



City and County of Swansea

Notice of Meeting

You are invited to attend a Meeting of the

Audit Committee

At: Remotely via Microsoft Teams

On: Tuesday, 20 October 2020

Time: 2.00 pm

Membership:

Councillors: C Anderson, P M Black, D W Helliwell, T J Hennegan, P R Hood-Williams, P K Jones, J W Jones, E T Kirchner, M B Lewis, S Pritchard, A H Stevens, L V Walton and T M White

Lay Member: P O'Connor

Watch Online: <https://bit.ly/30PYKG2>

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Next Meeting: Tuesday, 10 November 2020 at 2.00 pm

Huw Evans

Huw Evans
Head of Democratic Services
Tuesday, 13 October 2020

Contact: Democratic Services: - 636923

Agenda Item 5



City and County of Swansea

Minutes of the **Audit Committee**

Remotely via Microsoft Teams

Tuesday, 8 September 2020 at 2.00 pm

Present: P O'Connor (Chair) Presided

Councillor(s)

C Anderson
T J Hennegan
P K Jones
S Pritchard

Councillor(s)

P M Black
P R Hood-Williams
E T Kirchner
L V Walton

Councillor(s)

D W Helliwell
O G James
M B Lewis
T M White

Officer(s)

Simon Cockings
Michelle Davies
Nick Davies
Jeremy Parkhouse
Jonathon Rogers
Kelly Small
Ben Smith
Debbie Smith
Sian Williams

Chief Auditor
Cash Management & Accounts Receivable Manager
Principal Auditor
Democratic Services Officer
Corporate Fraud Team Investigator
Head of Funding and Information Unit
Chief Finance Officer / Section 151 Officer
Deputy Chief Legal Officer
Service Centre Manager

Also Present

Jason Garcia
Daniel King

Wales Audit Office
Wales Audit Office

Apologies for Absence

J W Jones

128 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, M B Lewis and T M White declared personal interests in Minute No. 132 - Draft Statement of Accounts 2019/20.

Councillor P R Hood-Williams and S Pritchard declared personal interests in Minute No. 133 – Annual Report of School Audits 2019/20.

129 Minutes.

Resolved that the Minutes of the Audit Committee held on the 21 July 2020 were approved and signed as a correct record.

130 Cwm Glas Primary School Audit Report 2019/20. (Neil Craven-Lashley)

Neil Craven-Lashley, Headteacher, supported by Rebecca Edwards, Deputy Head and Rachel Roberts, School Administrator of Cwm Glas Primary School presented a report that provided an update on the Cwm Glas Primary School Audit Report 2019/20.

It was outlined that as a result of an internal audit of the school in 2019, a moderate assurance level was given. Following this, an action plan, provided at Appendix 1, was developed to address the issues identified and appropriate implementation steps put in place.

The period tested during this review was April 2019 to January 2020. It was acknowledged that for the period April to the end of August the school were without a permanent Admin Officer, which had an impact on many of the processes and procedures that were reviewed as part of the audit. A full time Admin Officer had been in post since September 2019.

The work carried out and the findings arising from this audit and the audit opinion were provided in Appendix 1. Where the school had been able to place reliance on the responses to the Control Risk Assessment Questionnaire, no additional testing had been undertaken and therefore no findings had been reported for these areas.

The Action Plan highlighted all the high and medium risk items, progress to date / updated actions in the areas below as follows: -

- Management of delegated resources
- Bank reconciliations
- Banking procedures
- Lettings and clubs
- Unofficial funds
- School meal income and free school meals
- Expenditure

The Committee asked questions of the Headteacher in relation to the report and responses were provided accordingly.

Discussions centred around the following: -

- Highlighting issues to the School Finance Committee / School Governors;
- The excellent assistance provided by the Primary Support Officer;
- The lack of access to the school buildings during August 2020 resulting in a delay in actions required being completed;

- Concern regarding a bank account signatory no longer being a member of staff and the actions required to address the situation;
- The change of administration staff within the school which had an effect upon the audit.

The Chief Auditor confirmed that a follow up visit to the school would take place during quarter 3 and progress would be reported to the Committee.

The Chair thanked the Headteacher, Deputy Head and Admin Officer for attending the meeting and for providing assurance.

Resolved that the contents of the report be noted.

131 Service Centre: Accounts Receivable - Update. (Sian Williams / Michelle Davies)

Sian Williams, Service Centre Manager and Michelle Davies, Cash Management & Accounts Receivable Manager, provided an update to the Committee on the progress on actions since the Accounts Receivable Audit 2019/20.

The report provided a detailed summary of progress made against the high and medium risk issues identified, particularly the review process involving over 1,000 old invoices, the impact of Covid 19, the impact of senior staff being moved to work on the Oracle Fusion project and new methods of working being introduced within the Service Centre to allow staff to focus upon clearing the backlog.

Clarification was also provided regarding the Accounts Receivable debt recovery procedures and devolved responsibilities which were provided at Appendix B.

The responsibilities of Accounts Receivable, service departments and Legal were outlined, including the underlying issues that had resulted in invoice backlogs.

The Committee discussed the following: -

- Targets / priorities set for staff in focussing to clear the large backlog;
- The positive impact of Microsoft Teams which has allowed staff from different departments work and communicate closely;
- Assurance given by the progress made and the continued need to review the plan very closely;
- The need to robustly manage the plan and to report progress to the Corporate Management Team.

The Chair stated that she would be meeting with the Chief Executive later in September and would highlight the lack of resources available to allow the plan to be successful.

Resolved that: -

- 1) The contents of the report be noted;
- 2) Service Departments be reminded of their responsibilities and role in the invoice process, which should be reinforced through the Directors and Heads of Service to ensure consistency and robustness of process;
- 3) A progress report be provided to the Committee in February 2021.

**132 Report of Audit Wales - Audit of Accounts Report - City & County of Swansea.
(Jason Garcia)**

Daniel King and Jason Garcia, presented the Audit Wales Audit of Accounts Report – City and County of Swansea.

The significant effect of the COVID-19 pandemic upon the process was underlined and the considerable effort of the Council's accounts team who succeeded in doing so this year in the face of the challenges posed, was highlighted. The Council were able to produce the draft statement of accounts by 18 May 2020, which was well ahead of both the 15 June 2020 statutory deadline for this year and the revised deadlines for 2020-21 of 31 May. Audit Wales were extremely grateful to the professionalism of the team in supporting them to complete their audit in such difficult circumstances.

It was added that the pandemic had unsurprisingly affected the audit and Exhibit 1 outlined the main impacts and was provided for information. Audit Wales intended issuing an unqualified audit opinion on this year's accounts once the Authority had provided the Letter of Representation based on Appendix 1. The proposed Audit Report was provided at Appendix 2.

One misstatement was identified in the accounts that was above the trivial level which had been discussed with management but remained uncorrected. After discussions with Council officers, Audit Wales agreed that the value of the misstatement was not material and therefore the Council had not amended the financial statements. The misstatement related to capital grant funding received during 2019/20, totalling £1.4 million. This had been disclosed incorrectly as a receipt in advance in the 2019-20 financial statements and the terms of the grant prohibited any carry forward of funding into the 2020-21 financial year.

Appendix 3 provided the corrected misstatements, other significant issues were presented at Exhibit 2 and the recommendations arising from the audit were at Appendix 4.

It was added that the report would be presented to Council on Thursday, 10 September 2020.

The Chair congratulated the Chief Finance Officer and his staff for their excellent work in difficult circumstances and thanked the Audit Wales representatives for presenting their report.

133 Draft Statement of Accounts 2019/20. (For Information) (Ben Smith)

Ben Smith, Chief Finance Officer presented the Draft Statement of Accounts for 2019/20 'for information' and review.

The Draft Accounts for 2019/20 were prepared and signed by the Section 151 Officer on 18 May 2020. A copy was appended at Appendix 'A' to the report. The Accounts had been formally presented to Audit Wales, who had completed the audit of the Accounts.

As part of the audit process, the Accounts were made available for inspection by the public for a four week period from 3 August 2020 to 28 August 2020.

The Committee asked questions of the Chief Finance Officer, which were responded to accordingly / the Officer would respond to following the meeting.

134 Annual Report of School Audits 2019/20. (Nick Davies / Kelly Small)

Nick Davies, Principal Auditor presented a report which provided a summary of the school audits undertaken by the Internal Audit Section during 2019/20 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 2019/20 was attached at Appendix A.

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: -

- School funds and procurement, particularly communications with schools and getting information to governing bodies;
- Issues surrounding procurement appearing annually and increasing testing regarding school funds over the last few years;
- How the Education Department circulated the Council's Contract Procedure Rules (CPR) to schools annually and how recent changes to the Councils CPR's saw contract band requirements for 3 quotations for the procurement of goods and services increase from £5,000 to £10,000. The Education Department confirmed that they were going to work on a schools specific procurement guide for schools to work with which should make life easier for schools going forward;
- Provision of training for schools;

- The reasons why schools opted out of the procurement Service Level Agreement (SLA).

The Chief Auditor commented highlighted the increased testing being undertaken with regards to school funds and how these were considered to be high risk areas for schools. He stressed the need for new / refresher training to be provided for schools due to a lack of knowledge in certain areas particularly in relation to procurement.

Resolved that the contents of the report be noted.

135 Fraud Function Annual Report 2019/20. (Jeff Fish / Jonathan Rogers)

Jonathan Rogers, Corporate Fraud Team Investigator presented a summary of the work completed by the Fraud Function of Internal Audit in 2019/20.

The report provided a summary of the activities of the Fraud Function for 2019/2020, the value of the function and reviewed achievements compared to target outcomes contained in the Fraud Function Anti-Fraud Plan 2019/20. The key activities in 2019/20 covered the following areas of work: -

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

The Review of outcomes against Fraud Function Plan for 2019/20 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' limited 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 Officer, who responded accordingly. Discussions centred around the following: -

- The success of joint working with DWP;
- Corporate Fraud models / methods used by other organisations / local authorities;
- The lack of pro-active work due to lack of resources;
- Potential future funding options available;
- Recent Audit Wales report relating to the Fraud Function.

The Chair thanked the Fraud Function Team for the report and thanked them for the amount of work they had completed with limited resources. She added that she would raise the issue during discussions with the Chief Executive.

Resolved that the contents of the report be noted.

136 Audit Committee Action Tracker Report. (For Information) (Jeremy Parkhouse)

The Audit Committee Action Tracker Report was provided for information.

The Chair stated that a number of items remained outstanding and she hoped that the actions would be completed by the next scheduled meeting.

137 Audit Committee Work Plan. (For Information) (Jeremy Parkhouse)

The Audit Committee Work Plan was reported for information.

The meeting ended at 3.30 pm

Chair

Agenda Item 6



Report of the Chief Auditor

Audit Committee – 20 October 2020

Internal Audit Annual Plan 2020/21 Monitoring Report for the Period 1 July 2020 to 30 September 2020

Purpose:	This report shows the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 July 2020 to 30 September 2020.
Policy Framework:	None.
Consultation:	Legal, Finance, Access to Services.
Recommendation:	That the Audit Committee Members note the information contained in this report.
Report Author:	Simon Cockings
Finance Officer:	Ben Smith
Legal Officer:	Debbie Smith
Access to Services Officer:	Rhian Millar

1. Introduction

- 1.1 The Internal Audit Annual Plan 2020/21 was approved by the Audit Committee on 1st June 2020. This is the second quarterly monitoring report to be presented to Committee. Further reports will be presented throughout the year to allow Committee to review and comment upon the progress of the Internal Audit Section in achieving the Annual Plan.
- 1.2 This report shows the audits finalised in the period 1st July 2020 to 30th September 2020.

- 1.3 Committee should be made aware that throughout this period the Internal Audit Function and the wider Authority have been adapting to unprecedented challenges as a result of the Covid-19 pandemic, which has impacted every aspect of Council business and operations.
- 1.4 As reported in the Quarter 1 Monitoring Report, due to the Covid-19 pandemic access to all council sites was restricted. This had a significant impact on the Audit Team's ability to complete on-site testing. However, the Team continued to complete as much testing as possible remotely. At the time of compiling the Quarter 1 report we had hoped that the easing of restrictions would continue into Quarter 2 and 3 which would allow the Team to resume site visits. However, at the time of compiling this report, due to the second wave of Covid-19 infections, like the majority of South Wales, local lockdown restrictions have been reintroduced in Swansea. As such, this will mean the team is still unable to complete on-site testing until restrictions are lifted.

2. Audits Finalised 1 July 2020 to 30 September 2020

- 2.1 A total of 14 audits were finalised during the quarter. The audits finalised are listed in Appendix 1 which also shows the level of assurance given at the end of the audit and the number of recommendations made and agreed. Appendix 2 provides a summary of the scope of the reviews finalised during the period.
- 2.2 An analysis of the assurance levels of the audits finalised is shown in the following table.

Assurance Level	High	Substantial	Moderate	Limited
Number	10	4	0	0

- 2.3 A total of 67 audit recommendations were made and management agreed to implement all of the recommendations, i.e. 100% of the recommendations made were accepted against a target of 95%.
- 2.4 All recommendations made are classified as high risk, medium risk, low risk or good practice. An analysis of the recommendations agreed during the quarter is shown in the following table

High Risk	Medium Risk	Low Risk	Good Practice	Total
0	6	39	22	67

- 2.5 The implementation status for those audits that have been subject to a standard follow-up in the quarter is reported separately in the Recommendation Follow-up Report. This includes all follow-ups completed, except for the fundamental audits as the outcome of these follow-up reviews is reported to committee via the Fundamental Audit Recommendation Tracker Report.

2.6 The Internal Audit Section also certified the following grants in the quarter as required by the terms and conditions of the grant issued by the Welsh Government.

Grant	Amount
Children & Communities Grant	£11,242,418

2.7 The Principal Auditor also compiled the Schools Annual Report 2019/20 which was presented to the Audit Committee on the 8th September.

2.8 The Audit Plan is a 'living' document which is likely to change during the course of the year due to e.g. emerging risks or new priorities. However it is important that the Audit Committee can monitor progress against the Plan approved at the start of the year. To achieve this, Appendix 3 shows each audit included in the Plan approved by Committee on the 1st June 2020 and identifies the position of each audit as at 30th September 2020.

