	31-OCT-19	Yes
61	Disabled Facilities Grants - Budget Performance	Directorate	If the DFG budget for 2019/20 is not fully spent then this could have reputational impacts for the Authority	Directorate - Place	Housing and Public Health (PLACE)	-	Darren.Williams	Peter.Williams	Amber	-	25-OCT-19	Yes
62	Impact of Welfare Reform	Directorate	If the impact of Welfare reform is not managed effectively then there could be a significant negative financial impact on the Housing Revenue Account and associated Business Plan.	Directorate - Place	Housing and Public Health (PLACE)	-	Jane.Harries2	Peter.Williams	Amber	-	25-OCT-19	Yes

Risk Category :

Risk ID	Risk Title	Risk Level	Risk Description	Directorate	Service Area	Project Name	Responsible Officer	Updater	Prev Overall RAG	Current Overall RAG	Last Updated	Active
83	Loss of expertise due to reduction in Capital Funding	Directorate	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	Directorate - Place	Highways and Transportation	-	Stuart.Davies	Lee.Davies	Amber	-	31-OCT-19	Yes
77	SERVICE FAILURE OF VEHICLE FLEET (PL GEN 95)	Directorate	The delayed vehicle renewal programme has resulted in a vehicle fleet age profile that is older than required. Increases in vehicle maintenance costs and non-availability as occurring as a result. Approximately 25% of the fleet is overdue in terms of intended replacement dates	Directorate - Place	Highways and Transportation	-	Mark.Barrow	Mark.Barrow	Amber	-	31-OCT-19	Yes
59	PL FIN 2: Building Maintenance	Directorate	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.	Directorate - Place	Corporate Building Services	-	Nigel.Williams	Martin.Ridgeway	Amber	-	31-OCT-19	Yes
46	Swansea's Natural Resources & Biodiversity	Directorate	If we do not maintain and enhance Swansea's natural resources and biodiversity, including reversing tree loss, then there will be wider and detrimental impacts on environmental, social, cultural and economic well-being. Issue: The number of trees and area of tree cover within the County of Swansea is declining. Factors causing loss of trees (including hedgerows and woodlands) include: ζ Tree diseases and pathogens. ζ Removal of trees for safety reasons. ζ Trees lost through development. ζ Lack of robust tree protection measures. ζ Lack of a strategy for replacing lost trees. ζ Natural loss through age. Risks arising as a result of tree loss include ζ Air and water quality will deteriorate, affecting people's health. ζ Mental health and well-being will decline. ζ The risk of flooding and landslip will increase in some areas. ζ Atmospheric carbon levels will increase. ζ Loss of biodiversity and ecological resilience. ζ Localised temperature controls and other environmental shelter will be lost. ζ Birds and other wildlife will lose habitats and food sources. ζ The loss of ecosystem services will impact on public service budgets. ζ The loss of aesthetic and character will lead to falling property values, affecting the local and regional economy. ζ Noise levels will increase. ζ We will not comply with legislative requirements, e.g. Environment (Wales) Act 2016. ζ Reputational damage. ζ Precedent set for 'other' developers. ζ Loss of local distinctiveness and sense of place. ζ Sale of council owned land ζ should be assessed for consideration under the duty imposed by the Environment (Wales) Act 2016 for Tree retention and protection by TPO; could result in both the legal cost and reputational risk of non-compliance.	Directorate - Place	Planning and City Regeneration	-	Paul.Meller	Paul.Meller	-	-	27-SEP-19	Yes

Risk Category :												
Risk ID	Risk Title	Risk Level	Risk Description	Directorate	Service Area	Project Name	Responsible Officer	Updater	Prev Overall RAG	Current Overall RAG	Last Updated	Active
60	Welsh Housing Quality Standard	Directorate	If the Authority does not achieve the Welsh Housing Quality Standard by 31st December 2020 then sanctions could be imposed on the Authority by the Welsh Government and there would be a reputational impact also	Directorate - Place	Housing and Public Health (PLACE)	-	Peter.Williams	Peter.Williams	Amber	Amber	19-NOV-19	Yes
81	PL GEN 81: Failure to deliver the infrastructure to support the City Bay Region's Economic Regeneration Strategy	Directorate	To provide Strategic Transport links to main centres of employment. Infrastructure projects are partially 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. 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 The proposal to develop a SW Wales Metro in collaboration with the Regional Authorities will contribute to the aim of improving connectivity.	Directorate - Place	Highways and Transportation	-	Stuart.Davies	Lee.Davies	Amber	-	31-OCT-19	Yes
63	Risk Identified by the Food Standards Agency	Directorate	If the current backlog in low level food premises hygiene inspections continues, there could be an impact on public health and the reputation of the Council	Directorate - Place	Housing and Public Health (PLACE)	-	Lynda.Anthony	Peter.Williams	Amber	-	31-OCT-19	Yes

Agenda Item 8



Report of the Section 151 Officer

Audit Committee – 10 December 2019

Treasury Management – Interim Year Review Report 2019/20

Purpose: To provide the Audit Committee with the Treasury Management – Interim Year Review Report that was presented to Council on 27 November 2019.

Report Author: Jeff Dong

Finance Officer: N/A

Legal Officer: N/A

Access to Services Officer: N/A

For Information

1. Background

1.1 To provide the Audit Committee with the Treasury Management – Interim Year Review Report that was presented to Council on 27 November 2019.

Background papers: None.

Appendices:

Appendix A - Treasury Management – Interim Year Review Report that was presented to Council on 27 November 2019.



Report of the Section 151 Officer

Council – 27 November 2019

**Treasury Management – Interim Year Review Report
2019/20**

Purpose:	To receive and note the Treasury Management Interim Year Review Report 2019/20.
Report Author:	Jeffrey Dong
Legal Officer:	Debbie Smith
Finance Officer:	Ben Smith
Access to Services Officer:	Rhian Millar
For Information	

1 Background

- 1.1 This report is presented in line with the recommendations contained within the The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management which requires an interim year review of Treasury Management operations to be presented to Council

2 Introduction

- 2.1 Treasury Management is defined as:

“The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. ” A glossary of terms is at Appendix 1.

- 2.2 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised November 2009) was adopted by this Council in February 2010.

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's Treasury Management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead; a Mid-year Review Report and an Annual Report covering activities during the previous year.
4. 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.
5. Delegation by the Council of the role of scrutiny of Treasury Management strategy and policies to a specific named body.

This Interim Year Review Report has been prepared in compliance with CIPFA's Code of Practice, and covers the following:

- An economic update for the first six months of 2019/20
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy
- A review of the Council's investment portfolio for 2019/20
- A review of the Council's borrowing strategy for 2019/20
- A review of any debt rescheduling undertaken during 2019/20
- A review of compliance with Treasury and Prudential Limits for 2019/20

3 Economic Update

- 3.1 **UK.** This first half year has been a time of upheaval on the political front as Theresa May resigned as Prime Minister to be replaced by Boris Johnson on a platform of the UK leaving the EU on or before 31 October, with or without a deal. However, in September, his proroguing of Parliament was overturned by the Supreme Court and Parliament carried a bill to delay Brexit until 31 January 2020 if there is no deal by 31 October. MPs also voted down holding a general election before 31 October. Parliament has since agreed to a general election on the 12th December 2019. At the time of writing the whole Brexit outcome is highly contingent on the outcome of the general election. Given these circumstances, any interest rate forecasts are subject to material change as the situation evolves. If the UK does soon achieve a deal on Brexit agreed with the EU then it is possible that growth could recover relatively quickly. The MPC would then need to address the issue of whether to raise Bank Rate at some point in the coming year when there is little slack left in the labour market; this could cause wage inflation to accelerate which would then feed through into general inflation. On the other hand, if there was a no deal Brexit and there was a significant level of disruption to the economy, then growth could weaken even further than currently and the MPC would be likely to cut Bank Rate in order to

support growth. However, with Bank Rate still only at 0.75%, it has relatively little room to make a big impact and the MPC would probably suggest that it would be up to the Chancellor to provide help to support growth by way of a fiscal boost by e.g. tax cuts, increases in the annual expenditure budgets of government departments and services and expenditure on infrastructure projects, to boost the economy.

- 3.2 The first half of 2019/20 has seen UK **economic growth** fall as Brexit uncertainty took a toll. In its Inflation Report of 1 August, the Bank of England was notably downbeat about the outlook for both the UK and major world economies. The MPC meeting of 19 September reemphasised their concern about the downturn in world growth and also expressed concern that prolonged Brexit uncertainty would contribute to a build-up of spare capacity in the UK economy, especially in the context of a downturn in world growth. This mirrored investor concerns around the world which are now expecting a significant downturn or possibly even a recession in some major developed economies. It was therefore no surprise that the Monetary Policy Committee (MPC) left Bank Rate unchanged at 0.75% throughout 2019, so far, and is expected to hold off on changes until there is some clarity on what is going to happen over Brexit. However, it is also worth noting that the new Prime Minister is making some significant promises on various spending commitments and a relaxation in the austerity programme. This will provide some support to the economy and, conversely, take some pressure off the MPC to cut Bank Rate to support growth.
- 3.3 As for **inflation** itself, CPI has been hovering around the Bank of England's target of 2% during 2019, but fell to 1.7% in August. It is likely to remain close to 2% over the next two years and so it does not pose any immediate concern to the MPC at the current time. However, if there was a no deal Brexit, inflation could rise towards 4%, primarily as a result of imported inflation on the back of a weakening pound.
- 3.4 With regard to the **labour market**, despite the contraction in quarterly GDP growth of -0.2% q/q, (+1.3% y/y), in quarter 2, employment continued to rise, but at only a muted rate of 31,000 in the three months to July after having risen by no less than 115,000 in quarter 2 itself: the latter figure, in particular, suggests that firms are preparing to expand output and suggests there could be a return to positive growth in quarter 3. Unemployment continued at a 44 year low of 3.8% on the Independent Labour Organisation measure in July and the participation rate of 76.1% achieved a new all-time high. Job vacancies fell for a seventh consecutive month after having previously hit record levels. However, with unemployment continuing to fall, this month by 11,000, employers will still be having difficulty filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to a high point of 3.9% in June before easing back slightly to 3.8% in July, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 2.1%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. The latest GDP statistics also included a revision of the savings ratio from 4.1% to 6.4% which provides reassurance that consumers' balance

sheets are not over stretched and so will be able to support growth going forward. This would then mean that the MPC will need to consider carefully at what point to take action to raise Bank Rate if there is an agreed Brexit deal, as the recent pick-up in wage costs is consistent with a rise in core services inflation to more than 4% in 2020. In the **political arena**, alongside general election promises being made will eventually result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up although, conversely, a weak international backdrop could provide further support for low yielding government bonds and gilts.

- 3.5 **USA.** President Trump's massive easing of fiscal policy in 2018 fuelled a temporary boost in consumption in that year which generated an upturn in the rate of strong growth to 2.9% y/y. Growth in 2019 has been falling back after a strong start in quarter 1 at 3.1%, (annualised rate), to 2.0% in quarter 2. Quarter 3 is expected to fall further. The strong growth in employment numbers during 2018 has reversed into a falling trend during 2019, indicating that the economy is cooling, while inflationary pressures are also weakening The Fed finished its series of increases in rates to 2.25 – 2.50% in December 2018. In July 2019, it cut rates by 0.25% as a 'midterm adjustment' but flagged up that this was not to be seen as the start of a series of cuts to ward off a downturn in growth. It also ended its programme of quantitative tightening in August, (reducing its holdings of treasuries etc). It then cut rates again in September to 1.75% - 2.00% and is thought likely to cut another 25 bps in December. Investor confidence has been badly rattled by the progressive ramping up of increases in tariffs President Trump has made on Chinese imports and China has responded with increases in tariffs on American imports. This trade war is seen as depressing US, Chinese and world growth. In the EU, it is also particularly impacting Germany as exports of goods and services are equivalent to 46% of total GDP. It will also impact developing countries dependent on exporting commodities to China.
- 3.6 **EUROZONE.** Growth has been slowing from +1.8 % during 2018 to around half of that in 2019. Growth was +0.4% q/q (+1.2% y/y) in quarter 1 and then fell to +0.2% q/q (+1.0% y/y) in quarter 2; there appears to be little upside potential to the growth rate in the rest of 2019. German GDP growth fell to -0.1% in quarter 2; industrial production was down 4% y/y in June with car production down 10% y/y. Germany would be particularly vulnerable to a no deal Brexit depressing exports further and if President Trump imposes tariffs on EU produced cars. The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by purchases of debt. However, the downturn in EZ growth in the second half of 2018 and into 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate growth. At its March meeting it said that it expected to leave interest rates at their present levels "at least through the end of 2019", but that was of little help to boosting growth in the near term. Consequently, it announced a third round of TLTROs; this provides banks with cheap borrowing every three months from September 2019 until March 2021 which means that, although they will

have only a two-year maturity, the Bank is making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank's eligible loans. However, since then, the downturn in EZ and world growth has gathered momentum so at its meeting on 12 September, it cut its deposit rate further into negative territory, from -0.4% to -0.5%, and announced a resumption of quantitative easing purchases of debt. It also increased the maturity of the third round of TLTROs from two to three years. However, it is doubtful whether this loosening of monetary policy will have much impact on growth and unsurprisingly, the ECB stated that governments will need to help stimulate growth by fiscal policy. On the political front, Austria, Spain and Italy are in the throes of forming coalition governments with some unlikely combinations of parties i.e. this raises questions around their likely endurance. The recent results of two German state elections will put further pressure on the frail German CDU/SDP coalition government.

- 3.7 **CHINA.** Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems. Progress also still needs to be made to eliminate excess industrial capacity and to switch investment from property construction and infrastructure to consumer goods production. The trade war with the US does not appear currently to have had a significant effect on GDP growth as some of the impact of tariffs has been offset by falls in the exchange rate and by transshipping exports through other countries, rather than directly to the US.
- 3.8 **JAPAN** - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.
- 3.9 **WORLD GROWTH.** The trade war between the US and China is a major concern to financial markets and is depressing worldwide growth, as any downturn in China will spill over into impacting countries supplying raw materials to China. Concerns are focused on the synchronised general weakening of growth in the major economies of the world compounded by fears that there could even be a recession looming up in the US, though this is probably overblown. These concerns have resulted in government bond yields in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US), and there are concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks. The latest PMI survey statistics of economic health for the US, UK, EU and China have all been sub 50 which gives a forward indication of a downturn in growth; this confirms investor sentiment that the outlook for growth during the rest of this financial year is weak.