2.9 As reported previously, due to the Covid-19 pandemic and as a result of the Council wide response to the advice issued by Central and Welsh Government, all Internal Audit staff have been working remotely from home since the end of March 2020. This continued to be the case throughout quarter 2 and due to the recent resurgence in Covid-19 cases the team will continue to work remotely for the foreseeable future.

2.10 It must be acknowledged that the measures introduced across the Council in response to the pandemic have inevitably had an impact on the team's ability to initiate and progress with audits, due to the effect such measures have had across client departments. For example, some sites have been closed completely, the majority of staff across the council have been working from home and client departments have been prioritising emergency responses to the pandemic to ensure key operations and services continue to be delivered.

2.11 This continues to have an impact on the team's ability to progress with business as usual and hence has had an impact on the amount of audit work that the team has been able to complete in the quarter. However, the team has continued to work hard to undertake as much audit work as possible remotely in these unprecedented circumstances.

2.12 Where we have been able to progress with audits we have found that it has taken longer than usual to complete some reviews due to the complexities of obtaining the information required remotely and due to the fact that the majority of the workforce across the Council has been working from home.

2.13 The team has also been heavily involved in assisting with the Councils Covid-19 response. One of the team continued to be seconded full time to the Food Bank initiative throughout the period, and we have also been

assisting with the checking of various support grant payments that have been managed by the Council. To the end of September, a total of 38 days has been spent on Covid-19 related support work, in addition to the 111 days attributable to the member of staff seconded to the food bank initiative. The team has also experienced some inevitable downtime due to delayed responses from client department in relation to certain audits and the inability to effectively progress with audits as business as usual due to restricted access to council sites.

- 2.14 The team has also seen a significant rise in sickness absence in the quarter. Cumulative sickness equated to 76 days as at the end of September, with all of the absence accruing in quarter two. Note that thankfully none of this absence was Covid-19 related.
- 2.15 Due to the unprecedented circumstances that have arisen due to the Covid-19 pandemic and the resulting difficulties the team have experienced in progressing some of the planned audits, a larger number of audit reviews have been allocated to the team so as to allow greater flexibility. 14 final reports have been issued in the quarter.
- 2.16 As may be seen in Appendix 3, a number of audits are noted as being 'in progress' as the team has been encouraged to proactively complete as much of each review as possible remotely, minimising the impact on client departments over this difficult period whilst they are dealing with and adapting to Covid-19 related issues. As reported in the quarter one report, it was hoped that as restrictions were slowly being lifted the team would be able to resume Covid-safe site visits to complete outstanding testing for the ongoing reviews. Midway through the quarter the team proactively sought to book in site visits. However, due to the recent up-tick in Covid-19 cases in Swansea, all booked site visits have since been put on hold in line with the re-imposed restrictions. We will continue to keep the situation under review and will continue to prioritise the safety and wellbeing of our staff and local communities.
- 2.17 An analysis of the details in Appendix 3 shows that by the end of September 2020, 23 audits from the 2020/21 audit plan had been completed to at least draft report stage (15%), with an additional 32 audits in progress (19%). As a result approximately 34% of the Audit Plan was either completed or in progress. In addition, to allow greater flexibility for the audit team an additional 48 audits (30%) have been allocated to staff to try and progress. As explained above, a significant number of audits are noted as being 'in progress', as present restrictions are impeding our ability to complete some areas of the audit programmes. We hope to be able to complete these areas once the recently renewed restrictions are lifted. For comparison purposes, the same figures as at the end of quarter two 2019/20 showed that 35% of the planned audits had been completed to at least draft stage.
- 2.18 Inevitably the Covid-19 pandemic is likely to have a detrimental impact on our ability to deliver the full audit plan for 2020/21. However, priority

will be given to the completion of the fundamental audits to ensure key systems are reviewed to provide appropriate assurance to the Section 151 Officer and the Audit Committee in these areas. Historically, the majority of the fundamental audits have been completed in the third and fourth quarters and it is envisaged that this will also be the case this year. The team remain committed to completing as much of the plan as possible and once again I would like to thank the team for their endeavours and hard work over this very challenging and difficult period.

- 2.19 It should also be noted that whilst we will aim to complete the audits of key systems as a priority, we will also target resources to ensure the highest risk audits are completed wherever possible. However, the team may be required to assist with reactive work as directed by the Chief Executive or the Corporate Management Team due to the unpredictable and unprecedented environment the Authority is currently operating in.
- 2.20 No moderate reports were issued in the quarter.

3. Follow Ups Completed 1 July 2020 to 30 September 2020

- 3.1 The follow up procedures operated by the Internal Audit Section include visits to any non-fundamental audits which received a moderate or limited level of assurance to confirm and test that action has been taken by management to address the concerns raised during the original audit.
- 3.2 The follow up visit is usually within 6 months of the final report being issued and includes testing to ensure that any high or medium risk recommendations have been implemented. Where agreed recommendations have not been implemented, this will be reported to the appropriate Head of Service (or Chair of the Governing Body in the case of schools) and the Chief Finance Officer (Section 151 Officer).
- 3.3 Two moderate audit reports were followed up in quarter two as detailed below:
- a) Concessionary Fares 2019/20
The follow up concluded that significant progress had been made, with all recommendations being fully implemented.
 - b) Fleet Maintenance 2019/20
The follow up concluded that good progress had been made, with only 6 of the 15 recommendations not being fully implemented. Two low risk recommendations and one high risk recommendation were noted as being partly implemented. Three additional low risk recommendations had not been implemented. As a result, we will be required to undertake a further follow up audit later in the year to confirm that all of the outstanding recommendations have been fully implemented.

It should also be noted that following attendance at the Audit Committee and at the request of the Chief Auditor and the Chair of the Audit Committee, the service has introduced a system of retrospective sample checks on the usage of parts and materials on completed jobs as a compensating control to strengthen procedures.

- 3.4 The second follow up of the Disclosure & Barring Service 2019/20 audit was underway at the time of compiling this report and the results will be reported to the Committee in due course.
- 3.5 Note that the audit report for Cwm Glas Primary School was also issued with a moderate assurance rating in quarter four. However, the report was issued in late March 2020 shortly before the schools in Swansea were forced to close due to the Covid-19 pandemic. Therefore, as updated in the last committee meeting, the school has not had an opportunity to address all of the issued identified in the report. Due to the ongoing challenges facing schools at present, the follow up of both Cwm Glas Primary and Pen y Bryn Special School are scheduled to be completed in quarter three.

4 Equality and Engagement Implications

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

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

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

5. Financial Implications

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

6. Legal Implications

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

Background Papers: Internal Audit Plan 2020/21

Appendices: Appendix 1 Audits Finalised Q2 2020/21

Appendix 2 Summary of Scope of Audits Finalised Q2 2020/21

Appendix 3 Internal Audit Plan 2020/21 - Progress to 30/09/20

MONITORING REPORT Q2 2020/21 - AUDITS FINALISED

Head of Service	Audit Title	Date Finalised	Assurance Level	Recommendations		
				Made	Agreed	Not Agreed
Financial Services & Service Centre	Direct Payments - Adult and Child & Family	03/07/20	High	3	3	0
Fundamental Audits	Captial Accounting 2019/20*	23/07/20	High	0	0	0
Education Planning & Resources	Captial Plannning and Delivery Unit	27/07/20	High	1	1	0
Legal, Democratic Services & Business Intel.	Councillors Expenses & Allowances	30/07/20	High	3	3	0
Adult Services	Self Assessmnet Checkilsts - Adult Services	05/08/20	High	17	17	0
Fundamental Audits	Main Accounting System 2020/21	05/08/20	High	1	1	0
Waste Management & Parks	Specialist Park Services	05/08/20	High	3	3	0
Waste Management & Parks	Knotweed Service	03/09/20	High	4	4	0
Waste Management & Parks	Parks Support & Tree Services	15/09/20	High	5	5	0
Fundamental Audits	Treasury Management 2020/21	18/09/20	High	3	3	0
Education Planning & Resources	Oystermout Primary School	15/07/20	Substantial	9	9	0
Adult Services	Victoria Park Kiosk	10/09/20	Substantial	4	4	0
Education Planning & Resources	YGG Tirdeunaw	18/09/20	Substantial	10	10	0
Education Planning & Resources	Primary School Procurement Exercise	24/09/20	Substantial	4	4	0
			Total	67	67	0

*Audits finalised from 2019/20 Audit Plan

MONITORING REPORT Q2 2020/21 - SUMMARY OF SCOPE OF AUDITS FINALISED

Head of Service	Audit Title	Assurance Level	Audit Scope	Key Findings / Risks
Financial Services & Service Centre	Direct Payments - Adult and Child & Family	High	<i>The audit reviewed the procedures in place and included detailed testing on the following areas: New Contracts, Input of Payments into Abacus, Monitoring of Service Users' Accounts, Changes of Circumstance, Ceased Payments, GDPR & Retention</i>	None
Fundamental Audits	Capital Accounting 2019/20	High	<i>The audit reviewed the procedures in place and included detailed testing in the following areas: Recording of Assets including Policies, Movements and Classification, Valuation including Reconciliation, Title Deeds and Housing Stock, The review of the Authority's Capital Programme, Information Security.</i>	None
Education Planning & Resources	Capital Planning and Delivery Unit	High	<i>The audit reviewed the procedures in place and included detailed testing on the following areas: Expenditure, Grants, Travelling Expenses, Employee Records.</i>	None
Legal, Democratic Services & Business Intel.	Councillors Expenses & Allowances	High	<i>The audit included the review and testing of controls established by management over the following areas: Approval of Allowances, Salary Payments, Travel and Subsistence Payments, Care Costs, Telephone and Internet Payments, ICT Allowance, Co-opted Members, Security of Data (GDPR/Retention), Purchase Card (P-Card) Expenditure.</i>	None
Adult Services	Self Assessment Checklists - Adult Services	High	<i>The audit reviewed the procedures in place on the following areas: Expenditure, P-Cards, Security, Income / Sales, Inventory, Petty Cash, Service Users' Money and Property, Employee Records, Unofficial Funds.</i>	None
Fundamental Audits	Main Accounting System 2020/21	High	<i>The audit reviewed the procedures in place and included detailed testing in the following areas: Compliance with Statutory Guidelines - Procedures & Policies, Financial Information Systems, Budgetary Control, Coding Structure, Feeder Systems, Journals and Internal Transactions, Suspense and Holding Accounts, Final Accounts, Security of Data and Database.</i>	None
Waste Management & Parks	Specialist Park Services	High	<i>The audit reviewed the procedures in place and included detailed testing on the following areas: Expenditure, P-Cards, Income, Inventory, Security, Employee Costs.</i>	None
Waste Management & Parks	Knotweed Service	High	<i>The audit reviewed the procedures in place and included detailed testing on the following areas: Expenditure, P-Cards, Income, Inventory, Officers' Travelling Expenses, Employee Records, GDPR.</i>	None
Waste Management & Parks	Parks Support & Tree Services	High	<i>The audit reviewed the procedures in place and included detailed testing on the following areas: Expenditure, P-Cards, Income, Inventory, Travel, Employee Costs, GDPR.</i>	None
Fundamental Audits	Treasury Management 2020/21	High	<i>The audit reviewed the procedures in place and included detailed testing in the following areas: Policies & Procedures, Cash Flow, External Investments, External Borrowing, Reconciliations and Control Accounts, Monitoring & Reporting, Computer Systems & Disaster Recovery.</i>	None

MONITORING REPORT Q2 2020/21 - SUMMARY OF SCOPE OF AUDITS FINALISED

Education Planning & Resources	Oystermout Primary School	Substantial	<i>The audit included the review and testing of the controls established by management over the following areas: Governance, Management of delegated resources, Budget Monitoring, Lettings & Clubs, Banking Procedures, Unofficial Funds, School Meals, Bank Reconciliations, Expenditure, Employees, Health & Safety, Inventory, Computer Security.</i>	<i>Instances of lack of orders being created prior to payment, use of the non-order facility (repeated from prev. audit). Additional LR & GP recs.</i>
Adult Services	Victoria Park Kiosk	Substantial	<i>The audit reviewed the procedures in place and included detailed testing on the following areas: Expenditure, P-Cards, Income, Inventory, Training Allowances.</i>	<i>Two instances where till 'Z' readings were unavailable for daily reconciliation purposes (repeated from prev. audit). Additional LR & GP recs.</i>
Education Planning & Resources	YGG Tirdeunaw	Substantial	<i>The audit included the review and testing of the controls established by management over the following areas: Governance, Management of delegated resources, Budget Monitoring, Lettings & Clubs, Banking Procedures, Unofficial Funds, School Meals, Bank Reconciliations, Expenditure, Employees, Health & Safety, Inventory, Computer Security.</i>	<i>Instances of lack of orders being created prior to payment, use of the non-order facility (repeated from prev. audit). Two montly bank reconciliations had not been signed as evidence of independent review. Additional LR & GP recs.</i>
Education Planning & Resources	Primary School Procurement Exercise	Substantial	<i>The objectives of the audit were to ensure that material business risks have been identified and that the controls in place are adequate for the purpose of minimising business risk and are operating in practice. In addition, this review sought to highlight the impact of the increase in the Band A threshold for transactions on the audit testing and compliance in a school setting.</i>	<i>The current procurement guide for schools requires updating to mirror the detail in the revised Contract Procedure Rules and should include enough detail to allow staff to clearly follow. Refresher training is required for school based staff on CPR's generally to improve compliance.</i>

Audit Title	Risk Rating	Status as at 30/09/2020	Corporate Priority	Days
Level 1 – Cross Cutting Reviews – Council Governance & Control				
Partnerships	Med/High	Allocated	Cross Cutting	15
Corporate Governance	Med/High	Planned	Cross Cutting	15
Whistleblowing	Med	Allocated	Cross Cutting	10
Workforce Planning	New	Planned	Cross Cutting	10
Local Government and Elections (Wales) Bill	New	Allocated	Cross Cutting	10
FOI / SAR/ EIR Review	New	Planned	Cross Cutting	15
Procurement Thematic Review	New	Planned	Cross Cutting	15
Added Value Work	n/a	Planned	Cross Cutting	10
Level 2 – Fundamental Systems - Section 151 Officer Assurance				
Financial Services & Service Centre				
Treasury Management	Med	Final Issued	Section 151 Assurance	18
Accounts Payable	Med	Allocated	Section 151 Assurance	35
Cash	Med/High	Allocated	Section 151 Assurance	30
Accounts Receivable	High	Planned	Section 151 Assurance	35
Council tax	Med/High	In Progress	Section 151 Assurance	30
Main Accounting System	Med	Final Issued	Section 151 Assurance	20
NNDR	Med	Planned	Section 151 Assurance	20
Level 3 – Service Level Audits – Other Assurance				
Education Planning & Resources				
Capital Planning & Delivery Unit	Med	Final Issued	Education	10
Casllwchwr Primary	Med	Allocated	Education	3
YGG Gellionnen	Med	Planned	Education	3
Birchgrove Primary	Med	Allocated	Education	3
Gendros Primary	Med	Planned	Education	3
Llangyfelach Primary	Med	Planned	Education	3
Brynmill Primary	Med	Planned	Education	3
Clase Primary	Med/High	Planned	Education	3
Plasmarl Primary	Med	Planned	Education	3
Parkland Primary	Med	Planned	Education	3

Craigyfelen Primary	Med	Planned	Education	3
Gorseinon Primary	Med/High	Planned	Education	3
Penllergaer Primary	Med	Allocated	Education	3
YGG Tan-y-Lan	Med	Planned	Education	3
Glais Primary	Med	Planned	Education	3
Craigcefnparc Primary	Med	Planned	Education	3
Ynystawe Primary	Med	Allocated	Education	3
St.Illtyd's RC Primary	Med	Planned	Education	3
Pentre'r Graig Primary	Med	Planned	Education	3
Llanrhyddian Primary	Med	Allocated	Education	3
Oystermouth Primary	Med	Final Issued	Education	3
Tre Uchaf Primary	Med/High	Planned	Education	3
Whitestone Primary	Med	Allocated	Education	3
Clydach Primary	Med	Allocated	Education	3
Blaenymaes Primary	Med	Planned	Education	3
Ysgol Cymraeg y Cwm	Med	Allocated	Education	3
Pontybrenin Primary	Med	Allocated	Education	3
YGG Tirdeunaw	Med	Final Issued	Education	3
Cwmrhydyceirw Primary	Med	Allocated	Education	3
Ysgol Crug Glas	Med	Allocated	Education	4
Pentrehafod Comprehensive	Med	Planned	Education	10
Bishopston Comprehensive	Med	Allocated	Education	10
Pontarddulais Comprehensive	Med	Planned	Education	10
Ysgol Gyfun Bryn Tawe	Med	Allocated	Education	10
Achievement & Partnership Service				
Challenge Advisors	Med	Final Issued	Education	10
Swansea Music Unit	Med/High	In Progress	Education	10
Vulnerable Learner Service				
Additional Learning Needs Unit	Med	Allocated	Education, Safeguarding & Poverty	25
Elective Education Provision	New	Planned	Education, Safeguarding & Poverty	10
Behavioural Support Unit	Med/Low	Allocated	Education, Safeguarding & Poverty	20

Education Grants & Other				
Additional Support for Disadvantaged Learners (G)	n/a	Planned	Education, Safeguarding & Poverty	5
Regional Consortia School Improvement (G)	n/a	Allocated	Education, Safeguarding & Poverty	15
Pupil Deprivation (G)	n/a	Allocated	Education, Safeguarding & Poverty	10
Schools Annual Report	n/a	Final Issued	Education, Safeguarding & Poverty	3
Child & Family Services				
Independent Agency Payments	High	Allocated	Safeguarding	10
Youth Offending Service	Med/High	Planned	Safeguarding	10
Leaving Care Act	Med	Final Issued	Safeguarding	10
Nant-y-Felin Children's Home	Med	Planned	Safeguarding	10
Adoption Allowances	Med	Allocated	Safeguarding	10
Residential & Outdoor Centres	Med	Allocated	Safeguarding	10
Adult Services				
Home Care	Med/High	Allocated	Safeguarding	10
Integrated Community Equipment Service & Suresprung	High	Allocated	Safeguarding	10
Suresprung Supported Employees Claim Process (G)	n/a	Planned	Safeguarding	5
Victoria Park Kiosk	Med/Low	Final Issued	Safeguarding	5
CREST	Med	Allocated	Safeguarding	10
Day & Residential Establishments – Questionnaires	High	Final Issued	Safeguarding	25
Commissioning				
Partnerships, Performance & Commissioning	Med/High	Planned	Poverty	15
Supporting People Team	Med	In Progress	Poverty	5
Supporting People Team–Regional Coordinator Grant (G)	n/a	Final Issued	Poverty	3
Supporting People Team-Outcomes Grant (G)	n/a	Not Required	Poverty	5
Supporting People Grant (G)	n/a	In Progress	Poverty	10
Tackling Poverty				
Children & Communities Grant (G)	New	Not Required	Poverty	10
Building Services				
Heol y Gors – Stores, Admin & Finance, Oracle T&L	Med/High	Planned	Economy & Infrastructure, Safeguarding	20
Heol y Gors – Estimating	Med	Allocated	Economy & Infrastructure, Safeguarding	15

Day to Day Repairs / Maintenance Section	Med	Allocated	Economy & Infrastructure, Safeguarding	20
Property Services				
Facilities Management	Med/Low	Allocated	Economy & Infrastructure	5
Waste Management & Parks				
Waste Enforcement	Med	In Progress	Economy & Infrastructure, Resource & Biodiversity	10
Central Operations – Playgrounds	Med	Final Issued	Economy & Infrastructure, Resource & Biodiversity	10
Parks Central Operations – Tree Services Unit	Low	Final Issued	Economy & Infrastructure, Resource & Biodiversity	5
Knotweed Service	New	Final Issued	Economy & Infrastructure, Resource & Biodiversity	5
Highways & Transportation				
Home to School Transport	Med	In Progress	Economy & Infrastructure	15
Concessionary Bus Fares	Med	In Progress	Economy & Infrastructure	5
Swansea Marina	Med	Final Issued	Economy & Infrastructure	15
Highways Trading Account	Med	In Progress	Economy & Infrastructure	7
Live Kilometre Support Grant (G)	n/a	Allocated	Economy & Infrastructure	5
Housing & Public Health				
Blaenymaes District Housing Office	Med	In Progress	Poverty, Safeguarding	15
Townhill District Housing Office	Med	Allocated	Poverty, Safeguarding	15
Voids Team / HPU	Med	Planned	Poverty, Safeguarding	15
Rent & Arrears Team	Med	Final Issued	Poverty, Safeguarding	18
Sheltered Housing Service	Med/Low	Final Issued	Poverty, Safeguarding	10
Public Protection – Administration Division	Low	In Progress	Poverty, Safeguarding	15
Public Protection - Taxi Licencing Division	Med/Low	Allocated	Poverty, Safeguarding	10
Public Protection – Pest & Animal Control	Med/Low	Allocated	Poverty, Safeguarding	5
Public Protection – Housing Division	New	In Progress	Poverty, Safeguarding	5
Estate Caretakers	New	Final Issued	Poverty, Safeguarding	10
Cultural Services				
Spot Checks & Land Train	Med	Planned	Economy & Infrastructure	5
Grand Theatre	Med/High	In Progress	Economy & Infrastructure	25
Glyn Vivian Art Gallery	Med	In Progress	Economy & Infrastructure	15
Swansea Museum	Med/Low	Planned	Economy & Infrastructure	10
Branch Libraries	Med	In Progress	Economy & Infrastructure	15
Brangwyn Hall	Med	In Progress	Economy & Infrastructure	15

Planning & City Regeneration				
Development Projects & Joint Ventures	Med	Allocated	Economy & Infrastructure, Resources & Biodiversity	10
Swansea Mobility Hire	Med	In Progress	Economy & Infrastructure, Resources & Biodiversity	10
Rights of Way	Med/Low	Allocated	Economy & Infrastructure, Resources & Biodiversity	10
Planning & Enforcement	Med/High	Allocated	Economy & Infrastructure, Resources & Biodiversity	10
Planning – AONB	Med	Final Issued	Economy & Infrastructure, Resources & Biodiversity	10
Strategic Planning Team	New	Planned	Economy & Infrastructure, Resources & Biodiversity	10
Communications & Marketing				
Corporate Management Team Support	Med	Final Issued	Transformation & Council Development	5
Risk Management	Med/High	Draft Issued	Transformation & Council Development	10
Risk Management System	New	In Progress	Transformation & Council Development	5
Financial Services & Service Centre				
Cashiers Office	Med/High	Planned	Section 151 Assurance	10
Write-Off Requests	n/a	Final Issued	Section 151 Assurance	5
Cashiers Write-off's	n/a	Planned	Section 151 Assurance	5
Car Loans	Med	In Progress	Section 151 Assurance	5
Trusts & Charities	Med/High	Planned	Section 151 Assurance	5
Direct Payments – Adult & Child and Family	Med	Final Issued	Section 151 Assurance, Safeguarding	15
Learning Disability Recharges	Med	In Progress	Section 151 Assurance, Safeguarding	10
Officers Expenses	New	In Progress	Section 151 Assurance	10
Purchase Card Transactions Monthly Review	Med	In Progress	Section 151 Assurance	10
PCI Data Security Standard	High	Planned	Section 151 Assurance	5
Passport to Leisure	Low	Allocated	Section 151 Assurance	10
Legal, Democratic Services & Business Intelligence				
Councillors Expenses & Allowances	Med/Low	Final Issued	Monitoring Officer Assurance	10
Councillors Code of Conduct	Med	In Progress	Monitoring Officer Assurance	10
Scrutiny	Med	Allocated	Monitoring Officer Assurance	15
Commercial Services				
Supplier Contracts Review	High	Planned	Section 151 Assurance	10

Contracts Review – Education	New	Planned	Section 151 Assurance	10
Retrospective Orders on Oracle Review	New	In Progress	Section 151 Assurance	10
Chief Transformation Officer Audits				
Contact Centre	Med	Planned	Transformation & Council Development	5
HR Policies	Low	Allocated	Transformation & Council Development	10
Corporate Learning & Development Team	New	Planned	Transformation & Council Development	5
Oracle Cloud	New	Planned	Transformation & Council Development	10
Management of Absence	New	Allocated	Transformation & Council Development	10
Contract Audits				
Highways & Transportation – Business Case, Tendering & Evaluation	Med/High	In Progress	Transformation & Council Development	20
CBS Tendering	Med/High	In Progress	Transformation & Council Development	10
Housing – Systems Overview	Med	In Progress	Transformation & Council Development	10
Commissioning – Tendering, Letting & Monitoring	High	Allocated	Transformation & Council Development	15
Computer Audits				
File Controls	Med/High	Planned	Transformation & Council Development	5
ICT Data Storage	Med/High	Planned	Transformation & Council Development	5
Internet Controls for Clients – Social Services	Med	Planned	Transformation & Council Development	5
Procurement of IT	Med/High	Allocated	Transformation & Council Development	10
Procurement of Telephones	Med	Allocated	Transformation & Council Development	5
Use of Idea - Data Matching NFI	n/a	Planned	Section 151 Assurance	5
Projects & Special Investigations				
Unpresented Cheques	n/a	In Progress	Section 151 Assurance	5
NFI	n/a	In Progress	Section 151 Assurance	10
Galileo Management System	n/a	In Progress	Section 151 Assurance	10
Annual Plan & Annual Report	n/a	Planned	Section 151 Assurance	5
Annual Consultation Exercise	n/a	Planned	Section 151 Assurance	10
Health & Safety Group	n/a	Planned	Section 151 Assurance	3
Recommendation Tracker Exercise	n/a	Allocated	Section 151 Assurance	5
Follow-ups	n/a	In Progress	Section 151 Assurance	20

Miscellaneous Audits				
Swansea Bay Port Health Authority	Med	Allocated	Section 151 Assurance	10
Western Bay Social Services Training Team	New	Planned	Section 151 Assurance	5
Brexit	New	Planned	Section 151 Assurance	5
City Deal Review Outcomes - Follow-up	New	In Progress	Section 151 Assurance	5
Swansea Central Phase 1 Programme	New	Planned	Transformation & Council Development	5
Sustainable Swansea	New	Allocated	Transformation & Council Development	10

Corporate Priorities

Safeguarding – Safeguarding People from Harm (411)

Education – Improving Education and Skills (246)

Economy & Infrastructure – Transforming our Economy and Infrastructure (282)

Poverty – Tackling Poverty (254)

Resources & Biodiversity – Maintaining and Enhancing Swansea’s Natural Resources and Biodiversity (90)

Transformation & Council Development – Transformation and Future Council Development (160)

Cross Cutting Reviews (100)

Section 151 & Monitoring Officer Assurance (451)

Agenda Item 7



Report of the Chief Auditor

Audit Committee – 20 October 2020

Internal Audit Recommendation Follow-Up Report Quarter 2 2020/21

Purpose:	This report provides committee with the status of the recommendations made in those audits where the follow-up's has been undertaken in Q2 2020/21, to allow the Audit Committee to monitor the implementation of recommendations made by Internal Audit.
Recommendation:	That the Audit Committee Members note the information contained in this report.
Policy Framework:	None
Consultation:	Legal, Finance and Access to Services
Report Author:	Simon Cockings
Finance Officer:	Simon Cockings
Legal Officer:	Debbie Smith
Access to Services Officer:	Rhian Miller

1. Introduction

- 1.1 The Audit Committee's Performance Review for 2017/18 was completed in June 2018. One of the recommendations arising from the review was in relation to the tracking of the recommendations made by Internal and External Audit.
- 1.2 This report provides an overview of how recommendations made by Internal and External Audit are tracked and followed-up.

2. Standard Follow-up Procedures

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

3. Fundamental Audits

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

4. Non-fundamental Audits

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

5. Chief Auditors Group PI's

- 5.1 Following discussions at the Welsh Chief Auditors Group Meeting in October 2018, it was decided that a new Performance Indicator (PI)

should be introduced to record the number of recommendations that have been implemented as a percentage of those recommendations made. Note that this has not been introduced for 2018/19. It is envisaged that the new process that we have introduced from April 2019 will allow these details to be recorded.