4 Review of the Treasury Management Strategy Statement and Investment Strategy

4.1 The Treasury Management Strategy Statement for 2019/20 was approved by Council in February 2019. The Council's Annual Investment Strategy, which is incorporated in the Treasury Management Strategy Statement, outlines the Council's investment priorities as follows in order of priority:

- Security of capital
- Liquidity
- Yield

4.2 The Council shall aim to achieve the optimum return (yield) on investments commensurate with the proper levels of security and liquidity. In the current economic climate it is considered only appropriate to invest with highly credit rated financial institutions, using our advisor's suggested creditworthiness appraisal approach, including sovereign credit rating and credit default swap (CDS) overlay information.

4.4 Borrowing rates and available investment interest rates have remained at historically low rates during 2019/20, with certain periods of extreme volatility, reflecting the political uncertainty prevailing each time. No external borrowing has been undertaken during the interim period, since the last report.

4.5 As outlined in Section 3 above, there is still considerable uncertainty and volatility in financial and banking markets, both globally and particularly in the UK, pending General Election and Brexit determination. In this context, it is considered that the strategy approved in February 2019 is still appropriate in the current economic climate and has been reviewed whilst considering and formulating the strategy for 2020/21 as funding for capital and cashflow requirements dictate.

4.6 Public Works Loan Board (PWLB)

HM Treasury made a shock determination on the 9th October 2019 affecting all future borrowing from the Public Works Loan Board (PWLB) which would now be subject to an additional 1.00% 'premium' over and above existing margins above prevailing Gilt yields. Representations are being made via WLGA, and WG about the negative impact this change will have on capital programmes in progress throughout local authorities in Wales.

4.7 It should be noted that this Council undertook £90m of borrowing, wholly fulfilling its current capital financing requirement in 2018/19 at historically low interest rates, materially bringing down the average cost of capital to the Council, ahead of this punitive change.

5 Review of Investment Portfolio 2019/20

5.1 In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite

- 5.2 A full list of internally managed investments held as at 30th September 2019, is shown in Appendix 3. To 30th September 2019, the portfolio has returned 0.79% against a 7 day benchmark rate of 0.6%

6 Review of Borrowing Strategy

- 6.1 The current capital financing requirement (CFR) was funded by taking advantage of the historic low rates experienced in 2018/19 as previously reported to Council in the Treasury Management Annual Report 2018/19. No additional borrowing has been undertaken in 2019/20. Total external debt as is £554m at an average interest rate of 4.22%.

7 Review of Debt Rescheduling

- 7.1 Debt rescheduling opportunities are constantly evaluated but have been limited in the current economic climate and consequent structure of interest rates. No debt rescheduling has been undertaken in 2019/20 to date.

8 Review of Compliance with Treasury & Prudential Limits

- 8.1 It is a statutory duty for the Council to determine and keep under review the “Affordable Borrowing Limits”. The Council’s approved Treasury and Prudential Indicators (affordability limits) are outlined in the approved Treasury Management Strategy Statement.
- 8.2 During the financial year to date the Council has operated within the Treasury limits and Prudential Indicators set out in the Council’s Treasury Management Strategy Statement and in compliance with the Council’s Treasury Management Practices. Compliance with the Prudential and Treasury Indicators are shown in Appendix 4.

9 Financial Implications

- 9.1 The financial implications associated with this report have been reported at Council in February 2019 in the Revenue and Capital Budget Reports 2019/20

10 Legal Implications

- 10.1 There are no direct legal implications associated with this report

11 Equality and Engagement Implications

- 11.1 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.

Appendix A

- 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 (EIA) process ensures that we have paid due regard to the above. We have undertaken an EIA screening which demonstrates there are no equality impact implications arising directly from this report (Appendix 5)

Background papers: The revised CIPFA Treasury Management Code of Practice 2009
The revised CIPFA Prudential Code for Capital Finance in Local Authorities 2013
The revised CIPFA Prudential Code for Capital Finance in Local Authorities 2017

Appendices Appendix 1 - Glossary of terms
Appendix 2 - Interest Rate forecast
Appendix 3 - Schedule of investments
Appendix 4 - Prudential Indicators
Appendix 5 - Equality Impact Assessment

Treasury Management – Glossary of Terms

Annualised Rate of Return	Represents the average return which was achieved each year.
Authorised Limit	The authorised limit must be set to establish the outer boundary of the local authority's borrowing based on a realistic assessment of risks. The authorised limit is not a limit that a Council 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 requirements.
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.
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.
Capital Financing Charges	These are the net costs of financing capital i.e. interest and principal, premia less interest discounts received.
Capital Financing Requirement	The Capital Financing Requirement is capital expenditure, which needs to be financed from borrowing.

	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.
CPI (Consumer Price Index)	The consumer price index (CPI) is a measure of the average price of consumer goods and services purchased by households. It is one of several price indices calculated by national statistical agencies. The percent change in the CPI is a measure of inflation.
Credit Rating	<p>This is a scoring system that lenders use to determine how credit worthy borrowers 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.
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 in the Act includes both borrowing as defined for the balance sheet and other long terms liabilities defined as credit arrangements through legislation.

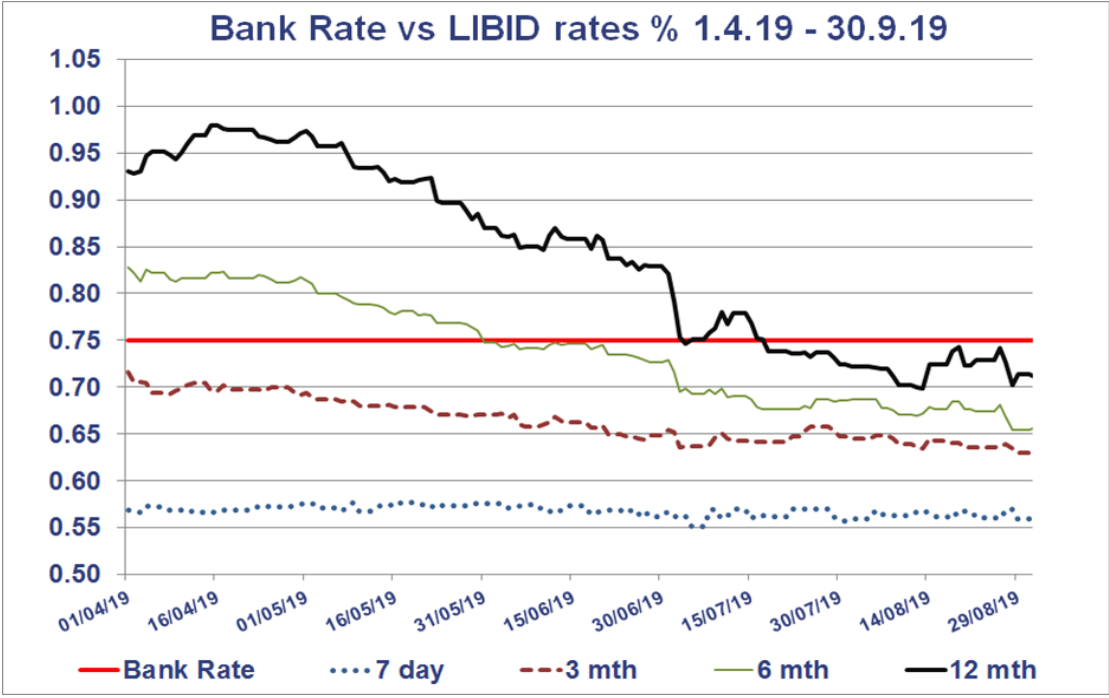
Debt Management Office (DMO)	Government Agency responsible for the issuance of government borrowing and lending.
De- leveraging	Paying back borrowed sums of money
Discounts	Where the prevailing interest rate is higher than the fixed rate of a long-term loan, which is being repaid early, the lender can 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 Statements (FRSs)	These are standards set by governing bodies on how the financial statements should look.
Gilts	Gilts are bonds issued by the UK government. The term is of British origin, and refers to the securities certificates issued by the Bank of England, which had a gilt (or gilded) edge.
Investments	<p>Investments are the aggregate of:-</p> <ul style="list-style-type: none"> • Long term investments • Short term investments (within current assets) • Cash and bank balances including overdrawn balances
IMF	International Monetary Fund
Leverage	Borrowed sums of money

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 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.</p> <p><u>Externally Managed Funds</u> Fund managers appointed by the Council invest surplus cash in liquid instruments such as bank certificates of deposit and government stocks. The fund managers' specialist knowledge should ensure a greater diversification of investments and higher expected returns</p>
Maturity	The date when an investment is repaid or the period covered by a fixed term investment.
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 inflation within plus or minus 1% of a central target of 2% in two years 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 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 and a quota formula for the amount that can be borrowed. 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.

<p>Quantitative Easing</p>	<p>Extreme form of monetary policy used to stimulate an economy where interest rates are either at or close to zero. Normally a central bank stimulates the economy by lowering interest rates but when it cannot lower them further it can attempt to seed the system with new money by quantitative easing.</p> <p>In practical terms, the central bank purchases financial assets including government debt and corporate bonds from financial institutions using money it has created by increasing its own credit limits in its own bank accounts. Also know as 'printing money' although no extra physical cash is created.</p>
<p>Risk</p>	<p><u>Credit /Counterparty Risk</u> The risk that 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>
<p>Set Aside Capital Receipts</p>	<p>A proportion of money received by the Council for the sale of fixed assets must be set aside to repay debt.</p>
<p>SORP</p>	<p>Statement of Recommended Practice, published by CIPFA (Local Authority Accounting Body). This sets out guidelines regarding the Council's financial matters.</p>

<p>Specified/Non Specified investments</p>	<p>Specified investments are sterling denominated investments for less than 364 days as identified in Appendix A in line with statutory investment regulations. Non-specified investments are all other investments identified in Appendix A in line with statutory investment regulations.</p>
<p>Supranational Bonds</p>	<p>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.</p>
<p>Temporary Borrowing and Investment</p>	<p>Loans which are capable of being repaid within one year. The term of the loans will be negotiated from overnight to 364 days.</p>
<p>Treasury Management</p>	<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>
<p>Yield Curve</p>	<p>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.</p>



Investments as at 30/9/19

Counterparty	£
Bank of Scotland	19,811,428.18
Santander Bank	20,800,000.00
Aberdeen City Council	5,000,000.00
Birmingham City Council	9,000,000.00
Bournemouth Christchurch & Poole BC	1,500,000.00
Coventry Building Society	3,000,000.00
Fife Council	5,000,000.00
Goldman Sachs	22,000,000.00
Kingston Upon Hull Council	4,000,000.00
Lancashire CC	7,500,000.00
London Borough of Southwark	3,000,000.00
Reading Borough Council	5,000,000.00
Rhondda Cynon Taf CBC	3,000,000.00
RB of Windsor and Maidenhead	5,000,000.00
Thurrock Council	20,000,000.00
	133,611,428.18

Appendix A
APPENDIX 4

Prudential Indicators

Capital Prudential Indicators	2018/19	2019/20
	Outturn	Original Estimate
	£'000	£'000
Capital Expenditure		
GF	40,379	53,842
HRA	45,835	67,313
TOTAL	86,214	121,155
Ratio of financing costs to net revenue stream	%	%
GF	6.75	5.98
HRA	16.44	16.29
Capital Financing Requirement	£'000	£'000
GF	333,490	396,375
Credit Arrangements	1,898	186,909
HRA	151,068	1,248
TOTAL	486,456	584,532

Treasury Management Prudential Indicators	2018/19	2019/20
	Outturn	Original Estimate
	£'000 or %	£'000 or %
Authorised limit for external debt	458,535	681,958
Operational boundary for external debt	458,535	641,958
Upper limit for fixed interest rate exposure	78.6%/ £360,535	100%/ £681,958
Upper limit for variable interest rate exposure	21.4%/ £98,000	40%/ £272,783
Upper limit for total principal sums invested for over 364 days	0	40,000

Appendix A

Maturity Structure of Fixed Rate Borrowing in 2019/20			
	Upper Limit	Lower Limit	Actual
Under 12 months	50%	0%	0.7%
12 months and within 24 months	50%	0%	0.5%
24 months and within 5 years	50%	0%	0.1%
5 years and within 10 years	85%	0%	9.7%
10 years and above	95%	15%	89%

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 2019/20

Above figures are as at 30th Oct 2019. None of the above limits/Prudential Indicators have been breached during 2019/20 to date.

Please ensure that you refer to the '[Screening Form Guidance](#)' while completing this form. If you would like further guidance please contact your support officer in the Access to Services team (see guidance for details).

Section 1
What service area and directorate are you from?
Service Area: Finance & Delivery
Directorate: Resources

Q1(a) WHAT ARE YOU SCREENING FOR RELEVANCE?

Service/ Function Proposal	Policy/ Procedure	Project	Strategy	Plan	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**(b) Please name and describe below
TREASURY MANAGEMENT INTERIM YEAR REPORT 19/20**

Q2(a) WHAT DOES Q1a RELATE TO?

Direct front line service delivery	Indirect front line service delivery	Indirect back room service delivery
<input type="checkbox"/> (H)	<input type="checkbox"/> (M)	<input checked="" type="checkbox"/> (L)

(b) DO YOUR CUSTOMERS/CLIENTS ACCESS THIS SERVICE...?

Because they internal need to	Because they want to	Because it is automatically provided to everyone in Swansea	On an basis i.e. Staff
<input type="checkbox"/> (H)	<input type="checkbox"/> (M)	<input type="checkbox"/> (M)	<input checked="" type="checkbox"/> (L)

Q3 WHAT IS THE POTENTIAL IMPACT ON THE FOLLOWING...