6. External Audit Recommendation Tracking

- 6.1 Whilst it is not practicable to track every external audit recommendation without additional resources and a suitable ICT solution, Scrutiny Programme Committee will receive WAO audit reports and action plans to address recommendations and proposals and will review progress against recommendations within 12 months of the receipt of the report and action plan as their work plan allows. Audit Committee will also receive reports and action plans for information and it may decide that it wants to prioritise and track specific proposals / recommendations in addition to the oversight undertaken by Scrutiny. This does not include those WAO reports that would be intended specifically for Audit Committee.

7. Status of Implementation Update to Committee

- 7.1 The purpose of this report is to allow committee to monitor the implementation status for those audits that have been subject to a follow-up review in the quarter. This will include all follow-ups completed, except for the fundamental audits as the outcome of these follow-up reviews are reported to committee separately.

8. Equality and Engagement Implications

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

9. Financial Implications

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

10. Legal Implications

10.1 There are no legal implications associated with this report

Background Papers: None

Appendix 1 – Summary - Recommendations accepted and implemented.

Appendix 2 – Details of recommendations not implemented.

RECOMMENDATION TRACKING REPORT Q2 2020/21

Audit Title	Date Final Issued	Date Follow up Completed	Assurance Rating	Recommendations								Total Recs Acc'd	Total Recs Imp'd	Total Rec Not Imp'd*	Comments
				HR		MR		LR		GP					
				A	I	A	I	A	I	A	I				
Morrison Comprehensive School	25/11/19	03/07/20	Substantial Assurance	0	0	2	2	13	11	4	3	19	16	3	Remaining actions only relate to governor meeting approval, which cannot take place at the moment due to Covid-19
Bishop Vaughan Catholic Comprehensive School	19/12/19	03/07/20	Substantial Assurance	0	0	2	2	9	8	4	4	15	14	1	Rec. remaining relates to inventory which cannot be actioned due to Covid-19.
Olchfa Comprehensive School	13/11/19	14/07/20	Substantial Assurance	0	0	0	0	16	16	2	1	18	17	1	Impletemdation date has not passed as yet for the remaining outstanding rec.
Car Parks - G4S Income Review	28/02/20	03/06/20	Substantial Assurance	0	0	1	0	1	1	3	3	5	4	1	Reconciliations cannot be undertaken at the moment due to Covid 19.
Food & Safety Division	06/09/19	24/07/20	Substantial Assurance	0	0	11	11	1	0	0	0	12	11	1	Rec. remaining relates to inventory which cannot be actioned due to Covid 19
Home Improvement Team	04/10/19	28/07/20	Substantial Assurance	0	0	1	1	2	2	2	2	5	5	0	
Stores (Pipehouse Depot)	17/03/20	08/09/20	Substantial Assurance	0	0	1	1	5	5	4	4	10	10	0	
Cashiers Office (inc Controlled Stationery & BACS)	27/03/20	08/09/20	High Assurance	0	0	0	0	0	0	2	2	2	2	0	
Planning - AONB	02/06/20	07/09/20	High Assurance	0	0	0	0	2	2	1	1	3	3	0	
Change Control	03/03/20	07/09/20	High Assurance	0	0	0	0	0	0	1	1	1	1	0	
Sheltered Housing Service	14/05/20	11/09/20	High Assurance	0	0	0	0	6	6	0	0	6	6	0	
Challenge Advisers	05/08/20	15/09/20	Substantial Assurance	0	0	2	2	14	14	0	0	16	16	0	
Community Parks Development &	09/03/20	15/09/20	High Assurance	0	0	0	0	2	2	1	1	3	3	0	
Estate Cartakes	09/06/20	15/09/20	High Assurance	0	0	0	0	5	5	0	0	5	5	0	

RECOMMENDATION TRACKING REPORT Q2 2020/21

Sports Permits	16/03/20	15/09/20	Substantial Assurance	0	0	2	2	1	1	3	3	6	6	0	
Acceptance of Tenders	02/06/20	23/09/20	High Assurance	0	0	0	0	4	4	0	0	4	4	0	
Licensing Division	06/08/20	22/09/20	Substantial Assurance	0	0	3	3	9	9	6	6	18	18	0	
												148	141	7	95.3%

*Further details on the recommendations that have not been implemented are reported in Appendix 2.

Key

HR - High Risk. **MR** - Medium Risk. **LR** - Low Risk. **GP** - Good Practice.

A - Accepted. **I** - Implemented

RECOMMENDATION TRACKING REPORT Q2 2020/21 - REC'S NOT IMPLEMENTED

Audit Title	Date Final Issued	Date of Follow up Completed	Assurance Rating	Recommendations Not Implemented				
				Report Ref	Risk Rating	Agreed Imp. Date	Recommendation	Reason / Comments
Morrison Comprehensive School Page 30	25/11/19	03/07/20	Substantial Assurance	2.3.1	LR	Mar-20	Unofficial fund should be reviewed / audited with a reasonable timescale following the end of the year. Audit Certificates & supporting documentation should be presented to the GB at the next meeting.	Not yet completed. Due to COVID 19 and school closure there has been a delay. We endeavour to get this completed by July 31st with an immediate audit of the account to take place.
				2.5.1 a)	LR	Dec-19	All lettings / room hire applications, including free use, to be made in writing. Checks should be undertaken to ensure appropriate insurances are in place.	All letting agreements will require requests in writing, and evidence of insurance must be presented before use of facilities. No lettings to take place until approved signed off by GB. Not agreed as not enough governors attended. No meeting scheduled at present. But when school reopens it will be approved. We have not had any lettings since the audit took place.
				2.5.1 b)	GP	Dec-19	Lettings / Room Hire charges, including free use, should be reviewed formally agreed by the GB on an annual basis. (Previous Audit Recommendation)	To be discussed and approved in next GB meeting. Not agreed as not enough governors attended. No meeting scheduled at present. But when school reopens it will be approved. We have not had any lettings since the audit took place.
Bishop Vaughn Catholic Comprehensive School	19/12/19	03/07/20	Substantial Assurance	2.8.1	LR	Feb-20	Appropriate inventories should be maintained in accordance with Accounting Instruction No. 9. It should be ensured that: i) Full descriptions are recorded including make, model & serial number where item has not been centrally recorded with an asset reference number. ii) Entries are made upon receipt of items iii) Valuable items should be marked with the school name iv) Inventory should cover the whole site v) Inventory is physically verified annually with an Inventory Certificate completed vi) Inventory checks should be recorded.	The school is currently working on updating the inventory as recommended but this has been delayed due to Covid-19. New electronic inventory system is being designed for the whole school. Completion by 31st July 2020.

RECOMMENDATION TRACKING REPORT Q2 2020/21 - REC'S NOT IMPLEMENTED

Olchfa Comprehensive School	13/11/19	14/07/20	Substantial Assurance	2.1.2	GP	Jan-20	A list of current Policies and Governing Body approval dates should be maintained.	Agreed - implementation date by August 2020, not completed at the time of undertaking the follow up in July 2020.
Car Parks - G4S Income Review	28/02/20	03/06/20	Substantial Assurance	2.3.2 b)&c)	MR	Feb-20	Reconciliations should be undertaken promptly and any discrepancies queried with G4S immediately to establish the reasons.	Parking Charges suspended due to Covid-19 at most sites, collections and reconciliations also delayed due to Covid-19 and health and safety controls implemented for collections and counting due to Covid-19. Due to be fully completed when restrictions are lifted.
Food & Safety Division	06/09/19	24/07/20	Substantial Assurance	2.6.1 & 2.6.2	LR	Mar-20	Appropriate inventories should be maintained in accordance with Accounting Instruction No. 9. It should be ensured that i) Inventory is physically verified annually, ii) Inventory checks should be recorded, iii) Inventory Certificate should be completed at the end of the financial year and iv) All disposals and transfers should be formally recorded and approved on an appropriate form.	Appropriate inventories will be put in place and maintained covering the points raised. This has been delayed as staff have been working remotely since lock-down due to Covid-19.

Key

HR - High Risk. **MR** - Medium Risk. **LR** - Low Risk. **GP** - Good Practice.

Agenda Item 8



Report of the Section 151 Officer

Audit Committee – 20 October 2020

Revenue and Capital Budget Monitoring 1st Quarter 2020/21

Purpose: To provide the Audit Committee with the Revenue and Capital Budget Monitoring Report that was presented to Cabinet on 15 October 2020.

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 15 October 2020.

Background papers: None.

Appendices:

Appendix 1 - Revenue and Capital Budget Monitoring Report that was presented to Cabinet on 15 October 2020.



Report of the Cabinet Member for Economy, Finance & Strategy

Cabinet – 15 October 2020

Revenue and Capital Budget Monitoring 1st Quarter 2020/21

Purpose:	To report on financial monitoring of the 2020/21 revenue and capital budgets, including the delivery of budget savings.
Policy Framework:	Budget 2020/21. Transformation and Future Council (Sustainable Swansea –fit for the future)
Consultation:	Cabinet Members, Corporate management Team, Legal Services and Access to Services.
Recommendation(s):	It is recommended that: <ol style="list-style-type: none"> 1) Cabinet notes the comments and variations set out in the report and the actions in hand to address these. 2) The virements in para 2.7 are approved. 3) Cabinet consider setting a level of permitted, in extremis, in year overspending of up to £10m, to be fully financed from draws from earmarked reserves, to ensure the overall budget remains balanced for the year 4) That no officer may consider any material further spending commitments and must wherever possible defer and delay spending to contain and reduce the likely forecast overspend by year end as far as is practicable, whilst delivering agreed Council priorities set out in the approved budget.
Report Author:	Ben Smith
Finance Officer:	Ben Smith
Legal Officer:	Debbie Smith
Access to Services Officer:	Rhian Millar

1. Background and Introduction

1.1 This report details forecast variations from the agreed budget for 2020/21.

- 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 March 2020
 - 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.

2. Revenue Outturn Forecast Based on 1st Quarter position

- 2.1 Appendix 'A' to this report details the approved Revenue Budget for 2020/21 and the forecast variation at this time.
- 2.2 Other than projected variations on Directorate expenditure, it is still too early to confidently forecast final variations that may arise on some significant Corporate items, including the level of Council Tax collection (which posted a deficit in 2019-20 of £0.7m and 2018-19 of £0.3m). Given the likely impact of COVID on collection it is inevitable that a further shortfall will arise in 2020-21. An optimistic forecast is that there will be a shortfall of £2.5m in 2020-21. This may be subject to some form of grant underpin support in due course from the Welsh Government, but is far from assured.
- 2.3 The overall Directorate position is summarised below:-

DIRECTORATE

	FORECAST VARIATION 2020/21 £000	COVID VARIATION 2020/21 £000	OTHER VARIATION 2020/21 £000
RESOURCES	5,696	5,582	114
PEOPLE - SOCIAL SERVICES	2,690	4,051	-1,361
PEOPLE - EDUCATION	6,133	4,963	1,170
PLACE	16,300	16,300	0
Additional Savings	194		194
<i>NET DIRECTORATE EXPENDITURE</i>	31,013	30,896	117

- 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 The table above shows an estimated overspend for the year of £31million. Bar some “Business as usual” fluctuations in Social Services and Education which largely net off this £31m is in effect entirely as a result of the COVID 19 pandemic and relevant responses in expenditure and reductions in Income as a result. This figure does not include the Business Support Grants costs and Retail/Hospitality/Rates reductions resulting from Welsh Government decisions and which are anticipated to cost around £85m and to be funded in their entirety. Any funding from WG as a result of grant claims have not been included in the figures above. Section 2.7 below shows the level of “service” expenditure that has been deemed as eligible and paid by WG to date.
- 2.7 Currently, monthly claims against additional COVID expenditure (April to July and an historic claim in relation to March 2020) and a first quarter claim for loss of income as a result of COVID in relation to the services has been submitted to WG. The summary of claims submitted to date and amounts received is set out below :

Summary of claims submitted and payments received to date in 2020/21

	Claim £000's	Paid £000's	
All other claims : April to July	6,004	5,291	Monthly claims for Free School Meals are held subject to WG review.
Loss of Income 1st Quarter	4,174	4,174	Limited by WG to Carparking, Waste, School catering and Cultural Services only.

Welsh Government have amended eligibility criteria as the year has progressed. This has included deeming as ineligible certain elements of expenditure (eg day to day expenses such as mobile phones, postage/copying/stationery costs , local decisions re support to local business) and reducing the eligible element of other costs (eg 50% of ICT costs). As such the monthly claims are amended to include only those elements of expenditure deemed to be eligible so exclude any costs etc not deemed eligible to be claimed.

Whilst some elements of expenditure are going to be continued to be claimed in July and later the WG

“panel have suggested as authorities are moving into a different phase of response then some costs deemed additional and necessary at the start will no longer be eligible within the fund but will be a matter for local discretion. E.g. packed lunches for homeless. This is because what was deemed an emergency response at the start of the pandemic is likely to either have a national policy response or there has been enough time for authorities to make alternative arrangements at a lower cost from existing budgets.”

This will result in a further reduction in those elements deemed to be eligible for grant by WG.

Similarly , the Loss of Income claim only includes those elements deemed as “eligible” by WG and relate to those areas common across all authorities (Car Parking , Waste , School catering and Cultural Services). Excluded currently for this claim , are any other estimates of “loss of income” for the first quarter previously identified by Services to WG. The total of which significantly exceeds the restricted elements identified above.

Grant claims to WG in relation to TTP are due to commence in July which are anticipated to cover all additional costs arising. The additional costs are included under Resources and currently amount to £2.9m in 2020/21. It remains unclear how much will be truly additional cost (and claimable) as opposed to as is predominantly currently the case) redeployed and redirected costs of existing workforce otherwise prevented from working in their normal service areas, but as “return to new normal” becomes more prevalent it is clear costs will rapidly start to be additional rather than “in lieu” and thus reclaimable.

Grant claims to WG for the £500 carer payments will be made in due course as the scheme develops nationally and again are assumed to fully cover costs.

At present, therefore, it is proposed to allocate sums received as follows and to seek that cabinet formalise their virement in receiving this report to service budget lines as follows

Education	£2.66m
Social Services	£2.28m
Place	£4.5m
Resources	£0.03m
Total	£9.47m

And once the figure is confirmed up to the following figure

Resources (TTP) £2.9m

This has no overall impact on the position, merely allocates grant received back above the line and which will result in some reductions in report service overspending in second quarter but equally will remove the net grant income received below the line.