	High Impact	Medium Impact	Low Impact	Don't know
	(H)	(M)	(L)	(H)
Age	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Disability	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Gender reassignment	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Marriage & civil partnership	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Pregnancy and maternity	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Race	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Religion or (non-)belief	→	<input type="checkbox"/>	<input type="checkbox"/>	✓	<input type="checkbox"/>
Sex	→	<input type="checkbox"/>	<input type="checkbox"/>	✓	<input type="checkbox"/>
Sexual Orientation	→	<input type="checkbox"/>	<input type="checkbox"/>	✓	<input type="checkbox"/>
Welsh Language	→	<input type="checkbox"/>	<input type="checkbox"/>	✓	<input type="checkbox"/>
Poverty/social exclusion	→	<input type="checkbox"/>	<input type="checkbox"/>	✓	<input type="checkbox"/>
Carers	→	<input type="checkbox"/>	<input type="checkbox"/>	✓	<input type="checkbox"/>
Community cohesion	→	<input type="checkbox"/>	<input type="checkbox"/>	✓	<input type="checkbox"/>

Q4 Have you / will you undertake any public consultation and engagement relating to the initiative?

Yes ✓ No (If no, you need to consider whether you should be undertaking consultation and engagement – please see the guidance)

If yes, please provide details below

Q5(a) HOW VISIBLE IS THIS SERVICE/FUNCTION/POLICY/PROCEDURE/PROJECT/ STRATEGY TO THE GENERAL PUBLIC?

High visibility to general public
 (H)

Medium visibility to general public
 (M)

Low visibility to general public
✓ (L)

(b) WHAT IS THE POTENTIAL RISK TO THE COUNCIL'S REPUTATION? (Consider the following impacts – legal, financial, political, media, public perception etc...)

High risk to reputation
 (H)

Medium risk to reputation
✓ (M)

Low risk to reputation
 (L)

Q6 Will this initiative have an impact (however minor) on any other Council service?

✓ Yes No **If yes, please provide details below**
The cost of capital for all capital projects undertaken by the Authority is informed by the TM strategy

Q7 HOW DID YOU SCORE? Please tick the relevant box below – NOTE: Q3 counts as a single H, M or L (and one H / M outscores any n° of Ls)

MOSTLY H and/or M → HIGH PRIORITY → EIA to be completed

Please go to Section

2

**MOSTLY L → LOW PRIORITY / NOT RELEVANT → ✓ Do not complete EIA
Please go to Q8 followed by Section 2**

Q8 If after completing the EIA screening process you determine that this service/function/policy/project is not relevant for an EIA you must provide adequate explanation below.

This is a back office function which although important has little or no direct impact on the groups identified in Q3

Section 2

Please send this completed form to the Access to Services Team for agreement before obtaining email approval from your Head of Service.

Screening form completed by:
Name: Jeff Dong
Location: 1.4.1c civic centre
Telephone Number: 6934
Date: 1/11/19
Approval by Head of Service:
Name: Ben Smith
Position: S 151 Officer
Date: 1/11/19

Please return the completed form to accesstoservices@swansea.gov.uk

Agenda Item 9



Report of the Section 151 Officer

Audit Committee – 10 December 2019

Revenue and Capital Budget Monitoring 2nd Quarter 2019/20

Purpose: To provide the Audit Committee with the Revenue and Capital Budget Monitoring Report that was presented to Cabinet on 21 November 2019.

Report Author: Ben Smith

Finance Officer: N/A

Legal Officer: N/A

Access to Services Officer: N/A

For Information

1. Background

1.1 To provide the Audit Committee with the Revenue and Capital Budget Monitoring Report that was presented to Cabinet on 21 November 2019.

Background papers: None.

Appendices:

Appendix 1 - Revenue and Capital Budget Monitoring Report that was presented to Cabinet on 21 November 2019.



Report of the Cabinet Member for Economy & Strategy

Cabinet – 21 November 2019

Revenue and Capital Budget Monitoring 2nd Quarter 2019/20

Purpose:	To report on financial monitoring of the 2019/20 revenue and capital budgets, including the delivery of budget savings.
Policy Framework:	Budget 2019/20 Transformation and Future Council (Sustainable Swansea –fit for the future)
Consultation:	Cabinet Members, Corporate management Team, Legal Services and Access to Services.
Recommendation:	<ol style="list-style-type: none"> 1. It is recommended that the comments and variations in this report, and the actions in hand to address these, are noted. 2. That Director's plans to assure Cabinet that service budgets can be sustainably brought back into line for 2019-20 and beyond are noted and implemented by 1 April 2020, and earlier still where possible. 3. That no officer may consider any material further spending commitments until those savings plans , as outlined above to address service overspending are assured and delivered.
Report Author:	Ben Smith
Finance Officer:	Ben Smith
Legal Officer:	Tracey Meredith
Access to Services Officer:	Rhian Millar

1. Background and Introduction

- 1.1 This report details forecast variations from the agreed budget for 2019/20, including the latest assessment of the delivery of savings.
- 1.2 In respect of Revenue Budgets, this report provides a consolidated forecast which combines:
- projected variations (mainly shortfalls) in relation to budget savings agreed by Council in February 2019
 - Variations arising from other service pressures not directly linked to specific savings plans (e.g. increased service demand, price and pay inflation, increased, but most often unfunded, regulatory obligations and burdens from both UK and Welsh governments)
- 1.3 The report includes comments from Directors in relation to the variations highlighted and the action that is in hand or proposed as appropriate.
- 1.4 The report also includes the latest completed Savings tracker summary in Appendix C that indicates the current overall forecast delivery % of the various savings streams by the services is at 80%. Any shortfalls in achieving savings will be reflected in the table at 2.3 and in Appendix A.

2 Revenue Outturn Forecast Based on 2nd Quarter Position

- 2.1 Appendix 'A' to this report details the approved Revenue Budget for 2019/20 and the forecast variation at this time.
- 2.2 Other than projected variations on Directorate expenditure, it is still too early to forecast variations that may arise on some significant Corporate items, including the level of Council Tax collection (which posted a deficit in 2018-19 of £0.3m though in previous years has returned a modest surplus) – it is assumed at the current time that these remain largely as per the approved budget.
- 2.3 The overall Directorate position is summarised below:-

DIRECTORATE

	FORECAST VARIATION 2019/20 £000	SAVINGS VARIATION 2019/20 £000	OTHER VARIATION 2019/20 £000
RESOURCES	-65	1,757	-1,822
PEOPLE - SOCIAL SERVICES	986	975	11
PEOPLE - EDUCATION	1,986	0	1,986
PLACE	0	701	-701
<i>NET DIRECTORATE EXPENDITURE</i>	2,907	3,433	-526

2.4 Directors' comments on the above variations are shown at Appendix B :-

2.5 Within the *Sustainable Swansea* Delivery Programme, work continues to develop service delivery plans that will include all savings requirements across all strands. This includes the cross cutting nature of new reviews as well as the completion of current in-flight reviews.

2.6 Whilst continuing to improve, the above potential service overspend remains a significant risk and needs to be addressed on a whole Council basis as it remains unsustainable in the medium term to continuously spend more than budgeted, especially so given the position is helped only temporarily by one off grant funding sources . A number of the overspend areas follow on from the outturn position for 2018/19 and need to be considered in the light of the forecast savings going forward within the 2019/20 budget, Medium Term Financial Plan, and the cumulative effect of non-achievement of savings going forward.

2.7 Corporate Management Team has re-enforced the current arrangements for budget monitoring in particular :-

- focus on a range of corrective actions;
- targeted immediate spend reduction action;
- spending control on all vacancies and contracts;
- a continued reminder that **no Responsible Officer is authorised to overspend their budget in line with Financial Procedure Rules;**
- and consequently that Directors have brought forward to Cabinet and Corporate Management Team detailed and realistic mitigation plans to contain service overspending.

2.8 Offsetting opportunities do exist to temporarily ameliorate the currently identified service demand and price pressures as follows.

- £1m was set aside in the budget for the potential costs relating to the impact of the Apprenticeship Levy. The final costs relating to this levy will only be known once final employee related costs are calculated at the year end. Should the full allocation not be required then any saving will be proposed to be used to mitigate service pressures at year end.
- £2m was also set aside to meet any specific and significant inflationary increases arising in year. A Commercial savings target was held corporately in 2018/19 and initially 2019/20. Any actual contract/procurement savings were delivered within services and not allocated to this central target. For 2019/20 this total has been allocated to services and is funded from the Inflationary provision to avoid double counting against previous contract procurement savings. Given the overall financial projection at this stage it is proposed by the S151 officer that £1.1m is allocated to services to cover commercial pricing pressures as outlined in the 1st Quarter report and the remaining £0.9m be conserved for now as a hedge against potential service over spending . The most likely area needing further budgetary support in year for inflation costs continues to be Social Services given a range of contract renewals and re-tenders and continued fragility of some providers in the market.

- Use of the Contingency Fund as detailed below.

3 Contingency Fund Provision for 2019/20

3.4 The contingency fund is set at the £7.072m contribution for 2019/20 as set out in the budget report approved by Council in February 2019. This is significantly higher than in recent years reflecting additional mitigation against any repeated overspending.

3.5 The current potential calls on the contingency fund for 2019-20 are:-

Contingency Fund 2018/19	Prediction
	2019/20 (£m)
Budgeted contribution for year.	7.072
One off interim support arrangements for Chief Executive and ongoing regional working.	-0.030
One off support to a range of events celebrating the 50 th anniversary of the granting of city status to Swansea .	-0.158
Support for Swansea Community Awards.	-0.003
Key Cities Subscription.	-0.010
High Street Multi Story Car Park urgent lift works.	-0.135
Swansea Market urgent works	-0.075
New Depot : CTU equipment(previous service earmarked reserve fully used in extremis to balance budget 18-19. Anticipated spend now funded in 19-20)	-0.314
Western Powerhouse subscription	-0.020
Equalities consultation and co-production support	-0.005
ER/VR in year costs if ultimately exceeding balance on Restructure Reserve of £3m (this is currently not expected to be needed on basis of levels of ER/VRS).	0.000
Service overspend mitigation £2.007m and mitigation for future spend risks/demand and regulatory pressures/inflation £4.315m	-6.322
Balance 31st March 2020	0

The above table lists current potential calls on the budgeted contingency fund. The final amounts will be dependent on a number of factors during the year including speed of implementation, actual costs/commitments incurred and final Directorate outturn position. Spend approvals will be deliberately limited to seek to maximise underspend here as part of mitigating budget savings action. Updates will be provided during the financial year as part of the routine quarterly reporting to members.

Appendix 1

As set out in the 2018-19 Revenue outturn report to members some £3m remained within the Restructure Reserve to contribute toward ER/VR costs in 2019-20. The S151 officer proposes that any such costs over and above this £3m will be funded via the contingency. The final costs of ER/VR will only be known towards the end of the year once all management actions re savings proposals etc are implemented. At this stage it is assumed that all ER/VR costs will be able to be contained within the sum left in the Restructure Reserve.

The S151 officer proposes that ,as set out in Appendix A, the forecast shortfall in the funding of service costs for 2019-20 of £2.007m (Service overspends of £2.907m less unallocated Inflation provision £0.9m) will be met in full from the Contingency fund. That the remaining balance on the Contingency Fund of £4.315m be provisionally allocated to mitigate any potential additional spend risks/ demand and regulatory pressures/ pay and price inflation arising in the financial year.

The S151 officer proposes to reserve his final position on the recommended levels of use of the restructure reserve and contingency fund until the success or otherwise of reducing the forecast overspend is known at year-end.

3.6 The current indication is that, for 2019-20, there still needs to be urgent and decisive action to pursue and deliver all savings proposals across the Council.

3.7 The action being taken includes working through existing plans on an accelerated delivery basis :

- Management and Business Support Review: ongoing review of the management structure across the Council and future requirements given the Council's priorities, future challenges and the changing nature of the role of managers
- Reducing the Pay Bill: review of options to reduce employee costs across the Council as part of our overall future workforce strategy (subject to trade union consultation at the appropriate time)
- Commercialism through third party Procurement Savings and Income Generation: review of further options to increase income from fees and charges, trading etc, in addition to the targets already set for 2019/20
- Progressing implementation of Commissioning Reviews and Cross Cutting Themes.
- Further implementation of the Social Services Saving Plan through which we have identified mechanisms for bringing down overall costs.
- Continuing the extant spending restrictions which have been reviewed, refreshed and reissued by Corporate Management Team.
- Directors detailed action plans which are summarised in their commentary in Appendix B.

3.8 It should be noted that at this time, although the Council continues to pursue a number of VAT related claims, some are more advanced than others, there is NO certainty of windfalls from VAT refunds or any other external source being received in the current year.

4 Revenue Budget Summary

4.4 The position reported above reflects the best known current position. A net £2.907m of shortfall in service revenue budgets, offset by £0.9m of identified additional savings

from the non-allocation of the Inflation provision together with utilising £2.007m from the use of the Contingency Fund.

- 4.5 Corporate Management Team have reinforced the expectation that both service and overall net expenditure **must** be contained within the relevant limits of the current year budget as set by Council.
- 4.6 As previously mentioned, it is too early to provide an accurate forecast as to the potential outturn on corporate items such as Council Tax collection which is in itself potentially affected by the effects of welfare reform measures, but offset by an often increasing tax base.
- 4.7 Included in the projected budget for 2019/20 for other corporate items are capital finance charges. At this early stage no variance is forecast, in any case any underspending or overspending will be transferred at year end to or from the capital equalisation reserve, a strategy previously agreed by Council. This will be reviewed and updated during the year as various capital schemes/programmes progress.
- 4.8 The overall judgement at this point is that there remains an urgent need to identify and implement existing and additional budget savings across all Council Services to improve the 2019/20 position and beyond.
- 4.9 There remains a degree of confidence that some further inroads can continue to be made into the forecast overspend position by ongoing management and member action. Equally, the scale remains such, that it would be on balance very unlikely that spending can be fully contained in year without wide scale mitigation actions, including those set out in this report.
- 4.10 There continue to be increasing risks around general inflationary pay and price pressures (including potentially another higher than previously budgeted teachers' pay award from September). Nevertheless the Council simply cannot afford to fund them, unless additional grant support is forthcoming from Welsh Government, otherwise savings will have to be made elsewhere to meet such pressures.
- 4.11 Detailed monitoring of budgets will continue to be carried out and reported to Departmental Performance and Financial Management meetings on a monthly basis.
- 4.12 The Section 151 Officer has previously considered professional advice given as to funding levels within the Insurance Reserve and notwithstanding the ongoing modest draws from the reserve over the duration of the MTFP to help support the revenue budget, he is satisfied there is at least a further £2.648m of headroom (over funding) beyond that reasonably likely needed to meet future claims. This enables a transfer to be made between earmarked reserves and bolster the capital equalisation reserve yet further in anticipation of the substantial future capital spending which remains to be predominantly financed from unsupported borrowing. This transfer was approved by Council on the 24th October 2019 in the annual Review of Revenue Reserves report.
- 4.13 It is imperative that sustainable base budget savings are found to replace these in year one off actions to stabilise the 19-20 budget ahead of an anticipated extremely challenging and uncertain 2020-21 budget round.