On 17 August Welsh Government announced a further funding envelope of up to £264 million for future local government spending. Given the significance of the announcement and sums involved the normal timetable for reporting in year spend has been deferred to this meeting of Cabinet. Further detail is still awaited but it is understood it is a claims based system which will have a number of criteria applied to specifically include some areas of prioritised spending (especially schools and social care) and specifically exclude others (those deemed returned to normal or near normal).

2.8 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 and deferral 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 must work closely with Cabinet Members and the Corporate Management Team to contain, reduce, defer and delay spending as far as possible, having due regard, to existing agreed budget and political priorities to nonetheless seek to limit service overspending.

2.9 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.
- £1.85m was also set aside to meet any specific and significant inflationary increases arising in year. Given the overall financial projection at this stage it is proposed by the S151 officer that this be released as a compensating corporate saving especially as the price inflation outlook for the year looks very subdued.
- Use of the Contingency Fund as detailed below.

3. Contingency Fund Provision for 2020/21

3.1 The contingency fund was set at the £3.621m contribution for 2020/21 as set out in the budget report approved by Council in March 2020. As a result of the favourable outturn position this was added to, on a one off basis, to bring the total available to spend to over £9m. This is significantly higher than in recent years reflecting additional mitigation against any repeated overspending.

3.2 The current potential calls on the contingency fund for 2020-21 are:-

Contingency Fund 2020/21	Prediction
	2020/21 (£m)
Budgeted contribution for year.	3.621
Increase from c/fw from 2019-20	6.306
Proposed Strengthening and increased resilience in Financial Services	-0.250
Freedom of the City – Merchant Navy	-0.005
Support to Leisure Centres	-0.800
Underwrite to leisure Operators	-1.000
Support to Swansea Market	-0.500
Pipe House Wharf relocation lease costs	-0.100
School 3G pitch Support	-0.025
Communications/PR improvements	-0.010
City of Sanctuary floral badge	-0.001
Used to reduce service overspending	-7.236
Balance 31st March 2021	0.000

The above table lists current potential calls on the budgeted contingency fund. All bar the Strengthening of Finance (which will be a proposed budget adjustment for 2021-22) are anticipated to be one off costs. 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.

As at 1st April 2020 some £3m remained within the Restructure Reserve to contribute toward ER/VR or other cost risks that may arise in 2020-21. The S151 officer remains satisfied that this is sufficient for 2020-21 and that there should be no call on contingency this year to fund such costs. 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.

Based on current forecast the S151 officer proposes to utilise the current year forecast underspend on the Contingency Fund of £7. 236m to provide additional mitigation against the anticipated unfunded elements of cost/loss of income as a result of COVID19.

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

- 3.3 The current indication is that, for 2020-21, there needs to be continued targeted mitigating action and delivery of savings proposals to help reduce the overall service overspends. It looks inevitable as this early stage that substantial draws from earmarked reserves will be needed to achieve a fully balanced budget for the year. Any inroads to net spending will reduce the necessary draw from reserves and increase the amount of reserves available to carry into 2021-22.
- 3.4 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 2020/21
 - Progressing implementation of final phases 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.
 - On the basis that these are existing agreed actions fully set out in the agreed budget set by Council in March, whilst wholly recognising the ability to progress any of the above have been seriously impacted by Covid 19.
 - Continuing the extant spending restrictions which have been agreed as necessary by Corporate Management Team.
 - Directors detailed action plans which are summarised in their commentary in Appendix B.
 - The Deputy Chief Executive bringing forward a recovery plan for Cabinet to agree alternative mitigating actions and future steps, including a successor programme to Sustainable Swansea more suited and fitted pan and post Covid 19 and Brexit.

- 3.5 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

- 4.1 The position reported above reflects the best known current position and shows a net £31m of shortfall in service revenue budgets, almost entirely in relation to anticipated costs/loss of income as a result of COVID19 which when combined with a forecast £2.5m shortfall in Council Tax collection leads to a total shortfall of £33.5m. Some £9.5m has, to date, actually been received from WG in relation to service additional costs/loss of income as per 2.7 above. It is assumed that all the TTP costs will also be recovered and for 2020/21 some £2.9m is included at this stage. It is also possible that Council tax losses, or part of them at least, will be met by future WG grant support, but this is yet to be assured. In addition as identified above further mitigation is anticipated from the Apprenticeship/Inflation provision of £1.9m and Contingency fund of £7.236m. Taking account all of these mitigations this results in a net forecast shortfall (excluding Council Tax) for the council of some £19.9m.

Summary

Service Forecast overspend	£31m
Council Tax shortfall	£2.5m
Less Mitigating	
COVID grants received to date	-£9.5
COVID expenditure claims	
Submitted – not yet received	-£2.0m
TTP costs recovered	-£2.9m
Apprenticeship/Inflation	-£1.9m
Contingency Fund not utilised	-£7.2m
Net overspend forecast	£10m

NB Further claims for re-imburement of both expenditure and loss of income have been submitted to Welsh Government. Based on expenditure claims submitted (and subsequently paid) to date it is considered reasonable that as a minimum some £2m is likely to be paid and is therefore included above. The Welsh Government is further reviewing all the outstanding Loss of Income claims across Wales. Any decision re success or otherwise of the outstanding Loss of Income claims is not expected until the end of September so no assumption re additional grant income is included in the current forecast.

Any additional WG funding towards the additional costs or loss on income received from WG in relation to COVID19 costs /loss of income included in table 2.3 above overspend will further reduce the overall budget shortfall and thus why a target of “no worse than £10m” is recommended to be agreed by Cabinet and by the S151 Officer on a truly exceptional one off basis.

- a. Currently, all revenue grant income from WG in relation to COVID claims for the services, including schools, and has not yet been allocated “back” to departments.

- b. Corporate Management Team have reinforced the expectation that both service and overall net expenditure **must** be, as far as practicable, contained within the relevant limits of the current year budget as set by Council, and certainly within any agreed level of tolerance set by Cabinet on the advice of the s151 Officer, recognising the extreme nature of the covid 19 impact.
- c. 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, an often increasing tax base, but equally a substantial deterioration in the economy and employment which may inhibit individuals ability to pay tax already set and due.
- d. Included in the projected budget for 2020/21 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.
- e. There continue to be risks around general inflationary pay and price pressures in the forthcoming year including significant increases to the National Living Wage from April 2020 which will significantly impact contractors to the Council in some service areas. It will also put further pressure on the lower end of the current local government pay spine in future years. There is, as yet, no resolution to the national local government pay award offer (currently 2.75%, as budgeted) and there is a now above budgeted new pay offer for teachers worth up to 8% for some teachers, the excess cost of which is currently wholly unfunded by WG. Whilst all are entirely welcomed from a policy perspective, nevertheless the Council simply cannot afford to fund them in isolation, unless additional support is forthcoming from the UK and Welsh Governments, otherwise savings will have to be made elsewhere to meet such pressures.
- f. Detailed monitoring of budgets will continue to be carried out and reported to Departmental Performance and Financial Management meetings on a monthly basis.
- g. It remains imperative that sustainable, but sensitive in the unusual circumstances of Covid 19, base budget savings are found to replace in year one off actions to stabilise the 2020-21 budget ahead of the finalisation of the 2021-22 budget round.

5. Capital Budget

5.1 Expenditure to 30th June 2020 is £53.523 million, summarised as follows:

Directorate	Budget 2020/21	Actual to 30/06/20	% spend
	£'000	£'000	
Corporate Services	5,069	443	8.7%
People	33,917	3,651	10.8%
Place (General Fund)	177,987	46,112	25.9%
Place (HRA)	54,166	3,317	6.1%
Total	271,139	53,523	19.7%

Expenditure on major capital schemes is detailed in Appendix C.

It should be noted that the actual spend to 30 June may only have 1 or 2 months costs relating to external invoices. The impact of COVID will have an impact on the timing and potential slippage of the original capital programme. It is too early to determine the full impacts at this stage and capital schemes will be reprofiled during the year as the impacts of timing / slippage become known. This will have an impact on the revenue Capital Financing Charges in 2020/21 and beyond.

Bay Studios Surge Hospital (Covid19)

The figures above for Place (General Fund) includes £20.3m of expenditure for the Bay Studio Surge Hospital (Covid 19). As part of the Region's response to address projected increased demand on hospital services as a result of the Covid 19 pandemic, the Authority was asked by Swansea Bay University Health Board (SBUHB)/ Welsh Government (WG) to deliver a 1,000 bed Surge Hospital on the site of the old Bay Studios in SA1.

The scheme was completed in an exceptionally short timeframe. It was conceived, designed, delivered and operational within 3 months (April – June 2020) by Corporate Building Services in partnership with our partner sub-contractors, Kier and TRJ. The full cost of the scheme has been received from SBUHB and WG.

6. Housing Revenue Account

6.1 The Covid situation could have a considerable impact on the HRA revenue budget in 2020/21. Rent income is being closely monitored. During Quarter 1, collection rates have not been significantly affected however as the economic impact of the crisis continues it is anticipated that collection rates will be adversely impacted. It is too early to forecast the full impact on the budgeted Bad Debt Provision. There has also been a major impact on revenue expenditure with the revenue repairs budget for Quarter 1 being significantly underspent. This budget will continue to be closely monitored and it is forecast that spend for the remainder of the year will increase as the repairs service returns to normal. The crisis has also understandably impacted the delivery of the HRA Capital Programme with commensurate reduction in spend and financing costs. Work is ongoing to re-profile the 2020/21 capital programme.

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 2020/21

Appendix B – Directors comments on variances and action plans

Appendix C - Expenditure on major Capital Schemes

REVENUE BUDGET PROJECTION QUARTER 1 2020/21

<u>DIRECTORATE</u>	BUDGET 2020/21 £000	PROJECTED 2020/21 £000	VARIATION 2020/21 £000
RESOURCES	50,113	55,809	5,696
PEOPLE - SOCIAL SERVICES	124,734	127,424	2,690
PEOPLE – EDUCATION	181,833	187,966	6,133
PLACE	60,726	77,026	16,300
Additional Savings	-194	0	194
<i>NET DIRECTORATE EXPENDITURE</i>	417,212	448,225	31,013
SPECIFIC PROVISION FOR			
APPRENTICESHIP LEVY/INFLATION	2,850	1,000	-1,850
CONTINGENCY FUND	1,030	0	-1,030
SUPPORT TO LOCAL BUSINESS	0	51,500	51,500
WG COVID GRANTS (ASSURED)	0	-101,027	-101,027
<i>OTHER ITEMS</i>			
LEVIES			
SWANSEA BAY PORT HEALTH AUTHORITY	87	87	0
CONTRIBUTIONS			
MID & WEST WALES COMBINED FIRE AUTHORITY	13,741	13,741	0
<i>CAPITAL FINANCING CHARGES</i>			
PRINCIPAL REPAYMENTS	16,368	16,368	0
NET INTEREST CHARGES	20,010	20,010	0
<i>NET REVENUE EXPENDITURE</i>	471,298	449,904	-21,394
<i>MOVEMENT IN RESERVES</i>			
GENERAL RESERVES	0	0	0
EARMARKED RESERVES	-3,043	-19,349	-16,306
<i>TOTAL BUDGET REQUIREMENT</i>	468,255	430,555	-37,700
DISCRETIONARY RATE RELIEF	400	400	0
<i>TOTAL CITY AND COUNTY OF SWANSEA REQUIREMENT</i>	468,655	430,955	0
COMMUNITY COUNCIL PRECEPTS	1,582	1,582	0
<i>TOTAL REQUIREMENT</i>	470,237	432,537	-37,700
<i>FINANCING OF TOTAL REQUIREMENT</i>			
REVENUE SUPPORT GRANT	253,660	253,660	0
NATIONAL NON-DOMESTIC RATES	85,721	50,521	35,200
COUNCIL TAX - CITY AND COUNTY OF SWANSEA	129,274	126,774	2,500
COUNCIL TAX - COMMUNITY COUNCILS	1,582	1,582	0
<i>TOTAL FINANCING</i>	470,237	432,537	37,700

Service related COVID19 funding already received from WG of c £9.5m IS included above.

Director's comments on budget variances

Director of Resources

The COVID-19 response has had a detrimental effect on the Resources portfolio budget for the 1st Qtr. The TTP staffing expenditure is expected to be fully recoverable from Welsh Government. In addition to the staffing there is a short fall in IT funding for the TTP programme, due to WG capping the amount of money available.

A number of transformation projects and restructures were unable to be progressed resulting in overspends in both Customer Contact Centre, Digital Services and Transformation and Commercial services. Alternative savings plans are being prepared.

The resources portfolio has limited income streams, however these have also been affected and unlikely to be achieved within the year.

The heads of service will continue to review the budgets and look for alternative ways of achieving efficiencies to balance the budget.

Variance	£000	Explanation and Action
COVID-19 Variation:		
Test Trace & Protect Programme (TTP)	2,900	Estimated Staffing costs of £2.7m and IT costs of £0.2m. There may be a funding shortfall due to WG funding capping the funding available.
Oracle Cloud Project	400	Project has been delayed which has resulted in estimated additional costs of the orderly wind-down and restart of the project, upgrade of current R12 servers (end of life), extension of R12 licences. Timings have shifted and as a result incurring additional cost.
WCCIS Project	250	Project has been delayed which will result in estimated additional staffing costs to extend the project for implementation. The overspend may be contained within existing budget, however, this may not be possible. Work is being done with NWIS to change the notice.
Mobile Phones	100	Estimated increased costs, however, working with supplier to understand the actual cost increase per year.
Digital services staff costs	50	Additional Digital services staffing costs at the start of lockdown to enable homeworking.
Contact centre software licences and consultancy	50	Digital Services remote contact centre software licences and consultancy to enable call handling from home.

Schools infrastructure project.	35	Government directive to continue to pay consultants. Estimated additional cost as a result of continuing to pay consultants during lockdown and therefore elongated project timelines.
Design Print	107	Loss of trading income
Council Tax Reduction Scheme (CTRS)	1,400	Estimated additional costs due to additional demand, however, position will be reviewed for the next quarter as it is dependant on actual caseloads.
Council Tax Court Cost Income	235	Loss of Council Tax/NNDR court cost income as no court action has be taken for a significant part of the year.
Consultancy and Employee Costs	55	Additional Covid-19 costs.
Total COVID-19 variation	5,582	
Other Variations:		
Contact Centre	50	Restructure in flight to ensure sufficient resources in WTU, Complaints and a new model for Customer Services. The restructure will aim to take account of 'new normal' but will still require additional resources needed for Social Services Complaints and WTU in order to meet legal requirements.
Welsh Translation Service (WTU)	183	Welsh Translation Unit Saving from previous years cannot be achieved as requirement to maintain the service and deliver demand due to Welsh language Measures.
Commercial Services	130	Income target attributed to Commercial Services unlikely to be achieved.
Legal Services	-270	Net underspend mainly due to vacant posts.
Other net variations	21	Net Employee, Supplies & Services, Income shortfall and Unachievable savings.
Total Other Variations	114	
Total Overspend Variation	5,696	

Director of Social Services**Social Services**

Variance	£000	Explanation and Action
Covid 19 Variation		
Additional costs within Child and Family	515	The pandemic has reduced the options for placements with particular issues around care leavers. This has resulting in the Council having to secure more expensive placements than would be usual. There has also been a rise in the cost of Direct Payments as we aim to support families through this time.
Additional Costs within Poverty and Prevention	141	The directorate has incurred additional costs in supporting those deemed especially vulnerable at this time. Support has seen increased investment in services for those at risk of Domestic Violence as well as in Welfare Rights to help them cope with increased demand.
Lost income within Poverty and Prevention	518	The primary area of income loss relates to the Gower Activity Centres. We have also lost expected income from Adult Education.
Additional Costs within Adult Services	2,327	This is the current estimated additional cost of the actions taken to increase social care capacity and ensure we are best placed to support the national response to Covid-19. Such actions include <ul style="list-style-type: none"> • reopening a closed residential home and increasing capacity in others • increasing capacity within the domiciliary care market • participating in a Welsh Government scheme to provide financial support to our private residential providers • providing support to supported living providers
Loss of Income within Adult Services	700	This loss of income relates to income received from citizens and partners in respect of our day services that closed at the time of the outbreak.
Other		
Other Child and Family Variances	35	It is possible that this small overspend will be eliminated by grant funding later in the year.
External Residential Care	251	A slight overspend is forecast but this will be monitored as the year progresses.
External Domiciliary Care	-737	This underspend is a continuation of that reported in 2019/20 and has been driven by increased client income and the 'right sizing' work around packages of care.

Variance	£000	Explanation and Action
Internal Staffing and Services	-2,323	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.
Third Party Spend	-13	The Directorate continues to maintain cost management approaches to ensure that our services are sustainable and we continue to pursue external partners to ensure we receive a fair income for our services.
MHLD Complex Care	1,356	This remains an area of significant pressure. Additional budget has been allocated but ongoing pressures on demand and fees remain.
Poverty and Prevention	-80	Some small savings are expected due to the management of grants.
Overall Variation	2,690	

Director's Comments

The Council's response to Covid-19 dominates the financial outlook for the year. Our response has been swift, thorough and expensive. We expect that many of our additional costs will be recoverable through Welsh Government grant funding and will continue to align our processes to ensure we are successful in recovering as much of our expenditure as possible.

Forecasts for Covid related expenditure and income loss are subject to the progression of the pandemic through the remainder of the financial year. Whilst this is a year like no other, we need to ensure that our services are able to respond to demands and pressures as they arise.

The pandemic also has an effect on our business as usual activity. That said, our non Covid variances continue the story from last year where we have been able to use grant income to offset the cost of our internal services. Some of this funding expires in the current year and presents us with a challenge for the future.

The overspends within Mental Health and Learning Disabilities Complex Care are lower than some of those we have previously reported. However, retendering has added to the pressures on fees, which have continued to increase at above inflation rates for some time.

We continue with efforts to seek fair and equitable funding contributions from our Health Service partners for the services they commission and have strengthened our systems for the recovery of client income.

Director of Education

Variance	£000	Explanation and Action
Covid 19 Variations		
Additional direct cost of maintaining provision of lunches / food bags / BACS payments for FSM eligible pupils	2,809	Reflects significant additional food costs, considerably greater coverage of eligible families (with transitional protection), and additional provision over holidays - estimated to 14th September
Loss of paid School Meal Income	1,180	Reflects previous year levels of take up of meals – estimated to 14th September
Additional staffing costs over normal contracted hours (catering, cleaning and school support teams)	159	This is due to the support provided to settings at times when they would not usually be open such as weekends and holidays.
Additional hours for teaching assistants outside of term	120	
Additional transport, PPE, and utility costs.	256	Additional costs from the use of vehicles to support the delivery of Free School Meals, as well as the provision of PPE, continues to be scrutinised.
Home to School Transport - reduced payments to operators during summer term	-661	Providers have received retainer payments for the duration of school closure that are lower than contracted prices.
Additional costs of licences to support Chromebooks and continuity of learning for pupils	24	Additional cost over and above core broadband and other IT infrastructure costs and available base budget
Loss of other income such as from school clerking services and penalty notices	10	On the basis of broad comparison with previous year – e.g. £4.2k per quarter re penalty notices
Loss of income to schools for example from school lettings and breakfast and other clubs	1,066	Reflects detailed analysis of income lost across our maintained schools.
Total Covid 19 variations	4,963	
Non Covid Variations		
Continuing additional costs of FSM transitional protection - part year impact once schools fully re-open	266	Considerable increase in those entitled to FSM and likely to grow further with impact of lockdown. With transitional protection these numbers will be maintained without any certainty of additional core funding from WG
Additional costs of FSM provision during lockdown which cannot be reclaimed from WG under strict grant criteria	258	Additional food costs, which cannot be reclaimed from WG, from free provision of care lunches to all pupils, over ordering by schools of food bags / parcels, and donation to food banks of food items not required due to changing

Appendix 1

		expectations of food parcel contents
Loss of additional paid meal income from previously proposed MTFP increased prices (April 20 and Sept 20)	205	£125k loss of income from decision to remove increase from April and a further £80k part year impact with no increase in September
Home to School Transport - further underlying cost pressures and undeliverable savings target relating to creation of additional walking routes, allocated from Place Directorate	402	MTFP reflects robust management action to mitigate scale of demand and cost pressures but underlying pressures continue to grow. Further shortfall due to undeliverable savings target allocated to Education, with no influence in its determination or delivery
Continuing Additional Learning Needs demand and cost pressures	92	Significant impact of management action to manage demand and cost pressures reflected in MTFP, but challenges remain
Out of County Placements - undeliverable savings without further specialist provision within County	250	Direction not to proceed with actions necessary to bring forward delivery of scale of additional Special School Places required
Implications of school decisions on SLA buy back on services	50	Reflects existing pressures on areas such as Music Service, as far as possible mitigate by robust management action
Additional cost for schools of corporate decision relating to average payments to staff	160	A local decision and so not reclaimable against WG funding for COVID 19
Additional staffing costs for schools due to freeze on ER/VR processes	100	Costs will increase further if HR redundancy processes cannot recommence before September but may be able to mitigate from WG grant
Additional civic catering costs with decision to freeze closure	63	Reflects continuing shortfall exacerbated by loss of any income from sales for the lockdown period - could increase if closure further delayed
One-off additional contribution to Regional Improvement Partnership	45	Agreed for 2020-21 only, before Swansea withdraws from ERW from April 2021
Capita One - one-off cost to have been charged to, and contained, within available 2019-20 budget	30	Proposed carry forward to reflect this one-off cost was not supported
Capita One annual maintenance costs - more than offset by savings in Corporate Digital Services budget but requiring an appropriate budget transfer	32	Highlighted as a potential continuing overspend until an appropriate base budget transfer from Digital Services is approved
Other continuing pressures (Primarily Historic Pension Costs, Maternity etc)	122	Will continue to be scrutinised to as far as possible mitigate pressures
One-off managed savings with delay to full implementation of new	-700	Further managed savings can be delivered whilst the new EOTAS model cannot be fully implemented

EOTAS model		
One-off managed savings identified in year in addition to those already reflected in MTFP	-205	Continuing robust management action will seek to identify further savings in addition to MTFP requirements
Net non-Covid 19 projected overspend	1,170	Reflects impact of decisions preventing the delivery of current year MTFP savings assumptions and unrecoverable additional Covid-19 costs
TOTAL PROJECTED PRESSURES	6,133	

The closure of schools has had a significant budgetary impact on the Directorate and is the primary cause of the variations reported above. It is hoped that most costs will be recovered from available WG grant funding but there is clearly a risk that some costs may not be fully reclaimable.

The non-Covid 19 projected overspend is more than accounted for by the impact of WG or local decision which has increased the uncontrollable and statutory cost pressures, prevented the delivery of significant elements of current year MTFP savings assumptions, and incurred unrecoverable additional Covid-19 costs (*in part underwritten by S151 Officer – in italics*).

There are other areas of identified demand and cost pressures, in spite of the continuing delivery of the Education strategy, but these are anticipated to be more than offset by further one-off managed savings in addition to those already reflected in the MTFP. However, the underlying base budget shortfall facing the Education portfolio budget, potentially at almost £1.9m, is clearly of concern even though almost £1.2m directly reflects the full year impact of national or local decisions.

Director of Place

The directorate is currently projecting a £16.3m overspend which is significant and unprecedented. The reason for this is the additional costs incurred on Covid related matters, plus the lost income across a range of services areas due to the inability to carry out work or recharge for services. This projected out turn will be revised as clarity is obtained from Welsh Government as to the level of support provided for both expenditure and lost income. There are some other "non Covid" projected overspends as is often the case early in the financial year but as in previous years the directorate would have achieved a balanced budget had it not been for COVID related implications.

Appendix C

Capital expenditure on major schemes to 30 June 2020 (where spend greater than £250k)	£000's
People	
EOTAS new build	1,673
Gorseinon Primary	852
YGG Tan y Lan new build	410
Resources	
ERP System Upgrade	405
Place	
City Development Phase 1 (Arena schemes)	21,712
Kingsway Infrastructure	764
Kingsway Offices-Design & Plan	523
Corporate Building Services (including schools)	1,117
Baldwins Bridge Interchange	377
Highways carriageway resurfacing including invest to save	928
Bay Studios Surge Hospital build for SBUHB managed by CBS	20,232
HRA	
HRA capital programme (More Homes schemes)	543
Wind and Weatherproofing West Cross	313
External Facilities	704
HRA Kitchens & Bathrooms	989

Total scheme value where spend greater than £250k

51,542

Agenda Item 9



Report of the Section 151 Officer

Audit Committee – 20 October 2020

Revenue Outturn & Savings Tracker 2019/2020

Purpose: To provide the Audit Committee with the Revenue Outturn and Savings Tracker 2019/2020 that was presented to Cabinet on 16 July 2020.

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 Outturn and Savings Tracker 2019/2020 that was presented to Cabinet on 16 July 2020.

Background papers: None.

Appendices:

Appendix 1 - Revenue Outturn and Savings Tracker 2019/2020 that was presented to Cabinet on 16 July 2020.



Report of the S.151 Officer

Cabinet – 16 July 2020

Revenue Outturn & Savings Tracker 2019/2020

Purpose:	To report on the detailed Revenue financial outturn for 2019/20
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(s):	It is recommended that: <ul style="list-style-type: none"> 1) The comments and variations in this report be noted, and that the proposed reserve transfers detailed in Section 7.3 are approved
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 net expenditure for 2019/20 and highlights variances from the revised budget.
- 1.2 The Revenue Budget for 2019/20 was approved at Council on 28th February 2019. The budget as approved included the following proposals to address a potential budget deficit of £24.401m

<u>Budget Proposals 2019/20</u>	£'000	£'000
Planned Service Savings.	-12,283	
Cross cutting savings.	-357	
		-12,640
Schools pressures funded by schools.		-4,279
Funding identified for change to Council Tax and Savings Proposals.		-496
Net effect of Council Tax base increase and increased charge.		-6,986
<hr/> Overall resourcing <hr/>		-24,401

- 1.3 The specific savings proposals detailed above were incorporated into Directorate budgets at service level and have been the subject of specific monitoring via the budget savings tracker, reported to Cabinet on a quarterly basis during the year.
- 1.4 2019/20 marked the sixth year following the introduction, from 1st April 2014, of the Council's single status pay and grading scheme relating to all staff on NJC grades. The scheme specifically excludes Teaching staff, those on the Soulbury Scheme and Senior Officers at Head of Service/Director level.
- 1.5 The introduction of the scheme has been accompanied by an extensive appeals process for those staff adversely affected by pay and grading allocations made during the original allocation process. Despite significant inroads made to the numbers of appeals, elements of the appeals and grievance process does remain ongoing.
- 1.6 The extent to which appeals are successful in terms of job allocation will inevitably affect financial performance on an annual basis and impact on future budget planning.
- 1.7 The modelled costs of single status as at the implementation date have been incorporated in revenue budgets going forward. However, costs in respect of successful appeals have not, and any costs arising from appeals and grievances will have to be met from within existing Directorate Budgets.
- 1.8 The report that follows details the Revenue outturn position for 2019/20, makes commentary on comparison with in year budget monitoring and, where appropriate, details action already taken in setting the 2020/21 Revenue Budget based on anticipated outcome at quarter 3 of the year. It remains critical that the progress on savings adopted under *Sustainable Swansea* is subject to constant review and updated during each financial year and that future budgets are constantly informed by outcomes from the monitoring process.