5 Capital Budget

5.1 Expenditure to 30th September 2019 is £41.81 million, summarised as follows:

Directorate	Budget 2019/20	Actual to 30/09/19	% spend
	£'000	£'000	
Corporate Services	6,522	695	10.7%
People	28,264	2,898	10.3%
Place (General Fund)	77,793	18,853	24.2%
Place (HRA)	60,746	19,364	31.9%
Total	173,325	41,810	24.1%

Expenditure on major capital schemes is detailed in Appendix D.

It should be noted that the actual spend to 30 Sept may only have 4 or 5 months costs relating to external invoices. In addition the budgets will be reviewed during October which will result in some budgets being re-profiled into later years. Nevertheless it remains highly likely that some capital expenditure slippage will ensure and this will help reduce the in-year revenue costs of capital financing.

6. Housing Revenue Account

6.1 There are no material budget issues to flag at this stage of the year. There are some anticipated underspends on employee costs (currently forecast at around £100K) and any slippage on the capital programme may lead to a reduction in capital finance costs however it is too early in the year to make an accurate forecast. Overall the current repairs forecast is a small overspend (£60k) and will continue to be monitored closely.

7. Legal Issues

7.1 There are no legal issues contained within this report.

8. Equality issues

8.1 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.

8.2 The Revenue budget of the Council was approved following the application of the corporate Equality Impact Assessment (EIA) process throughout the Budget setting process. It is essential where service levels are affected by changes to the Revenue Budgets (including savings options) that the EIA process (alongside consultation and engagement as appropriate) is applied to ensure due regard is paid to the potential equality impacts of any proposals prior to decision making.

Background papers: - None

Appendices: Appendix A – Revenue Budget forecast 2019/20
Appendix B – Directors comments on variances and action plans
Appendix C – Savings tracker summary
Appendix D - Expenditure on major Capital Schemes

REVENUE BUDGET PROJECTION QUARTER 2 2019/20

<u>DIRECTORATE</u>	BUDGET 2019/20 £000	PROJECTED 2019/20 £000	VARIATION 2019/20 £000
RESOURCES	45,598	45,533	-65
PEOPLE - SOCIAL SERVICES	121,080	122,066	986
PEOPLE – EDUCATION	170,679	172,665	1,986
PLACE	56,331	56,331	0
<i>NET DIRECTORATE EXPENDITURE</i>	393,688	396,595	2,907
SPECIFIC PROVISION FOR APPRENTICESHIP LEVY/INFLATION	1,850	950	-900
CONTINGENCY FUND	6,322	4,315	-2,007
<i>OTHER ITEMS</i>			
LEVIES			
SWANSEA BAY PORT HEALTH AUTHORITY	86	86	0
CONTRIBUTIONS			
MID & WEST WALES COMBINED FIRE AUTHORITY	12,971	12,971	0
<i>CAPITAL FINANCING CHARGES</i>			
PRINCIPAL REPAYMENTS	14,478	14,478	0
NET INTEREST CHARGES	18,119	18,119	0
<i>NET REVENUE EXPENDITURE</i>	447,514	447,514	0
<i>MOVEMENT IN RESERVES</i>			
GENERAL RESERVES	0	0	0
EARMARKED RESERVES	-4,588	-4,588	0
<i>TOTAL BUDGET REQUIREMENT</i>	442,926	442,926	0
DISCRETIONARY RATE RELIEF	400	400	0
<i>TOTAL CITY AND COUNTY OF SWANSEA REQUIREMENT</i>	443,326	443,326	0
COMMUNITY COUNCIL PRECEPTS	1,465	1,465	0
<i>TOTAL REQUIREMENT</i>	444,791	444,791	0
<i>FINANCING OF TOTAL REQUIREMENT</i>			
REVENUE SUPPORT GRANT	242,197	242,197	0
NATIONAL NON-DOMESTIC RATES	80,014	80,014	0
COUNCIL TAX - CITY AND COUNTY OF SWANSEA	121,115	121,115	0
COUNCIL TAX - COMMUNITY COUNCILS	1,465	1,465	0
<i>TOTAL FINANCING</i>	444,791	444,791	0

Appendix B

Directors comments on budget variances and summary action plans

Director of Resources

Variance	£000	Explanation and Action
<u>Savings Variation</u>		
18/19 Sustainable Swansea Savings targets:		
Management review of grade 10 and above	113	These three areas form part of Corporate Services proposals to merge and review cross-cutting functions across the Council related to Business Support functions, exploring new ways working including regional collaboration where possible. Limited opportunities are available regarding shared services and the regional working options are very slow in progressing, with little if any appetite across other organisations. Further Proposals and plans are being discussed.
Service review/regional working/shared services	239	
Stopping or reducing services through new ways of working	597	
Merging of Land Charges with Planning and Building Control as per the Commissioning Review	25	The team has successfully merged with Planning and savings achieved in the Place Directorate. It was planned that new ways of working would release this £25k in legal, however, this is no longer possible. Alternative savings are now being sought in legal however this is proving difficult with the additional pressures from savings already made in staffing.
Establishing Business Support hubs in the People and Place Directorates	-79	An additional saving as a result of implementing the 'One Council' approach to Business Support.
19/20 balance	-125	Additional savings as a result of vacancy freeze and delay in appointing staff.
16/17 & 17/18 saving targets	531	The savings identified in previous years requires changes to terms and conditions or the potential stopping of services, this to date has not had support and remains an area of further investigation before anything is recommended or agreed.
Sub total	1,301	

Other saving targets:		
Transfer and review of the Welsh Translation Unit, including cost and charges	150	The Welsh Translation Unit is reviewing ways of working however, the demand for Welsh translation continues to increase. In order for the Council to meet its statutory responsibilities and statutory deadlines for certain reports further budget reductions are not possible. External translation services are now being used to help with capacity, which impacts the budget. Although the team will continue to improve and change processes and ways of working, including the use of technology, it is anticipated this saving cannot be achieved due to rising demand.
16/17 Communications model & Corporate Health & Safety/Wellbeing	306	This saving is challenging with the identified model of merging the marketing and communications from across the council into one team not able to progress. In addition, the increase in demand in the referrals to occupational health has not enabled the growth of this area to become income generating due to all spare capacity being used internally.
Total Savings variation	1,757	
Other Net Underspends	-1,822	Mainly as a result of Legal Services underspends of £-439k due to staff savings of £-263k and income from the Liberty Stadium court case £-130k, Financial Services underspends due to CTRS forecasted underspend of £-350k, however, this dependant on caseloads & net staff savings of £-480k, Digital and Transformation staff savings £-400k and potential IT contract cost savings of £-105k
Total Variation	-65	

Corporate Services underwent significant change in 2017/18 which followed into 2018/19, in order to realise savings and rebalance the budget.

The Directorate has proactively and strictly managed any overspending in Quarter 1, and as a base budget has performed well. The legacy savings from the previous years have affected the budget and for Quarter 2 these have been offset by underspends on service areas mainly as a result staff savings through managing vacant posts and from a one off income item in relation to the Liberty Stadium court case and CTRS underspend which is dependent on caseloads. This has resulted in an overall variance of £-65k.

Detailed plans and proposals are in place for all of the savings variances above by 31st March 2020.

Action Plans for Resources include:

- Releasing of vacancies in each service
- Ensuring all legacy savings are achieved, which were previously allocated to services
- Service budget reviews to release additional savings, reviewing the risk across the Council including impact on other Directorates.
- A range of other measures are being considered as part of in year and annual budget savings considerations , these include.
 - Review of the CTRS which is a demand-led service
 - Reductions in corporate services.
- Bringing forward savings as a result of digital wherever possible
- Reducing and stopping fees and subsidies wherever possible.

Director of Social Services

Social Services

Variance	£000	Explanation and Action
Savings Variation		
Implement preferred options as outcome of Commissioning Review (Learning Disability, Physical Disability & Mental Health service provision)	500	This project continues with dedicated resource and senior management input. Initial retendering exercise underway. The continued effect of increases to minimum wage and the need to diversify the supplier base will cause costs to increase.
Review of CHC Arrangements/LD MH Right Sizing and Review	248	This figure has improved since the first quarter as project has had further success in identifying individuals eligible for third party funding.
Review all packages of care to ensure fit for purpose and effectively manage new admissions to domiciliary care.	140	Domiciliary care continues to be subject to significant demand pressures. Rightsizing work is therefore likely to release capacity rather than reduce spend.
Direct Payments Strategy - Targeted increase in recourse to direct payments as alternative to non-complex domiciliary care packages	200	Savings in this area continue through reviews of allowances paid and, where appropriate, the reclaim of unused balances.
Income Targets	-500	Targets are expected to be exceeded in this area due to significant deferred payment receipts as well as cash transfers received in respect of legislative changes.
New Business Support Hub for Education and Social Services	50	Savings established from Social Services - remaining £50k assigned to Education. No confirmation as yet from Education on their

Appendix 1

Variance	£000	Explanation and Action
		contribution to the target
Maximise Income Opportunities in Outdoor Centres	25	Staffing changes have taken place in the centres, however there is an expected overspend in this area.
Creation of a single family support function across Poverty & Prevention and CFS	50	This target is 87% achieved. Unachieved savings are primarily a consequence of the Youth Offending Service's disaggregation from regional arrangements.
Increase income from training delivered	10	This saving target is dependent on income that will not be realised until later in the year.
Realignment of employability service to maximise efficiency of grant and management.	100	This saving is currently 50% achieved. An Employability Commissioning Review is underway to identify further opportunities to offset core funds to achieve this target in 19/20 and beyond.
Cross Cutting Savings	132	Cross cutting savings arising from a combination of proposed changes to terms and conditions are unlikely to be achieved.
Other		
Independent Child and Family Placements	860	This budget is subject to both fee and demand pressures. It is hoped that the implementation of a new practice model will see this forecast reduce over time.
Adoption Fees	200	The council contributes towards a regional adoption service where there costs are shared between partners dependent on placement activity. Currently the Council has placed more children than its funding share.
External Residential Care	125	This area continues to be exposed to both demographic and cost pressures. Work to ensure all placements are appropriate and cost effective continues.
Internal Staffing and Services	-2,774	A number of grants have been received that are able to support the overall financial position. Work to ensure services are designed in a way that enables the Council to access all funding sources continues and will cause significant underspends to appear in these initial stages. Work to rebalance the Service's budgets is underway.
Third Party Spend	20	In addition, the service continues to maintain tight vacancy and contract management
MHLD Complex Care	1,600	This is a continuation of previous years' overspend and remains an area of extreme demand and price pressure. Additional budget has been allocated but is being outstripped by both pressures on demand and fee levels.

Variance	£000	Explanation and Action
Overall Variation	986	

Director's Comments

At the halfway point of the financial year, the forecast outturn is for a c £1.0m overspend on gross expenditure of c. £175m. This is a significantly improved half year position compared with recent financial years.

The £1.0m is predominantly made up of a £975k shortfall on likely achievement of savings.

In order to address the £1m gap, an in year review of gross expenditure across the Directorate compared to last financial year is being undertaken. For any increases above 2% wage inflation, remedial action will be taken to bring increased spend back below 2% by year end.

In addition to the above, a vacancy freeze will be implemented across the Directorate for any posts which do not give rise to either a safeguarding or business continuity risk.

Finally WG have announced a further tranche of regional grants to address Winter pressures and the local authority will seek to draw down further funding to accelerate transformational activity this financial year.

In light of the above, there is a good deal of confidence that the Social Services & Poverty and Prevention Directorate will achieve a balanced budget by year end (if not a small underspend).

However there remains concern that at least £4million of grant income will cease in the new financial year creating an additional financial burden for which alternative income or further compensatory savings have not yet been agreed.

Director of Education

Variance	£000	Explanation and Action
Home to School Transport	694	Inflationary fuel price pressures and continuing demand, particularly within the ALN and post 16 sector continue to increase costs. These demand and price pressures are inherently volatile and uncontrollable within current transport policy.
Catering and Cleaning	567	The service continues to be subject to substantial inflationary pressures on the cost of food and staff. This has been partially offset by a combination of management cost control and positive take

		up of paid meals. Further means of reducing net cost are being examined.
Additional Learning Needs	600	This forecast primarily concerns the cost of placements within Independent Special Schools. The Council continues to see both cost and demand pressures in this area, despite continued efforts to increase the supply of such places locally. Should demand for such placements continue to rise, this forecast will increase.
Centrally funded non-delegated pressures.	466	This overspend is primarily attributable to ongoing historic pension costs borne by the Council on behalf of Schools. It also includes increases in the cost of maternity/paternity leave.
Potential one-off managed savings	-341	All savings opportunities are being explored to alleviate the pressures above.
Overall Variation	1,986	

Many of the pay, price and demand pressures identified above are a continuation of the overspend position from 2018/19. Ongoing robust management action will continue. This will seek to mitigate pressures and continue to bring forward additional savings where possible.

The scale of external demand and cost pressures facing education services is such that no continuing robust management action will be able to bring the net spending across the directorate into balance within the 2019-20 financial year. By far the most significant area of education spending is the delegated schools budget and whilst this cannot be reduced in year it would be possible to effectively 'top slice' the budget in 2020-21, as a one off base adjustment, to effectively recover any net overspend by the year end on the 1st April 2020. Any such retrospective 'top slicing' would be in addition to any cash or real terms reductions in funding for schools approved as part of the Council budget for 2020-21.

However, to mitigate and minimise any potential reduction to schools delegated budgets all LEA budgets will be reviewed further in the first instance.

Director of Place

A number of issues need to be highlighted for the purpose of visibility. These include unfunded budget pressures as follows:

- Significant increased electricity costs for street lighting of £200k
- Reduced recycling prices in waste management reflecting an improved position from 1st quarter of £87k
- Increased costs for maintaining and replacing aging social services fleet £381k

In year savings of £701k have been identified as difficult to achieve by year end and these comprise mainly of Commissioning Review (Service in the Community), IT delays for rollout of mobile working and delayed and "cashable" Integrated Transport Unit savings and transport savings removed budget but authorisation to implement withdrawn

In addition there are some challenges in achieving all of the “cross cutting” saving requiring policy changes identified for 19/20 in particular

- Staff – Christmas closure, average holiday pay, 50% Honoraria reduction, 50% market supplement reduction and remove first aid payments (total £118k)

The directorate has identified appropriate mitigation to offset these spending pressures within its overall budget to enable it to offset these costs and return a balanced budget.

September 2019 MTFP Tracker Report

Target Savings

£12.64m

Expected Savings by 31st March 2020

£10.13m

August £10.11m



Delivered

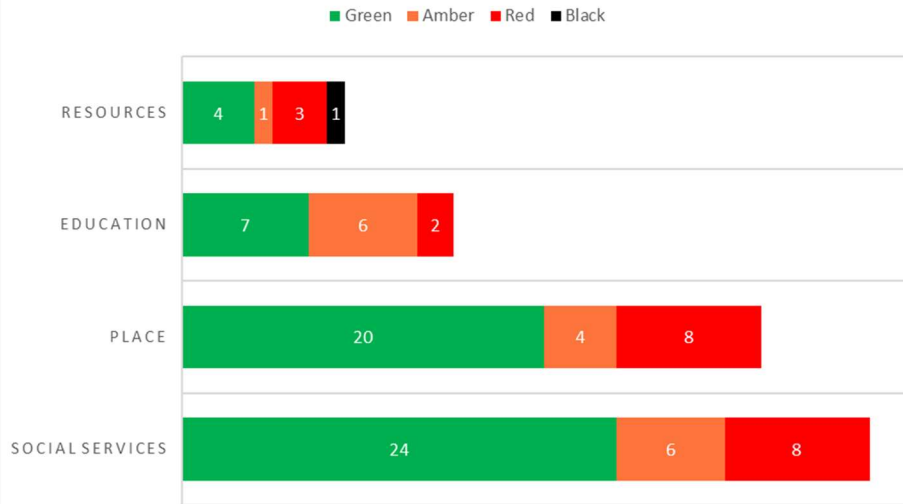
£6.31m

August £5.99m
July £5.72m

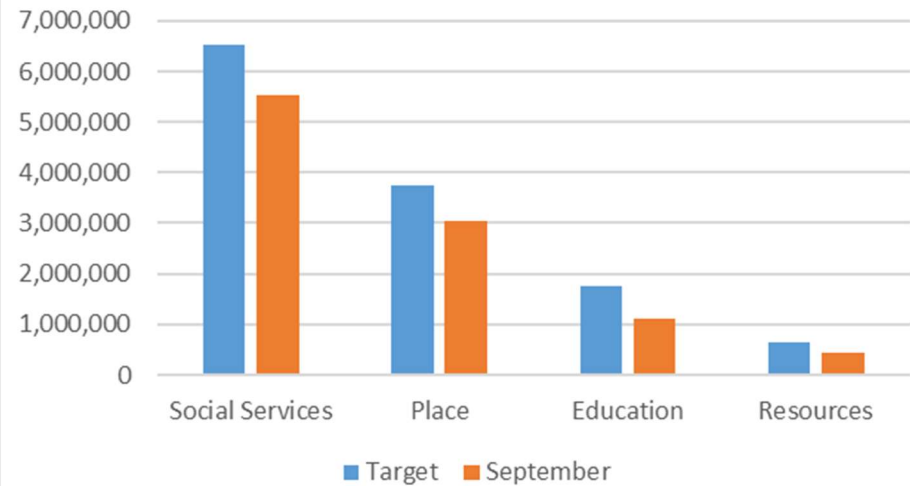


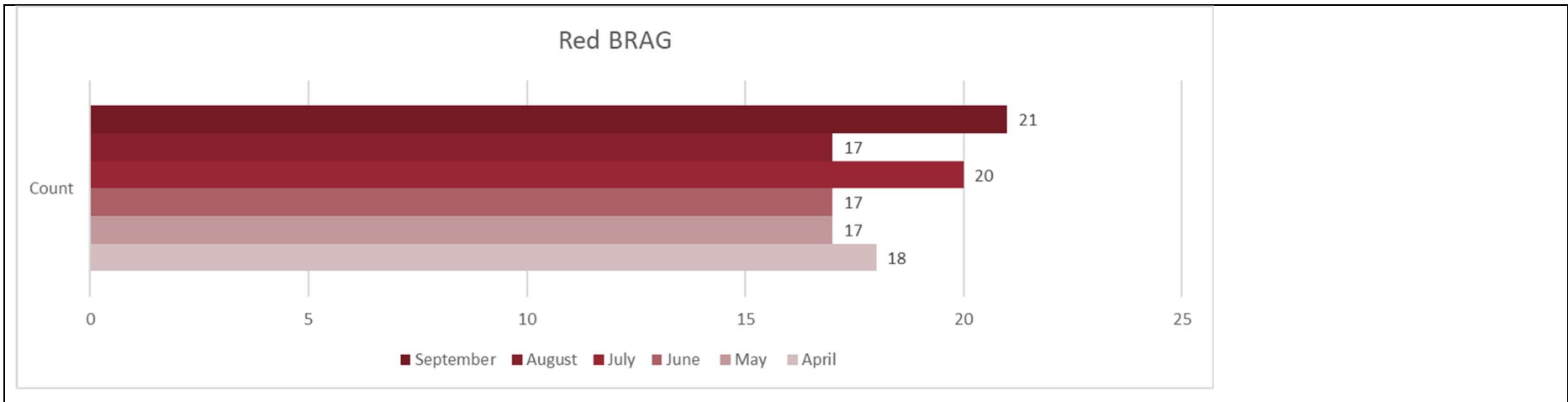
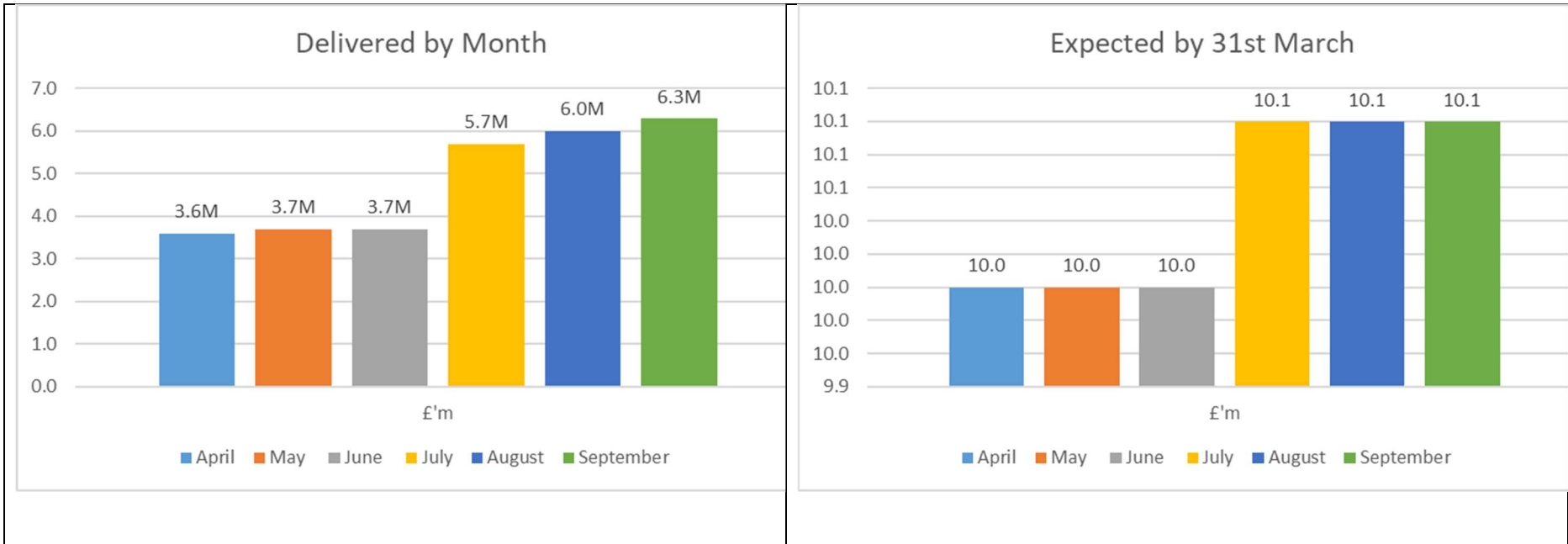
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BRAG COUNT BY DIRECTORATE



Target v Expected to be Achieved





Appendix D

Capital expenditure on major schemes to 30 September 2019 (where spend greater than £250k)	£000's
People	
Pentrehafod Comp School Remodelling	515
EOTAS new build	686
Gorseinon primary new build	896
Resources	
Agile & Mobile programme (laptops and accessories)	563
Place	
Swansea Central (Arena)	5,422
Kingsway infrastructure and demolition	784
Highways - carriageways & resurfacing	2,651
Highways - footways	254
Bascule Bridge	428
CTU - chassis cabs and bodies	278
Corporate Building (including school improvements)	2,695
Disability Facilities Grants	1,441
Mini adaptation grants	317
Freedom Leisure improvements	2,014
HRA capital programme (excluding More Homes schemes)	18,342
HRA capital programme - More Homes schemes	1,021

Total scheme value where spend greater than £250k

38,307

Agenda Item 10



Report of the Section 151 Officer

Audit Committee – 10 December 2019

Review of Revenue Reserves

Purpose: To provide the Audit Committee with the Review of Reserves Report that was presented to Council on 24 October 2019.

Report Author: Ben Smith

Finance Officer: N/A

Legal Officer: N/A

Access to Services Officer: N/A

For Information

1. Background

1.1 To provide the Audit Committee with the Review of Reserves Report that was presented to Council on 24 October 2019.

Background papers: None.

Appendices:

Appendix A – Review of Revenue Reserves Report that was presented to Council on 24 October 2019

Appendix 1 – LAAP Bulletin 99 – Local Authority Reserves and Balances

Appendix 2 – EIA Screening Form



Report of the Section 151 Officer

Council – 24 October 2019

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 2019/20
Consultation:	Cabinet Members, Corporate Management Team, Legal and Access to Services.
Recommendation(s):	It is recommended that: <ol style="list-style-type: none"> 1) The recommendations made in this report at Sections 3.11 and 3.12 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 1 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 February 2019 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 is the Section 151 Officer and Chief Finance Officer.
- 1.8. This report considers the position regarding both General and Earmarked reserves as at 31st March 2019 and makes specific recommendations in respect of reclassification of elements of those specific reserves.

2. Position as at 31st March 2019

- 2.1. The Statement of Accounts 2018/19 presented to our external Auditors included the following entries in respect of reserves as at 31st March 2019:

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	67,670	Consisting of sums set aside for specific purposes to support Corporate and Service needs
Capital Receipts	9,310	Capital monies received by the Council

Reserve		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	15,455	Relates to committed funding on Capital schemes and cannot be used to support Revenue expenditure
Housing Revenue Account	6,156	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	107,943	

- 2.2. Useable reserves are cash-backed and can be used to support expenditure – albeit occasionally with some specific rules around the type of expenditure that they can be used for. For example the Housing Revenue Account Reserve has been created from rents received, it is a cash reserve, however it is ring-fenced for use within the Housing Revenue Account only; it can only be spent on items relating to Council Housing.
- 2.3. In addition the Council holds a net £135.137m in unusable reserves arising purely from accounting technicalities (this includes capital financing and pensions liabilities). These reserves are not cash-backed and therefore cannot be spent, they tend to arise from entries that have to be made for accounting purposes, but which are not permitted to affect the taxpayer. **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.**
- 2.4. 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.
- 2.5. The General Fund Balance of the Council as detailed above takes account of decisions made by Cabinet based on the 2018/19 Revenue Outturn position considered on 18th July 2019.
- 2.6. Comparisons with other Welsh Councils show that, as a percentage of Gross Revenue Expenditure, the level of the General Fund reserve is below the All Wales average (as at 31st March 2018) and as such no planned use of the balance is recommended. Indeed the view of the Section 151 Officer is that, should the opportunity arise, consideration should be given to increasing the level of the General Fund Reserve as this is deemed to be low both in absolute and proportionate terms both historically and compared to all other Councils in Wales. For Members to achieve that aim, whilst trying to maintain

services in the face of continued austerity and significant budgetary constraint is accepted by the Section 151 to be exceptionally equally difficult to consider.

- 2.7. The Statement of Accounts as agreed by our external Auditors (Wales Audit Office) and presented to Council on 29th August 2019 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.
- 2.8. This report is the result of that strategic review.

3. Outcomes and recommendations

- 3.1. The Medium Term Financial Plan approved by Council on 28th February 2019 forecast a cumulative deficit on General Fund Revenue Expenditure of some £63m by 2022/23 with an immediate savings requirement of £25m for 2020/21. This is in addition to the current year Directorate savings requirement of £12.6m. More recent forecasts indicate an even larger savings requirement will be likely, predominantly as a result of ongoing 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. Brexit introduces yet greater uncertainty into the financial landscape.
- 3.2. Equally, there is clear and compelling evidence that savings planned in the areas of Education, Social Services and Resources 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 2019/20 are achieved it still leaves a minimum gap of £25m to be addressed for 2020/21.
- 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. However, in 2019/20, whilst the contribution to the contingency fund has been substantially increased (to £7.072m), this has been predominantly earmarked to cover any overspend on the Council's budget.