2. Detailed Outturn Position

- 2.1 Overall direct revenue expenditure for 2019/20 was £11,240,000 less than the revised budget as follows:

	£000's
Net Expenditure on Services per appendix 'A' - underspend	-7,474
Reduced call on Contingency fund	-4,661
Reduced call on Apprenticeship levy	-197
Inflationary provision not utilised	-850
One off corporate costs/income	1,269
Council Tax collection shortfall	664
Other net overspends	9
<hr/>	
Overall net underspend	<hr/> -11,240 <hr/>

- 2.2 Members will see from the table at 2.1 above that the net overall underspend at year end is primarily the result of a net one off underspend in services of nearly £7.5m, together with the reduced call on Contingency Fund of £4.7m.. During the in-year reporting to members it was highlighted that a significant element of the Contingency fund was likely to be unallocated in the year , based on forecasts , and therefore would be utilised to mitigate future spend in relation to costs arising from risks/demand. The third quarter services position forecast a small net overspend in the region of £0.4m. The improvement during the last quarter to out turn is largely as a result of the action taken in the third and fourth quarter by all Directorates to contain or reduce overspending, in line with Cabinet decisions and target setting, following receipt of the in-year quarterly monitoring reports. A further major and one off contributor to the final position has been the receipt of significant historic shared costs settlements from the local health board and additional Welsh Government funding, both in relation to Social Services. This has then been offset further by the already agreed actions, namely to utilise unspent budgets on the central inflation provision and Apprenticeship Levy .
- 2.3 Separately, there is, as highlighted during the year, but not until now formally quantified, a significant in year underspend on capital financing of £7.4m. An element of capital programme slippage has contributed to the capital charge underspend. There is a strategy to monitor interest rates and average in the borrowing requirement over a period of time but inevitably as the need to fund the capital financing requirement increases so will the capital charges in line with the delivery of the capital programme, the budget and MTFP. Such underspends should therefore be considered temporary, albeit not necessarily solely one off (see 2.4) as the capital programme's financing requirements develop in the later years of the MTFP. Having externalised borrowing up to capital financing requirement (CFR) during 2018/19 and in light of the HM Treasury's decision in Oct 2019 to implement a 1% premium on all PWLB borrowing, no external borrowing has been undertaken in 2019/20. However as the capital programme's financing requirements

Appendix 1

from 2020/21 onwards arise, the most economically advantageous source of funding shall need to be sourced (PWLB, market, bond issue) with the accompanying financing charges.

- 2.4 As outlined throughout the year (and set out in Section 7 below) it is proposed that the whole underspend on the Capital Charges be transferred in its entirety to the Capital Equalisation Reserve to help prudently meet part of future capital costs. This approach was re-affirmed by Council in its review of all reserves. This will result in a Capital Equalisation Reserve of £21.1m as at the start of 2020/21.
- 2.5 The improved final position, lower overspend and reduced cost of ER/VR scheme, has resulted in no call on the Restructure Reserve in year. This allows the S151 officer to propose that £3 million is retained In the Restructure Reserve to be used to continue to contribute towards helping centrally fund the costs of ER/VR in 2020-21, again only where there is an evidenced business case and reasonable payback period, as in previous years.
- 2.6 Details of net expenditure variations are given in Section 2.9 and onwards below.
- 2.7 Recommendations in terms of Reserve Movements and Review as a result of the final outturn position as set out in Section 2.1 to 2.3 are made in Section 7 of this report.
- 2.8 The Directorate/Services outturn position itself is made up of a mix of over and under spends and it is clear that some individual elements of the overspends within service areas may continue into 2020/21 and large one off income gains are unlikely to fully continue. However, the approved budget for 2020/21 addressed a number of the major underlying budget issues from previous years. This was all, of course, before the Covid 19 pandemic impact which will fundamentally affect the 2020-21 budgets
- 2.9 The following sets out the major service specific variances in 2019/20.

Resources Directorate

Summary of variances:	£
Net Employee Costs	-2,598,000
Savings exercise in-year to meet Sustainable Swansea Savings/Service savings targets	1,790,000
Digital Services Contracts & Hardware/Software	-559,000
Council Tax Reduction Scheme (CTRS)	-461,000
Housing Benefits/Rent Allowances	-474,000
Other net variances	47,000
Total	<u>-2,255,000</u>

Director Comments:-

1. As reported in the 2018/19 outturn, there was a shortfall in the target attributable to Sustainable Swansea savings in the Directorate. These were primarily historical savings targets which had not been achieved and carried over into this financial year. The Deputy Chief Executive in conjunction with Heads of Service undertook measures to proactively underspend to control the in-year budget.

This action meant a steady reduction of in-year spending related to staff costs through the management of both vacancies through a vacancy freeze, ER/VR, renegotiation of contracts and reducing non-essential spend. A key role of The Resources Directorate is to support the other directorates and due to the reduction in staffing this has had a substantial impact on other services and service delivery. These actions resulted in a rebalanced Directorate budget during 2019/20 with a projected underspend, although its longer-term sustainability remains challenging with the requirement for substantial transformation within these services to ensure a future balanced sustainable budget. This transformation would be ready to implement by the end of 19/20 to rebalanced the budget. However a number of restructures and planned efficiencies have not been started due to the Coronavirus Crisis which hit towards the end of the financial year.

2. Savings which were programmed in the earlier years and carried forward have not been achieved due to the changes in the demand for the service during the subsequent year, making the saving even more challenging. This relates to the Welsh Translation Service saving of £150,000.

Alternative proposals are being reviewed within the directorate and a plan to address these areas is being developed for 20/21 financial year.

In-year savings exercise to meet Sustainable Swansea Savings target and other Service savings:

Savings exercise in-year:	£
Employee costs	998,000
Corporate Health and Safety Wellbeing & Communications Model	306,000
Commercial Services Income	130,000
CTRS	353,000
Other	3,000
Total	1,790,000

3. A third area of underspend variance relates to the Digital and Transformation savings and IT contract cost savings due to Oracle support and maintenance contract which has been negotiated as part of the Oracle Cloud implementation, training of support team on new contact centre technology and other contract costs,

4. A fourth area of Underspend variance relates to Legal Services, where vacancies have not been filled. This has resulted in case management increasing per lawyer which in turn has had implications on the speed of which work is completed. In addition successful cases such as liberty stadium has seen increased income.
5. The final major variances relates to budget overprovision for CTRS (Council Tax Reduction Scheme), which is predominantly demand led. Some significant reduction in this overall budget was factored into the 2019-1920 budget but it remains under review with the wider rollout of the Universal Credit system and wider efforts by Welsh Government to encourage and maximise local take up of the scheme. The other balance is Housing Benefit and Rent Allowances variance relating to a net over recovery of income and a write off of a previous year creditor transaction.
6. Detailed plans and proposals are now in place to deliver alternative savings to the above variances. Individual service overspends have occurred in year where they have adopted a new unplanned saving mid-year which will not materialise until 2020/21. This is not without difficulty in some areas where vacant posts have been left unfilled and ultimately deleted in the savings proposals. This continues to create pressure across Resources and work has been prioritised accordingly.

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.
- Review of the CTRS which is a demand-led service
- Bringing forward savings as a result of digital wherever possible
- Reducing and stopping fees and subsidies wherever possible.
- A range of other measures are being considered as part of budget savings considerations.

However at the time of writing the budget and planned transformation programmes have been impacted through the Coronavirus and the planned action plans have not been implemented due to this and a review will need to take place within all service once the crisis has been resolved to a level where it can take place.

Director of Social Services**Children's and Adult Services**

	£
All Savings targets were met or achieved via alternative means	
Independent Child and Family Placements	-904,000
External Domiciliary Care (Older Persons)	-604,000
External Residential Care	-1,077,000
MHLD Complex Care	2,789,000
Internal Services (Adults)	-2,633,000
Internal Services (Children's)	-1,811,000
Adoptions	445,000
Community Equipment	-793,000
Other	6,000
	-4,582,000

Director's Comments

There have been significant improvements in the Social Services position throughout the year. This is the first time in recent years where both Adult Services and Child and Family have underspent.

In recent years, significant levels of unachieved savings have required exceptionally tight control of business as usual spend as well as reviews of grant eligible activity to ensure as much spend as possible is claimed through available grants. This process continued into 2019/20 and explains much of the improved performance.

The resolution of a long-standing dispute with partners around contributions to Children's placements saw a one off accounting adjustment of £1.7m applied to Child and Family. Whilst such adjustments are one off in nature and will not be repeated, the principles established for sharing costs will support the Council in the coming years.

The increased reliance on grant income to maintain services that would historically have attracted core Council funding is a concern in the medium term but manageable for 2020/21. At this stage the level of exposure to known short term grant funding is c.£9 million.

Despite the improved financial performance cost pressures for externally commissioned care have continued to rise. The combination of increased costs and higher demand are continuing to cause pressure. Many of these pressures have been managed through budget realignments and work to seek fair contributions from partners that will continue into 2020/21.

Appendix 1

Underspends in respect of the Community Equipment Store are representative of the higher contributions received from partners, alongside the service's success in attracting external funding. The partnership agreement for this service requires that such underspends are set aside for the ongoing benefit of the service.

Poverty & Prevention

	£
Young People's Services	-71,000
Early Intervention Services	-123,000
Tackling Poverty	-120,000
Joint People Directorate Commissioning	-53,000
Other	-1,000
	<u>-368,000</u>

Directors Comments:-

The core budget of Poverty and Prevention funds 24% of service spend, with the remainder funded by income, mostly Welsh Government grants. The principle adopted by the service is to maximise grant funding where legitimate and able to do so. Where this approach is successful it creates underspends and one off savings to core budgets.

The continued integration of commissioning services, as well as closer working with early intervention and prevention activity has provided additional opportunities for core funding underspends.

Director of Education

	£
School Catering	953,000
Cleaning Services	159,000
Home to School Transport	916,000
Out of County / Independent Placements	184,000
Other additional learning needs (ALN) pressures	138,000
Other continuing non-delegated schools pressures	122,000
Education Other Than At School (EOTAS)	-599,000
Managed savings in staffing costs	-226,000
Continuing scrutiny of costs	-152,000
Further cost recovery and income generation	-202,000
Retention of grant monies	-901,000
Other net variances	-24,000
	<u>368,000</u>

Directors Comments:-

Education

Catering and Cleaning: Overspends in this area are primarily due to the impact of pay awards, other food cost pressures, and unfunded national changes in free school meal entitlements. However, these have been exacerbated by the significant late impact of the closure of schools in March that resulted in a significant loss of income, as well as additional costs to maintain support for those entitled to free school meals. Cost pressures had been mitigated in part by continuing management action to further increase income and efficiencies within the services, and action taken to address the underlying base budget shortfall through a review of future service level agreements (SLA) charges. Nevertheless, changes to the support for those eligible for free school meals during the current lockdown will continue to have a significant financial impact in 2020-2021 unless the full additional costs being incurred are recovered in some way.

Home to School Transport: This remains a significant area of concern, as it is inherently volatile and uncontrollable within existing national and local policy. Expectations continue to be raised through Welsh Government action and legal challenges. There has been some success in mitigating inflationary pressures through process reviews and the achievement of service efficiencies.

Out of County / Independent Placements: The overspend is significantly lower than earlier projections, reflecting the continuing management action to mitigate the scale of cost pressures which include contributions to the educational cost of social services placements. Like all independent placements, this is an inherently volatile demand-led budget.

Other ALN pressures are also apparent, particularly in areas such as additional specialist teaching (STF) facility support needs, education at home, equipment and the assessment team.

Other continuing non-delegated schools pressures primarily relate to unfunded historic pension costs and maternity costs.

EOTAS: A number of one off underspends were identified in year to support the department's financial position through a thorough review of budgets in this area, in line with the continuing development of the new model of EOTAS provision.

Robust management action has been taken throughout the year to as far as possible mitigate the scale of the underlying base budget cost pressures through the identification of managed staffing savings, the continuing scrutiny of costs, and wherever possible further cost recovery and income generation. A one-off retention of grant funding was agreed to further mitigate the overall scale of underlying cost pressures to be managed.

Without the late impact of the closure of schools on the catering service outturn, which added £328,000 to the overall overspend through the loss of income and the additional food costs incurred, the ED budget as a whole would have been virtually balanced, having managed cost pressures amounting to £2.5m identified at the start of the financial year.

The significant areas of unavoidable service and demand pressures identified above will continue into 2020/2021, whilst many of the mitigating savings identified during 2019/2020 are one off in nature. However, there is a robust medium term financial plan to continue to address the areas of underlying base budget shortfall, subject to the severe financial impact of the continuing lockdown on the cost of catering provision being recovered by the local authority.

Place Directorate

Director Comments:-

Notwithstanding the ongoing financial challenges, significant cross directorate performances continues to be made against base budget and savings targets. The directorate had remained on target to achieve a balance budget but was asked to take further measures to mitigate overspend elsewhere within the authority and seek to achieve a £500k underspend. The final outturn slightly better this with an overall underspend of £638k. This has been achieved by effective budget management and a significant increase in income. This has also mitigated some end of year challenges resulting from COVID 19 and its resultant impacts which are likely to amount to several hundred thousand pounds per month and particularly affect services areas which are income dependant e.g. car parking

The main overall variances are as follows

Highways and transportation overspend of £1.3m resulting from overspend in car parks (£443k), unachieved savings (£463k), park and ride (£347k), increased maintenance of fleet cost (£486k), and highway utility cost (£298k). partly offset by underspend in bus station (-£111k) and Civic parking enforcement income (-£360k) and other underspends

Waste management, parks and cleansing overspend of £984k resulting from cumulative unfunded Waste budget pressures and fall in recycling income (£467k), neighbourhood working (£468k including an RCCO of £180k) and other minor variances

Building Services net underspend of -£1.7m mainly as a result of increased income and fee recovery as a result of significant increase in turnover

Property services underspend of -£415k made up of increase income from assets and investments portfolio partly offset by shortfall in income from Quadrant (£263k)

Culture Tourism sport and Leisure underspend of -£226k made up of underspend in libraries (-£282), special events for addition large events (-£202k) party offset by overspend in the grand theatre (£234) largely resulted from delayed savings now in place for 20/21

Housing and Public protection overall underspend of -£985 mainly resulting from underspend in housing options (-£325k), Food safety (-£97k), Registrars from increased income (-£111k) and area renewals from increased income and staff underspends (-£225) and general fund housing budgets of (-£147k)

Economic regeneration and planning overspend of £104k mainly resulting from shortfall in market income (£199k) offset by underspends

In addition proactive budget management has also reduced overall spend levels across the directorate. This will assist the directorate try and meet the challenges coming in 20/21 resulting from additional COVID costs and significant reduction in income in the early months.

3. Items met from the Contingency Fund

3.1 The Council Report on 28th February 2019 highlighted a number of risks that may need to be met from the Contingency Fund in 2019/20.