- 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. Although originally it was thought that this year any exit costs would have to be funded from the savings made by Departments, because the outturn was better than expected the Section 151 Officer proposed in the 2018/19 Outturn Report to Cabinet that for 2019/20 exit costs could now be funded centrally from the Restructure Reserve (up to £3m).
- Whilst in previous years the Budget report approved by Council has included the proposal that Schools would also be able to specifically access the Restructure Reserve, this is no longer the case.
- 3.10. 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 continues to transform under the Sustainable Swansea programme.
- 3.11. As recommended previously a capital equalisation reserve was created from the underspending on debt charges and the fundamental review by council last year of our approach to the Minimum Revenue Provision calculation. 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. In particular, as reported in the Quarter 1 Budget Monitoring Report to Cabinet on 15th August the S151 Officer has identified that £2.648m can be transferred from the Insurance Reserve to the Capital Equalisation Reserve. The Leisure Services Equalisation Reserve is being utilised as planned for the timing of payments due on the Leisure Centres contract.
- 3.12. **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 31/03/19 £'000	Proposed Change £'000	Recommended Position £'000
Technical/third party	1,854	0	1,854
Insurance	17,395	-2,648	14,747
Transformation and efficiency	85	0	85
Schools delegated reserves	8,600	0	8,600
Equalisation reserves	16,246	2,648	18,894
Commutated sums	6,613	0	6,613
Repair and renewal funds	1,884	0	1,884
Profit share on joint ventures	560	0	560
Service earmarked reserves	5,583	0	5,583
Capital reserves	5,850	0	5,850
Restructuring costs reserve	3,000	0	3,000
Total Earmarked Reserves	67,670	0	67,670

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 2019/20 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 2022/23. This has already been built into planning assumptions.
- 4.5. As part of the budget setting process for 2020/21 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. 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.

- 6.2. Having assessed the current planned use of earmarked reserves there are no significant equalities implications arising from these changes. An EIA screening form has been attached at Appendix 2.

Background Papers: None

Appendices:

Appendix 1 – LAAP Bulletin 99 – Local Authority Reserves and Balances
Appendix 2 – EIA Screening Form

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
technical.enquiry@cipfa.org.uk

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CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed. As the only UK professional accountancy body to specialise in public services, CIPFA's qualifications are the foundation of a career in public finance. They include the benchmark professional qualification for public sector accountants as well as a postgraduate diploma for people already working in leadership positions. Our in-house CIPFA Education and Training Centre delivers the range of our programmes at locations across the UK, and works with other places of learning to provide our courses locally. We also champion high performance in public services, translating our experience and insight into clear advice and practical services. They include information and guidance, courses and conferences, property and asset management solutions, consultancy and interim people for a range of public sector clients. Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance. We work with governments, accounting bodies and the public sector around the world to advance public finance and support its professionals.

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.

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.

	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.
Estimates of the level and timing of capital receipts	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.
The treatment of demand led pressures	The authority's capacity to manage in-year budget pressures, and its strategy for managing both demand and service delivery in the longer term.
The treatment of planned efficiency savings/ productivity gains	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.
The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital developments	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.
The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions	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.
The general financial climate to which the authority is subject	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

Whist many of these factors relate to	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.
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

Appendix D

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.

Equality Impact Assessment Screening Form - Appendix 2

Please ensure that you refer to the Screening Form Guidance while completing this form. If you would like further guidance please contact the Access to Services team (see guidance for details).

Section 1

Which service area and directorate are you from?

Service Area: Financial Services and the Service Centre

Directorate: Resources

Q1(a) WHAT ARE YOU SCREENING FOR RELEVANCE?

Service/ Function	Policy/ Procedure	Project	Strategy	Plan	Proposal
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

(b) Please name and describe here:

S151 Officer's recommendation/review of reserves held by the Council

Q2(a) WHAT DOES Q1a RELATE TO?

Direct front line service delivery	Indirect front line service delivery	Indirect back room service delivery
<input type="checkbox"/> (H)	<input checked="" type="checkbox"/> (M)	<input type="checkbox"/> (L)

(b) DO YOUR CUSTOMERS/CLIENTS ACCESS THIS...?

Because they need to	Because they want to	Because it is automatically provided to everyone in Swansea	On an internal basis i.e. Staff
<input type="checkbox"/> (H)	<input type="checkbox"/> (M)	<input type="checkbox"/> (M)	<input checked="" type="checkbox"/> (L)

Q3 WHAT IS THE POTENTIAL IMPACT ON THE FOLLOWING...

	High Impact (H)	Medium Impact (M)	Low Impact (L)	Don't know (H)
Children/young people (0-18)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Older people (50+)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Any other age group	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Disability	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Race (including refugees)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Asylum seekers	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Gypsies & travellers	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Religion or (non-)belief	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Sex	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Sexual Orientation	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Gender reassignment	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Welsh Language	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Poverty/social exclusion	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Carers (inc. young carers)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Community cohesion	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Marriage & civil partnership	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Pregnancy and maternity	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Equality Impact Assessment Screening Form - Appendix 2

Q4 WHAT ENGAGEMENT / CONSULTATION / CO-PRODUCTIVE APPROACHES WILL YOU UNDERTAKE?

Please provide details below – either of your planned activities or your reasons for not undertaking engagement

None - this is a proposed review and one off release from existing reserves to continue to discharge Council and S151 Officer duties to maintain a balanced budget.

Q5(a) HOW VISIBLE IS THIS INITIATIVE TO THE GENERAL PUBLIC?

High visibility <input type="checkbox"/> (H)	Medium visibility <input type="checkbox"/> (M)	Low visibility X <input checked="" type="checkbox"/> (L)
---	---	---

**(b) WHAT IS THE POTENTIAL RISK TO THE COUNCIL’S REPUTATION?
(Consider the following impacts – legal, financial, political, media, public perception etc...)**

High risk <input type="checkbox"/> (H)	Medium risk <input type="checkbox"/> (M)	Low risk x <input checked="" type="checkbox"/> (L)
---	---	---

Q6 Will this initiative have an impact (however minor) on any other Council service?

Yes x No **If yes, please provide details below**

**Q7 HOW DID YOU SCORE?
Please tick the relevant box**

**MOSTLY H and/or M → HIGH PRIORITY → EIA to be completed
Please go to Section 2**

**MOSTLY L → LOW PRIORITY / NOT RELEVANT → Do not complete EIA
Please go to Q8 followed by Section 2**

Q8 If you determine that this initiative is not relevant for an EIA report, you must provide a full explanation here. Please ensure that you cover all of the relevant protected groups.

This is a review of accumulated reserves and recommended release from reserves to maintain a balanced budget and enable the Council to function lawfully. It has no otherwise direct ongoing impact on any service user. Failure to review reserves and act as necessary to draw necessary sums would fail to ensure there is a balanced budget which could necessitate statutory intervention and then have a direct impact on current and future service users.

Equality Impact Assessment Screening Form - Appendix 2

Section 2

NB: Please email this completed form to the Access to Services Team for agreement before obtaining approval from your Head of Service. Head of Service approval is only required via email – no electronic signatures or paper copies are needed.

Screening completed by:
Name: Ben Smith
Job title: Chief Finance Officer, Head of Financial Services and the Service Centre, Section 151 Officer
Date: 07/09/2018
Approval by Head of Service:
Name: : Ben Smith
Position: Chief Finance Officer, Head of Financial Services and the Service Centre, Section 151 Officer
Date: 07/09/2018

Agenda Item 11



Report of the Section 151 Officer

Audit Committee – 10 December 2019

Appointment of an Additional Lay Member to the Audit Committee

Purpose:	To consider the appointment of an additional Lay Member to the Audit Committee and if deemed appropriate, recommend to Council that an additional Lay Member should be recruited.
Policy Framework:	None
Consultation:	Legal, Finance, Access to Services
Recommendation(s):	Members should consider the proposal to appoint an additional Lay Member to the Audit Committee and if necessary make a recommendation to Council.
Report Author:	Simon Cockings
Finance Officer:	Ben Smith
Legal Officer:	Tracey Meredith
Access to Services Officer:	Rhian Millar

1. Introduction

- 1.1 The Local Government (Wales) Measure 2011 requires that each council shall appoint an Audit Committee in line with the recommendation made by CIPFA in 2005.
- 1.2 The Welsh Government has provided statutory guidance covering the functions and membership of the Audit Committee. A copy of the guidance is attached in Appendix 1.

- 1.3 The City and County of Swansea has had an Audit Committee for a number of years and the Measure requires that a lay member is appointed to the Audit Committee. Up to a third of the Committee's membership can be comprised of lay members but there must be at least one lay member.
- 1.4 The Audit Committee currently has one Lay Member, who is also the Chair of the Committee. Following the completion of a benchmarking exercise comparing the number of Lay Members appointed to other Local Authority Audit Committees across Wales, the proposal has been put forward to appoint one additional Lay Member to the City and County of Swansea's Audit Committee. Members should also be made aware of the fact that adding an additional lay member will help ensure the committee is better equipped to meet possible proposed legislative changes to the committee structure that are currently out for consultation.
- 1.5 Audit Committee Members are asked to consider this proposal. If Members agree to appoint an additional Lay Member, the recommendation of the Audit Committee will be presented to Council who will ultimately decide whether to commence the recruitment process.

2. Role of the Audit Committee

- 2.1 The Local Government (Wales) Measure 2011 guidance requires the Audit Committee to have the following statutory functions
 - Review, scrutinise and issue reports and recommendations in relation to the authority's financial affairs.
 - Review, scrutinise and issue reports and recommendations on the appropriateness of the authority's risk management, internal control and corporate governance arrangements.
 - Oversee the authority's audit arrangements and review its financial statements.

The attached guidance provides further details on the functions and role of Audit Committees.

- 2.2 In addition, an authority can confer other functions on the Committee which it deems suitable for it. The Audit Committee can decide how it wants to carry out its functions but it must have regard to the statutory guidance issued by the Welsh Government under Section 85 of the Local Government (Wales) Measure 2011.

3. Membership and Appointment of Lay Members

- 3.1 Paragraphs 9.24 to 9.28 of the attached guidance deal with membership of Audit Committees.
- 3.2 In particular, paragraph 9.27 relates to the appointment of Lay Members and states:

- (a) Lay Members should be independent from the council and have no business connection with it, although knowledge of how local government functions would be a definite advantage.
 - (b) In appointing Lay Members whose political allegiances are well known, local authorities should consider if this compromises the independence from the council a Lay Member should possess.
- 3.3 The guidance recommends a Lay Member should not be appointed for more than two full terms of a local authority. Any Lay Member with voting rights is subject to the provisions of the authority's Code of Conduct for Members

4. Applications and Shortlisting Process

- 4.1 If the Audit Committee approves the proposal to seek the appointment of an additional Lay Member, a report will be presented to Council recommending the appointment. If approved by Council, the following recruitment process will commence as outlined below.
- 4.2 In order to comply with legislation, an advert will be published in the local press to advertise the position. In addition, to promote greater awareness and encourage wider applications, details of the position will also be sent to as many stakeholder organisations as possible.
- 4.3 Applicants will be required to complete an applications form with the following questions:
- (a) Employment Details (if self employed please state name of business or similar)
 - (b) Please state your background, experience knowledge and qualifications.
 - (c) Why you are a suitable candidate and what can you bring to the role?
 - (d) Please demonstrate your "Strong personal integrity and respect for others".
 - (e) Please demonstrate your "Ability to act with discretion".
 - (f) Please demonstrate your "Ability to evaluate facts and evidence and form objective judgements".
 - (g) Please demonstrate your "Understanding of the Local Government functions".
 - (h) Please demonstrate that you are "An effective listener and that you have good communication skills".

- (i) Please demonstrate your “Ability to work as part of a Team”.
- (j) Please demonstrate your “Understanding of the purpose and value of an audit function in a public sector organisation”.
- (k) Have you had any previous or current business connections with the Council?
- (l) Have you had any previous or current political allegiances which are relevant to this appointment?
- (m) Are you related to a Member or Officer of the Council?
- (n) Are you able to commit to attending a minimum of five meetings a year?
- (o) Do you have business or other interests, including membership or affiliation of any political or other organisation, which could cause real or observed conflict with the duties and responsibilities of the role?

4.4 The applications received will be presented to the Committee to decide on a shortlist of applicants to be interviewed. In considering a shortlist for interview, Members will wish to consider the whether applicants are able to demonstrate:

- Relevant knowledge and experience; a finance / accounting / auditing background is desirable but not essential.
- An understanding of Local Government, structures, governance models and risk management.
- An independent, enquiring, challenging approach.
- An ability to grasp complex facts and figures.
- A commitment to the role.

4.5 If none of the applicants are able to demonstrate a comprehensive response to the above in their submitted applications, questions at interview will need to elicit fuller responses.

4.6 Shortlisted candidates would be interviewed by the Appointments Committee and if appropriate, the Appointments Committee would make a recommendation to Council to appoint the successful candidate as an additional Independent Lay Person to the Audit Committee.

4.7 Council would consider the recommendation from the Appointments Committee, and if appropriate would appoint the successful candidate.

5. Recommendation

- 5.1 It is recommended that Audit Committee Members consider the proposal to appoint an additional Lay Member to the Audit Committee and if necessary make a recommendation to Council accordingly.

6 Equality and Engagement Implications

- 6.1 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.

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

7. Financial Implications

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

8. Legal Implications

- 8.1 The relevant legislative provisions are set out in the report. The Audit Committee cannot hold a legal meeting until at least one lay member has been appointed to the Committee.

Background Papers: None.

Appendices: Appendix 1 – Statutory Guidance made under Section 85 of the Local Government (Wales) Measure 2011.

Chapter 9 Audit Committees

Statutory Guidance made under Section 85 of the Local Government (Wales) Measure 2011

Introduction

9.1 Part 6 of the Measure, deals with Overview and Scrutiny, including, at Chapter 2 of that Part, Audit Committees. The Welsh Government's intention through these provisions was to ensure that all local authorities in Wales would have an audit committee (as has been recommended by the Chartered-Institute of Public Finance and Accountancy [CIPFA] since 2005). Our view is that audit committees are positive features which should help improve strategic planning and facilitate both scrutiny and challenge within the structures of a council.

What the Measure requires

9.2 Sections 81 to 87 make provision for audit committees. They require each county or county borough council to appoint an audit committee with the following functions:

- Review, scrutinise and issue reports and recommendations in relation to the authority's financial affairs;
- Review, scrutinise and issue reports and recommendations on the appropriateness of the authority's risk management, internal control and corporate governance arrangements;
- Oversee the authority's audit arrangements and review its financial statements.

9.3 In addition to these statutory functions, a local authority can confer other functions on the committee which it deems suitable for it. Each audit committee can decide **how** it wants to carry out its functions, but in doing so it **must** have regard to this guidance.

9.4 The full council should decide who to appoint as members of its audit committee and it can determine that up to a third of its members are to be from outside the council. In fact, at least one member of the committee **must** be a lay member. It is permissible for only one of the committee's members to be from the council's executive, and this must not be the leader (or elected mayor). The council **must** have regard to this guidance when determining the membership of its audit committee.

9.5 The chair of the committee is to be decided upon by the committee members themselves. It can be a councillor or a lay member but, in the former case, must not be a councillor who belongs to a group with members in the executive. An exception to this is where there are no opposition groups, in which case any of the committee's members may become chair except for any member of the committee who is also a

member of the executive. All committee members, including lay members, have the right to vote on any issue considered by the committee.

9.6 Any officer or member called to attend an audit committee meeting must do so. They must answer any questions asked of them save ones which they could refuse to answer if they were in court. The committee can invite other persons to attend before it, but anyone else so invited to attend is under no compulsion to do so.

9.7 The audit committee is subject to normal arrangements of openness. Meetings should be held in public, agendas and reports should be published and available for inspection. The exception to this is where “exempt items” are being considered, which are chiefly matters which involve discussions concerning named individuals or commercial in confidence matters.

9.8 The committee must meet at least once a year and must also meet if the full council so decides, or if at least a third of the committee’s members require that a meeting be held. Beyond these stipulations, the committee can meet whenever it likes.

Functions of an audit committee

9.9 The Assembly Government has previously endorsed CIPFA’s publication *“Audit Committees: Practical Guidance for Local Authorities”* and continues to do so, together with their publication *“A toolkit for Local Authority Audit Committees”*.

9.10 Although the former publication is somewhat dated (published in 2005) its principles are still valid. Local authorities are advised to view those documents as being complimentary to this guidance.

Reviewing the authority’s financial affairs

9.11 Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of its financial affairs. Putting in place the audit committee and providing it with the duty to keep the authority’s financial affairs under review must be viewed as assisting in the fulfilment of this requirement.

9.12 This is an area which is given close attention by the authority’s external auditors and ties in with the duty of the audit committee to oversee the arrangements for internal and external audit, and also the need to monitor the internal control and risk management arrangements made by the authority.

9.13 Local authorities should make their own arrangements, probably in their constitution, to provide for clear demarcation between the role of an audit committee and that of a relevant scrutiny committee. The audit committee role would currently be more to seek assurance that the budgetary control systems (as an internal

control) of the council are working, rather than the actual scrutiny of spend and this may serve as acceptable demarcation between the role of the audit committee and that of a scrutiny committee.

Risk management, internal control and corporate governance

9.14 The attention to this matter should raise the profile of risk management as a necessary control tool within the authority as a whole. By providing regular review, the audit committee forms a significant part of the authority's corporate governance structure.

9.15 The authority should adopt a Statement of Purpose for its audit committee along the lines included in Chapter 2 of the CIPFA guidance, ensuring that the committee is given a prime role in ensuring that effective corporate governance is central to the organisation's procedures. As such, the audit committee should have access to the Annual Governance Statement and Corporate Governance Strategy. A high profile for the audit committee should help to raise public confidence that the authority has a solid approach towards its financial and organisational propriety.

9.16 The audit committee will need to report on the adequacy of the authority's risk management and internal control arrangements, and comment on their effectiveness, as well as following up on risks identified by auditors and requiring reports as to action taken in response. This means that the authority must ensure that audit committees are provided with all copies of auditor's reports, or the summary finding if felt more appropriate.

Internal and external auditors

9.17 A properly operating audit committee should provide the authority's chief finance officer with advice which can serve to bolster the work of internal and external auditors. The committee can ensure that audit reports are kept in the authority's mind, so timing of meetings might be planned so as to effectively follow-up auditors' recommendations.

9.18 The audit committee will expect to input into the planning of the internal audit priorities, approving the annual programme of audits and ensuring that the internal auditors have the necessary resources to conduct their work effectively. They will want to meet with the Head of Internal Audit and receive his/her annual report.

9.19 The audit committee should also receive the reports from the external auditors and follow up their recommendations during the year. The committee should have a role in agreeing the authority's response to the auditor's letters or reports as well as being able to meet with the external auditor.

9.20 In addition, the audit committee should receive and consider reports from any other regulators or inspectors. In respect of these, the authority will need to ensure

there is no unnecessary duplication between the audit committee and any overview and scrutiny committee in considering such reports.

Financial statements

9.21 Before their approval by the authority, the audit committee should consider and comment on the authority's certified draft financial statements. They will want to see to what extent the statements take cognisance of audit reports during the year, and changes in accounting policy and internal control mechanisms. Audit committees may approve the financial statements themselves where local authorities have delegated that power to them under regulation 9 of the Accounts and Audit Regulations (Wales) 2005 (as amended).

9.22 CIPFA's "toolkit" should be used to assist in the proper scrutiny of these statements.

9.23 Reports and recommendations by the audit committee should be considered by full council in particular, as well as the executive.

Membership

9.24 The rules within section 15 *et seq* of the Local Government and Housing Act 1989 do not apply to audit committees. It is not therefore a statutory requirement to ensure that political balance is achieved when the committee members are appointed. The authority must however decide how many non-councillors should be appointed to the committee, and all members of the committee should display independence of thinking and unbiased attitudes, and must recognise and understand the value of the audit function. It is strongly recommended that the balance of members of the committee is at least as favourable to non-executive groups as would be achieved by political balance rules. It will help the authority if the audit committee has the appearance of independence from the leadership.

9.25 All new members will need to be provided with induction training. Although it is to be hoped that appointed councillors would have some relevant expertise, this cannot be guaranteed. What will be important, though, is to try and ensure that members do not have any other responsibilities which might conflict with their audit role. That might be particularly the case in the choice of any executive member on the committee. It may also mean that the members should not have too many other commitments, in general in terms of committee membership because of the significant commitment which being a member of the audit committee implies. All members should receive adequate training and development, and particular attention should be paid to the section on training and awareness in the CIPFA "toolkit".

9.26 The audit committee should try and ensure that they appoint a member as chair who will be strong and experienced enough to lead the questioning which the committee will have to perform.

9.27 There must be at least one lay member on the committee but they could constitute up to a third of the membership if an authority so decided. Whatever recruitment method is employed, lay members should be independent from the council and have no business connection with it, although knowledge of how local government functions would be a definite advantage. In appointing lay members whose political allegiances are well known, local authorities should consider if this compromises the independence from the council a lay member should possess. It is recommended that councils follow a public recruitment exercise, similar to that used to appoint members of standards committees, to recruit their lay members. It is recommended that a lay member should not be appointed for more than two full terms of a local authority. Any lay member with voting rights is subject to the provisions of the authority's Code of Conduct for Members.

9.28 As a committee of the council, meetings of the audit committee should be open to the public, except when exempt matters are being discussed.

Agenda Item 12



Report of the Head of Democratic Services

Audit Committee – 10 December 2019

Audit Committee – Action Tracker

Purpose:	This report details the actions recorded by the Audit Committee and response to the actions.
Report Author:	Jeremy Parkhouse
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, 2018/19 and 2019/20 Municipal years are attached in Appendix 1, 2 and 3.
- 1.5 The Action Tracker is regularly updated and any completed actions will be marked 'Complete' 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 2019/20

Appendix 2 – Action Tracker 2018/19 (Closed actions removed)

Appendix 3 – Action Tracker 2017/18 (Closed actions removed)

Appendix 1

AUDIT COMMITTEE ACTION TRACKER 2019/20				
Date of Meeting	Minute Ref	Action	Nominated Officer	Status
08/10/19	44	Annual Report of School Audits 2018/19 & Director of Education Response Kelly Small, the Head of Funding and Information Unit clarifies if evidence had been received that all Governing Bodies had been presented with and considered their audit reports during 2017/18 and 2018/19.	Head of Funding and Information Unit	Ongoing Email to KS 17/10/19 2018/19 – confirmation received.
		Chris Williams, Head of Commercial Services be requested to provide an update regarding providing a catalogue for schools.	Head of Commercial Services	Ongoing E-mail to CW 17/10/19
		Nick Williams, Director of Education obtains a full list of contracts from Corporate Building and circulates to all Clerks to Governing Bodies.	Director of Education	Ongoing
	49	Wales Audit Office - Feedback from Audit Committee Effectiveness Questionnaire An update report is to be provided at the next meeting in relation to the suggested changes to the committee.	Chair of Audit Committee & Democratic Services	Ongoing
16/09/19	29	Internal Audit Monitoring Report April – June 2019 The Principal Auditor circulates the details of the Accounts Payable audit report finding regarding duplicate payments and the scope of the Information Governance audit.	Principal Auditor	Complete Details sent to Chair & Vice Chair as required.
	30	Young People's Service Moderate Rating Follow Up Update Issues highlighted, particularly DBS checks, to be addressed in the follow up audit in November.	Chief Auditor	Ongoing Follow up scheduled for w/c 18/11/19. The results will be reported to Committee in the Q3 Monitoring Report.
		Written reports to be provided to Committee for all moderate report updates in future.	Democratic Services	Ongoing
	32	Draft Audit Committee Annual Report 2018/19 The draft report be agreed and forwarded to Council for approval.	S151 Officer	Complete Report was presented to Council on 24/10/19.

		The Section 151 Officer updates the next Audit Committee on the recovery plans in respect of the significant financial challenges facing the Authority.	S151 Officer	Ongoing - Report
	33	Annual Governance Statement Councillor LV Walton be elected as the representative of the Audit Committee on the Annual Governance Group for 1 year.	Cllr. LV Walton	Complete
	40	WAO Review of Audit Committee Effectiveness WAO presentation to be provided at the next scheduled meeting.	Jason Garcia (WAO)	Complete
		Questionnaires to be circulated to Councillors who had not attended the meeting.	Jason Garcia (WAO)	Complete
		The presentation provided by the Principal Auditor to be circulated to the Committee.	Democratic Services	Complete
		WAO to provide feedback from the questionnaires at the next scheduled meeting.	Jason Garcia (WAO)	Complete
13/08/19	17	ISA 260 Report The recommendations made in the report should be transferred to an external tracker report for committee.	Strategic Delivery & Performance Manager	Ongoing
	19	Revenue Financial Outturn 2018/19 The Chair of the Audit Committee notify Council of the concerns on overspend and the need for Directors to evidence full delivery plans in respect of savings. Directors were specifically tasked with providing the Committee with sight of their full action plans detailing how they intended to deliver credible savings to rebalance the budget as a matter of urgency.	Directors & S151 Officer	Complete Update S151 Officer 23/09/19: Cabinet received advice from the S151 Officer to same effect and passed similar resolution on 15 th August requiring rapid development of those delivery plans by Directors which were reported to Cabinet on 21 November 2019 and are included in the Audit Committee agenda for 10 December 2019.
11/06/19	5	Service Centre Accounts Receivable Update A follow-up report should be provided to Audit Committee within 6 months, the scope should include the decentralised process.	Chief Auditor	Complete The results of the Accounts Receivable follow up are included in the Fundamental Audit Recommendation Tracker Report presented committee in December.

	8	Audit Committee Training Programme 2019/20 The Chair/ Democratic Services report an amended Training Programme to the next scheduled meeting. All future committee training requirements and arrangements will be the responsibility of Democratic Services.	Chair & Democratic Services	Ongoing
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Appendix 2

AUDIT COMMITTEE ACTION TRACKER 2018/19				
Date of Meeting	Minute Ref	Action	Nominated Officer	Status
09/04/19	86	Wales Audit Office 2019 CCS Audit Plan WAO is to provide an update report on performance work and also any issues from the assurance and risk assessment scoping exercise in the next Municipal year.	WAO	Complete. Workshop session provided on 16 September and report to Committee on 8 October 2019.
09/07/19	89	Revenue and Capital Budget Monitoring Revenue and Capital budget monitoring is to be a regular item on future Committee agendas.	S151 Officer	Complete. Reports have been / will be included after being reported to Cabinet.
12/02/19	80	Audit Committee Action Tracker Report An update to be provided on the use of supply / agency staff by schools and establishing the spend against supply / agency costs.	Chief Auditor	Ongoing Principal Finance Partner for Schools agreed to provide this information via the PSO's. Information has been received. Chair has requested a report from Head of Commercial Services in relation to Supply Procurement. Update: New National Procurement Service Framework for the provision of Supply Teachers and Education Temporary Workers has been finalised. Introduced from 01/08/19/.
11/12/18	59	Overview of the Overall Status of Risk – Quarter 2 2018/19 The contents of the Risk Register requires enhancement.	Strategic Delivery & Performance Manager	Ongoing Currently under review. New Risk Management system currently being developed which should address this.

Appendix 3

AUDIT COMMITTEE ACTION TRACKER 2017/18				
Date of Meeting	Minute Ref	Action	Nominated Officer	Status
08/03/18	68	<p>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>	Head of Commercial Services	<p>Ongoing</p> <p>The Contract Procedure Rules were reported to Council on 27 November 2019. Email followed to Education Directorate on 3 December 2019.</p>

Agenda Item 13



Report of the Head of Democratic Services

Audit Committee – 10 December 2019

Audit Committee – Workplan 2019/20

Purpose:	This report details the Audit Committee Workplan to May 2020
Report Author:	Jeremy Parkhouse
Finance Officer:	Simon Cockings
Legal Officer:	Tracey Meredith
Access to Services Officer:	Rhian Millar
For Information	

1. Introduction

- 1.1 The Audit Committee's Work Plan to May 2020 is attached at Appendix 1 for information.
- 1.2 The Audit Committee Statement of Purpose is attached for information at Appendix 2.
- 1.3 The completed / outstanding actions from the Performance Review 2017/18 Action Plan are included at Appendix 3. The outstanding actions have also been included in the 2018/19 Action Plan.
- 1.4 The Performance Review 2018/19 Action Plan is included at Appendix 4. The Plan was drafted following feedback from the workshop annual self-assessment session held on 16 September 2019 and facilitated by the Wales Audit Office. Wales Audit Office also presented a report on their findings at the Committee meeting held on 8 October 2019, which covered regularity and length of Audit Committee meetings; outstanding actions from Audit Committee Performance Review 2017-18; and information provided to Audit Committee Members. The responses provided by Members were detailed in the report.

1.5 The dates included for the meetings in 2019/20 were approved by Council on 28/03/19.

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 2019/20

Appendix 2 – Audit Committee Statement of Purpose

Appendix 3 – Performance Review 2017/18 Action Plan

Appendix 4 – Performance Review 2018/19 Action Plan

Audit Committee Plan
2019 – 2020

Terms of Reference	Report Title	Report Summary	Report Author	Date of Meeting
Governance & Assurance	Appointment of Additional Lay Member to Audit Committee.	Appointment of second Lay Member.	Simon Cockings	10 Dec 2019
Governance & Assurance	Audit Committee Action Tracker Report. (For Information)	Action Tracker Report.	Jeremy Parkhouse	10 Dec 2019
Governance & Assurance	Audit Committee Work Plan. (For Information)	Work Plan.	Jeremy Parkhouse	10 Dec 2019
Internal Audit	Fundamental Audits 2018/19.	This report provides a summary of the recommendations made following the fundamental audits in 2018/19 and identifies whether the agreed recommendations have been implemented.	Simon Cockings	10 Dec 2019
Risk Management & Performance	Overview of the Overall Status of Risk - Quarter 2 2019/20.	The report presents an overview of the status of risk in the Council during Quarter 2 2019/20 to provide assurance to the Committee on the operation of the risk management policy and framework within the Council.	Richard Rowlands	10 Dec 2019
Risk Management & Performance	Presentation - Update on Internal Control Environment (Including Risk Management) – Director of Social Services.	Presentation - Director of Social Services.	David Howes	10 Dec 2019

Audit Committee Plan
2019 – 2020

Terms of Reference	Report Title	Report Summary	Report Author	Date of Meeting
Financial Reporting	Revenue and Capital Budget Monitoring - 2nd Quarter 2019/20.	To report on financial monitoring of the 2019/20 revenue and capital budgets, including the delivery of budget savings.	Ben Smith	10 Dec 2019
Financial Reporting	Review of Revenue Reserves.	To discuss the report to Council on 24 October 2019. The report discussed a mid-year review of the Revenue Reserves position and Council considered any suggested reclassification of reserves based on current requirements.	Ben Smith	10 Dec 2019
Financial Reporting	Treasury Management - Interim Year Review Report 2019/20.	This report was presented to Council on 27 November 2019. The report provides the interim year update on Treasury Management activities during the year 2019/20.	Jeffrey Dong	10 Dec 2019
Risk Management & Performance	Wales Audit Office Proposals for Improvement: Six-month Status Update - December 2018 to June 2019.	The report presents an overview of the status of Swansea Council's response to earlier proposals for improvement made by WAO to provide assurance to the Committee on progress.	Richard Rowlands	10 Dec 2019
Internal Audit	Cleansing Service - Final Internal Audit Report 2019-2020.	Update report following Moderate Audit report.	Jeremy Davies	29 Jan 2020

Audit Committee Plan 2019 – 2020

Terms of Reference	Report Title	Report Summary	Report Author	Date of Meeting
Internal Audit	Disclosure and Barring Service - Final Internal Audit Report 2019-2020.	Report following Moderate Audit Report	Sian Williams	29 Jan 2020
Internal Audit	Foreshore & Lettings - Final Internal Audit Report 2019-2020.	Update report following Moderate Audit report.	Jamie Rewbridge	29 Jan 2020
Internal Audit	Internal Audit - Recommendation Follow-Up Report - Quarter 2 2019/20.	This report provides committee with the status of the recommendations made in those audits where the follow-up's has been undertaken in Q2 2019/20, to allow the Audit Committee to monitor the implementation of recommendations made by Internal Audit.	Simon Cockings	29 Jan 2020
Internal Audit	Internal Audit Annual Plan 2019/20 - Monitoring Report for the Period 1 July 2019 to 30 September 2019.	This report shows the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 July 2019 to 30 September 2019.	Simon Cockings	29 Jan 2020
External Audit	Wales Audit Office Annual Audit Letter 2018/19.	WAO Annual Audit Letter 2018/19.		29 Jan 2020
Governance & Assurance	Chair of Scrutiny Programme Committee.	Chair of the Scrutiny Programme Committee to provide a report on the work of scrutiny for the Municipal year 2018-19 and highlighted scrutiny activities planned for 2019/20.	Brij Madahar	11 Feb 2020

Audit Committee Plan 2019 – 2020

Terms of Reference	Report Title	Report Summary	Report Author	Date of Meeting
Internal Audit	Internal Audit - Recommendation Follow-Up Report - Quarter 3 2019/20.	This report provides committee with the status of the recommendations made in those audits where the follow-up's has been undertaken in Q3 2019/20, to allow the Audit Committee to monitor the implementation of recommendations made by Internal Audit.	Simon Cockings	11 Feb 2020
Internal Audit	Internal Audit Annual Plan 2019/20 - Monitoring Report for the Period 1 October 2019 to 31 December 2019.	This report shows the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 October 2019 to 31 December 2019.	Simon Cockings	11 Feb 2020
Internal Audit	Internal Audit Annual Plan Methodology Report 2020/21.	This report provides a briefing to the Audit Committee on the methodology used to prepare the Internal Audit Annual Plan in advance of the Annual Plan 2020/21.	Simon Cockings	11 Feb 2020

Audit Committee Plan
2019 – 2020

Terms of Reference	Report Title	Report Summary	Report Author	Date of Meeting
Financial Reporting	Mid-Term Budget Statement 2019/20.	To discuss the report to Council on 27 November 2019. To provide the Committee with a view of current financial performance and the likely financial planning scenarios that will influence budget and service decisions over the period of the Medium Term Financial Plan. To provide a policy context for future Council decisions.	Ben Smith	11 Feb 2020
Risk Management & Performance Page 178	Overview of the Overall Status of Risk - Quarter 3 2019/20.	The report presents an overview of the status of risk in the Council during Quarter 3 2019/20 to provide assurance to the Committee on the operation of the risk management policy and framework within the Council.	Richard Rowlands	11 Feb 2020
Risk Management & Performance	Presentation - Update on Internal Control Environment (Including Risk Management).	Presentation - Director of Place.	Martin Nicholls	11 Feb 2020
Financial Reporting	Trusts & Charities Report 2018/19.	Trusts & Charities Report 2018/19.	Jeffrey Dong	11 Feb 2020
External Audit	Wales Audit Office Grants Report 2017/18.	Report of the External Auditors.	Jason Garcia	11 Feb 2020

**Audit Committee Plan
2019 – 2020**

Terms of Reference	Report Title	Report Summary	Report Author	Date of Meeting
Internal Audit	Internal Audit Charter 2020/21.	This report outlines the background to the Public Sector Internal Auditing Standards (PSIAS) which were introduced with effect from 1st April 2013 and presents an Internal Audit Charter for approval by the Committee.	Simon Cockings	14 Apr 2020
Internal Audit	Internal Audit Moderate Rating Follow Up Report - Social Care Contracts Update.	Follow Up report following a previous moderate rating.	Peter Field	14 Apr 2020
Internal Audit	Internal Audit Section - Fraud Function Anti-Fraud Plan for 2020/2021.	This report sets out the planned areas of activity for the Internal Audit Section's Fraud Function for 2020/21 and is designed to provide a strategic view of the areas that will be subject to examination.	Jeff Fish, Jonathon Rogers	14 Apr 2020
Internal Audit	Internal Audit Strategy & Annual Plan 2020/21.	This report presents the Internal Audit Annual Plan and Internal Audit Strategy for 2020/21 to the Audit Committee for approval.	Simon Cockings	14 Apr 2020
Risk Management & Performance	Partnership Performance.	Review the mechanisms for assessing and scrutinising the risk associated with partnerships.	Adam Hill	14 Apr 2020
Risk Management & Performance	Performance Management Framework.	Performance Management Framework Report.	Richard Rowlands	14 Apr 2020
Risk Management & Performance	Presentation - Update on Internal Control Environment (Including Risk Management).	Presentation by the Deputy Chief Executive.	Adam Hill	14 Apr 2020

Audit Committee Plan 2019 – 2020

Terms of Reference	Report Title	Report Summary	Report Author	Date of Meeting
Financial Reporting	Revenue and Capital Budget Monitoring 3rd Quarter 2019/20.	To report on financial monitoring of the 2019/20 revenue and capital budgets, including the delivery of budget savings.	Ben Smith	14 Apr 2020
External Audit	Wales Audit Office - 2020 Audit Plan - City and County of Swansea Pension Fund.	External Audit Report.	Jason Garcia	14 Apr 2020
External Audit	Wales Audit Office - 2020 Audit Plan - City and County of Swansea.	External Audit Report.	Jason Garcia	14 Apr 2020
Risk Management & Performance Page 180	Wales Audit Office Proposals for Improvement: Six-month Status Update - July 2019 - December 2019.	The report presents an overview of the status of Swansea Council's response to earlier proposals for improvement made by WAO to provide assurance to the Committee on progress.	Richard Rowlands	14 Apr 2020
Risk Management & Performance	Wales Audit Office - Local Government Use of Data Report – City & County of Swansea.	Wales Audit Office - Local Government Use of Data Report – City & County of Swansea. *Note – this report has been considered by Service Improvement & Finance Performance Panel and the Panel is awaiting an Action Plan arising from the report.		

Audit Committee Plan
2019 – 2020

Terms of Reference	Report Title	Report Summary	Report Author	Date of Meeting
Risk Management & Performance	Digital Strategy – Progress and Performance.	<p>Digital is one of the four key strands of Sustainable Swansea and an annual update will be provided to Scrutiny in December on the whole programme, including digital.</p> <p>*Note – this report will be considered by Scrutiny.</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.
- 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 is meeting its purpose.

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

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

Key Finding	Proposed Actions	Target Date	Progress Update 30/04/19
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 Officer: Chief Executive	September 2018	Complete Presentation by the Deputy Chief Executive to Audit Committee covering Governance Framework was provided on 09/04/19.
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 Visit took place 13/11/18 – Chair, Vice Chair and Chief Auditor attended.

Key Finding	Proposed Actions	Target Date	Progress Update 30/04/19
<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: Deputy Chief Executive</p>	April 2020	<p>Ongoing Adam Hill, Deputy Chief Executive will report to Audit Committee on 14 April 2020.</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>Complete Reports have been added to the Audit Committee agenda for information as they have arisen.</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>
<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>	September 2018	<p>WAO Response received 22/08/18 for discussion: 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 Chair / Audit Committee.</p>

Key Finding	Proposed Actions	Target Date	Progress Update 30/04/19
<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>

**KEY FINDINGS & PROPOSED ACTON PLAN
AUDIT COMMITTEE PERFORMANCE REVIEW 2018/19**

Key Finding	Proposed Actions	Lead (s)	Target Date	Progress Update
Regularity and Length of Audit Committee meetings	1) To enable the Audit Committee to discharge its duties meetings should take place every 6 weeks.	Huw Evans	May 2020	Council Diary to be agreed at the Annual Meeting on 28 May 2020.
	2) If changes are made to the calendar of meetings (6 weekly) it will also be necessary to amend the Committee's work programme so that there is clarity as to exactly what is on the agenda for each committee meeting.	Chair / Huw Evans/ Jeremy Parkhouse	May 2020	Council Diary to be agreed at the Annual Meeting on 28 May 2020 and work programme organised accordingly.
Outstanding actions from the Audit Committee Performance Review 2017-18	1) Benchmarking – The Corporate Management team will consider how best to use benchmarking information and provide an update to the Audit Committee.	Corporate Management Team	TBC	
	2) Risk Management – additional training and support should be given to Audit Committee members who require it to allow all Members to discharge their duties in relation to risk management.	Richard Rowlands	December 2019	Risk management training provided by Richard Rowlands.
	3) Partnerships – Review the mechanisms for assessing and scrutinising the risk associated with partnerships. Audit Committee should receive an update on what partnerships the Council are involved in.	Adam Hill	April 2020	Adam Hill, Deputy Chief Executive to provide a report to Audit Committee on 14 April 2020.

Key Finding	Proposed Actions	Lead (s)	Target Date	Progress Update
	4) Clarification to be sought on the Scrutiny Committee work in relation to partnerships to establish what the Audit Committee needed to undertake and include in the work programme.	Brij Madahar	December 2019	Completed Response from Scrutiny circulated to Audit Committee in December 2019.
	5) Noting the Deputy Chief Executive presentation on the Council's governance framework, the Audit Committee would benefit to receive additional presentations on individual elements of the governance framework.	Adam Hill	April 2020	Adam Hill, Deputy Chief Executive to provide a presentation to Audit Committee on 14 April 2020.
	6) The newly established Governance Group to provide updates to Audit Committee.	Governance Group	TBC	The Governance Group is scheduled to meet on 16 th December 2019.
	7) Efficiency and Value for Money – Corporate Management Team to consider what information is required for the Audit Committee to enable the Committee to discharge its duties.	Corporate Management Team	TBC	