3.2 The £1.695m Outturn figure shown at Appendix 'A' represents the cost of the ER/VR exercise for 2019/20 which has been charged to the Contingency Fund on an 'Invest to Save' basis. This is approximately half of the previous year's cost and this reduction contributes significantly to the reduction in usage/underspend on the revised contingency budget This £1.695m reflects the inevitable workforce restructures implicit within the budget proposals for 2019/20 and 2020/21 contained within the 'Sustainable Swansea- Fit for the Future' Budget strategy adopted by the Council. As in prior years access to ER/VR requires a maximum payback period of three years for an employee who leaves under the scheme.

3.3 In addition to the above, other costs have been funded from the contingency in year including funding for equipment for a new depot (£313,400) , Range of events to celebrate the 50th Anniversary of Swansea City status (£158,000) ,High Street car park lift repairs (£135,000) , Interim support arrangements for Chief Executive including regional working (£30,000) , Community Help/Initiatives Consultation (£33,000) , Western Powerhouse subscription (£20,000), Key Cities subscription (£10,000).

3.4 Items charged to the fund represent one off costs which, apart from ER/VR costs, will not re-occur during 2020/21. The budgeted Contingency fund for 2020/21 is £3,621,000. The unspent and unused elements of the contingency fund from 2019-20 will be potentially available to significantly boost, on a one off basis, the level accessible during 2020-21. This is considered necessary in light of likely risks and issues facing the council, including the financial impact of Covid 19.

3.5 The proposed use for the un-allocated element of the Contingency Fund in 2019/20 (£4.661m) is set out in section 7.

4. Schools Expenditure and Reserves Position

4.1 The Schools delegated budget for 2019/20 was £150,720,000.

4.2 This delegated budget in reality reflects in actual expenditure as shown in the education directorate line of the outturn summary given at appendix 'A', and any variation in expenditure incurred by Schools at a level greater/less than overall delegated budgets will result in a movement in ring-fenced delegated schools reserves.

4.3 During 2019/20 Schools expenditure overall was £871,123 more than the delegated budget, equating to an overspend of approximately 0.006%

4.4 This overspend will be taken from the schools own reserves.

The following is a summary of overall Schools Reserves since 2017:

	Balance 31/3/2017	Balance 31/3/2018	Balance 31/3/2019	Balance 31/3/2020	Overall change over last 3 year period (%)
Primary	5,433,323	5,310,963	5,694,092	4,697,855	-13.5
Secondary	1,687,157	1,612,646	2,730,332	2,777,164	+64.6
Special	454,287	177,098	176,008	254,290	-44.0
Total	7,574,767	7,100,707	8,600,432	7,729,309	+2.0

4.5 The above table is presented to reflect the quantum of schools reserves against each stream and the position within individual schools may vary quite considerably from the trend shown.

4.6 The above overall movement in Schools Reserves – a net decrease of £871,123 or 10.1% in year has to be viewed in the context of an overall increase in Schools funding of £3.707m in 2019/20.

4.7 It is expected that the outturn position for 2020/21 for schools will evidence a further net call on existing reserves.

5. Ongoing implications for the 2020/21 budget

5.1 There are ongoing risks from planned savings not achieved from 2019/20 budget which cumulatively impact future years.

5.2 There are ongoing overspend risks arising from the outturn position in the following areas

- Sustainable Swansea 2019/20 savings targets;
- Social Services both Adults and Children;

- Home to School Transport; and
- Education catering and cleaning.

5.3 There are inherent risks in the current 2020/21 budget around:

- Sustainable Swansea workstream savings 2020/21;
- Additional Learning Needs;
- Ongoing costs relating to residual Single Status appeals; and
- Uncertainty of impact of Brexit Transition Period.
- Impact of COVID19 costs, scope for recovery of costs from Welsh Government and consequential reduction in income.

5.4 There are emerging and continuing risks going forward in future years arising from national developments around:

- Risks to public finances generally through Covid 19 spending and lost national taxation receipts;
- Risk of redistribution of block government grant;
- Continued loss of existing specific grants;
- Ongoing demographic pressures especially in the older age population, pressures and interlinkages with NHS health care funding and a relative fragile private sector care sector;
- Higher than expected cases of looked after children;
- Affordability of the national employer pay awards to address National minimum and Living Wage issues and the effective, but unfunded, removal, of the public sector pay cap; and
- Ongoing Brexit Transition Period uncertainty.

5.5 Continued uncertainty at national government level means there remains doubt as to the timing, completion, or otherwise, and also the depth of the oft delayed forthcoming Spending Review. This means there is less certainty of a definitive redrawing of UK government departmental cash limits, consequential Welsh government cash limits and consequently the scope for considering the rebasing of the Welsh local government settlement. Budgets risk being simply rolled over, with a temporary continuation of some one-off grants that could have otherwise been hoped to have been more definitively built into base budget settlements.

5.6 We can anticipate therefore that the authority's overall budget position will remain under significant pressure for the foreseeable future, with added uncertainty and thus all efforts to live within budget must be redoubled.

6. Use of the savings tracker and outturn position - COVID19 impact

6.1 During 2019/20 the Council continued with use of a tracking mechanism in order to monitor progress against the specific savings proposals contained within service and overall budgets proposals.

- 6.2 The last reported position (at third quarter) as shown by the savings tracker for 2019/20 showed an overall achievement of 82%.
- 6.3 The tracker was not completed during lockdown and emergency response to the Covid 19 pandemic as part of pragmatic and practical reprioritisation of essential work (focus on outturn, closure, statement of accounts, maintaining supply lines for payroll, accounts payables, receivables and distribution of emergency grant aid). It is likely the performance would have improved in the final quarter and given the overall outturn position it is clear that some additional compensating savings have been made where specific savings have been delayed or have not been achieved.

7. Summary of Outturn Position and Recommendations

- 7.1 The outturn position for 2019/20 reflects a significant improvement on the forecast position at quarter 3 (Reported to Cabinet in February 2020) as a result of actions taken and additional income and Welsh Government funding in particular regarding Social Services .
- 7.2 This is the minimum that should be expected in terms of Service Revenue Budgets as a result of in year budget monitoring, management action and spending restrictions.
- 7.3 The report to Council in October 2019 reviewing its reserves proposed utilising some earmarked reserves to enhance the Capital Equalisation reserve. Based on the net Revenue position arising out of the actual final outturn position it is recommended that:-
- 7.3.1 The following transfers are made TO earmarked Revenue Reserves as follows:-
- Social Care Resilience Fund(Adults) £1,894,346,
 - Social Care Resilience Fund(Childrens) £1,894,346,
 - Community Equipment Service Section 33 agreement £793,000 ,
 - Commuted Sums Received £72,000 ,
 - Vibrant and Viable City Centre £13,000 ,
 - Joint Archives service £26,000 ,
 - Workways extension/match funding £42,000 ,
 - Members Environmental Improvements £25,000
 - Tawe Barrage lock maintenance £20,000
 - Crematorium sinking fund £7,000,
 - Various Joint Ventures with WG £13,000
 - Capital Equalisation Reserve £7,413,000.
 - Contingency Fund £1,646,000
- 7.4 In addition to the above recommended transfers to earmarked reserves the S151 Officer, as a result of the outturn position proposes that the final unutilised balance of the Contingency Fund in 2019/20 (£4,661,000) as per APPENDIX A remains as a Contingency Fund reserve into 2020/21. This being further mitigation against potential unfunded costs /loss of income as a result of COVID19 . Combined

with the proposed transfer above this will result in additional Contingency Fund of £6,306,000 being available, on a one off basis, as at 31 March 2021.

- 7.5 Notwithstanding these proposed transfers, it is a duty of the Section 151 Officer to consider levels of General and earmarked reserves in order to continually monitor their adequacy and projected use. This has to be done in terms of both current known and projected future liabilities.
- 7.6 It is the opinion of the Section 151 Officer at this point that there is no scope within General reserves to fund any additional expenditure of the Council given the current risks facing the Council in terms of continuing single status issues, ongoing spending pressures and the uncertainty of future Welsh Government funding streams. That means that subject to any limited emergency one off use of earmarked reserves, and other limited action the S151 Officer can propose immediately in year, all spending must otherwise be wholly contained within existing budgets.

8. Legal Implications

- 8.1 There are no legal implications relating to matters contained within this report.

9. Equality and Engagement Implications

- 9.1. 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.

- 9.2 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:

Appendices: Appendix 'A' Revenue Outturn Summary 2019/20

OUTTURN 2019-20

APPENDIX A

Directorate

	Revised Budget £'000	Revenue Outturn £'000	Variance £'000	Variance %
Resources	45,984	43,729	-2,255	-4.9
People - Social Services	120,320	115,370	-4,950	-4.1
People - Education	170,613	170,981	368	0.2
Place	56,810	56,173	-637	-1.1
Net Directorate expenditure	393,727	386,253	-7,474	-1.9
Financed from Contingency Fund	6,356	1,695	-4,661	
Total Service costs	400,083	387,948	-12,135	
Inflation /Apprenticeship levy	1,850	803	-1,047	
Corporate items		1,269	1,269	
<i>Levies:</i>				
Swansea Bay Port Health	86	86	0	
<i>Contributions:</i>				
Combined Fire Authority	12,971	12,971	0	
	414,990	403,077	-11,913	
<i>Capital financing charges</i>				
Principal repayments	14,478	10,357	-4,121	-28.5
Net interest charges	18,119	14,828	-3,291	-18.2
Net Revenue Expenditure	447,587	428,262	-19,325	-4.3
Movement in balances				
General Balances	0	0	0	
Earmarked reserves	-4,661	13,989	18,650	
Total Budget Requirement	442,926	442,251	-675	
Discretionary NNDR relief	400	410	10	2.5
Total CCS requirement	443,326	442,661	-665	
Community Council precepts	1,465	1,465	0	
Total spending requirement	444,791	444,126	-665	-0.1
Revenue Support Grant	242,197	242,197	0	
NNDR	80,014	80,013	-1	
Council Tax	122,580	121,916	-664	-0.5
Total financing	444,791	444,126	-665	-0.1

Agenda Item 10



Report of the Section 151 Officer

Audit Committee – 20 October 2020

Treasury Management Annual Report 2019/20

Purpose: To provide the Audit Committee with the Treasury Management Annual Report 2019/20 which was presented to Council on 1 October 2020.

Report Author: Jeff Dong

Finance Officer: N/A

Legal Officer: N/A

Access to Services Officer: N/A

For Information

1. Background

To provide the Audit Committee with the Treasury Management Annual Report 2019/20 which was presented to Council on 1 October 2020.

Background papers: None.

Appendices: Appendix A - Treasury Management Annual Report 2019/20 which was presented to Council on 1 October 2020.



Report of the Section 151 Officer

Council - 1 October 2020

Treasury Management Annual Report 2019/20

Purpose:	This report provides details of the Council's Treasury Management activities during 2019/20 and compares actual performance against the strategy laid down at the start of the year.
Policy Framework:	Treasury Management Policy Statement
Consultation:	Finance, Access to Services and Legal
Recommendation(s):	It is recommended that: 1) The details contained in the report be noted.
Report Author:	Jeff Dong
Finance Officer:	Ben Smith
Legal Officer:	Deb Smith
Access to Services Officer:	Rhian Millar

1. Introduction

- 1.1 Under the CIPFA Code of Practice on Treasury Management in Public Services, there is a requirement: "...for the Council to receive reports on its treasury management policies, practices and activities".
- 1.2 This report summarises the activities for the year. The Prudential Code for Capital Finance in Local Authorities also requires the reporting of outturn Prudential Indicators for the year.

2. Executive Summary of Activities during the Year

- 2.1 There was a projected unfunded net capital financing requirement of £33m as at end of 2019/20. No additional external borrowing was undertaken during 2019/20.

- 2.2 The average interest rate on outstanding Council borrowing was 4.11% in 2019/20 down from 4.22% 2018/19.
- 2.3 Internally Managed investments achieved a return of 0.76%. This represents an outperformance of +0.44% from the average 7 day LIBID benchmark rate of 0.32% returning £1.151m of investment income.
- 2.4 The Council has operated within all of the determined Prudential and treasury limits outlined in appendix 1.

3. Financial Implications

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

4. Legal Implications

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

5. Equality Impact Assessment Implication

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

Background Papers: None

Appendices:

Appendix A – Treasury Management Annual Report 2019/20

Treasury Management Annual Report

2019/20

Contents

Section

- 1. Executive Summary**
- 2. Introduction and Background**
- 3. Debt Portfolio**
- 4. Treasury Strategy 2019/20**
- 5. Actual Borrowing 2019/20**
- 6. Compliance with Treasury Limits**
- 7. Capital Financing Charges 2019/20**
- 8. Investment Strategy for 2019/20**
- 9. Actual Investments 2019/20**
- 10. Early Debt Repayment**

Appendices

1. Executive Summary

- 1.1 There was a projected unfunded capital financing requirement of £33m as at end of 2019/20. No external borrowing was undertaken during 2019/20
- 1.2 The average interest rate on outstanding Council borrowing was 4.11% in 2019/20 down from 4.22% 2018/19.
- 1.3 Internally Managed investments achieved a return of 0.76%. This represents an outperformance of +0.44% from the average 7 day LIBID benchmark rate of 0.32% returning £1.151m of investment income.
- 1.4 The Council has operated within all of the determined treasury and prudential limits outlined in Appendix 1.

2. Introduction and Background

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

“The management of the local authority’s cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of the optimum performance or return consistent with those risks.”
- 2.3 The Council has previously received in February 2019 and updated in February 2020 the Treasury Strategy Statement and Investment Strategy and MRP Strategy for 2019/20 and The Revised MRP Policy approved by Council in Dec 2018.
- 2.4 The Prudential Code for Capital Finance in Local Authorities has been developed as a professional code of practice to support local authorities in determining their programmes for capital investment. The Code was

updated in 2017. Local authorities are required by Regulation under Part 1 of the Local Government Act 2003 to comply with the Prudential Code.

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

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

2.6 The Code includes a set of Prudential Indicators, which are designed to support and inform local decision-making. The 2019/20 Prudential & Treasury Management Indicators are detailed in Appendix 1.

3. Debt Portfolio

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

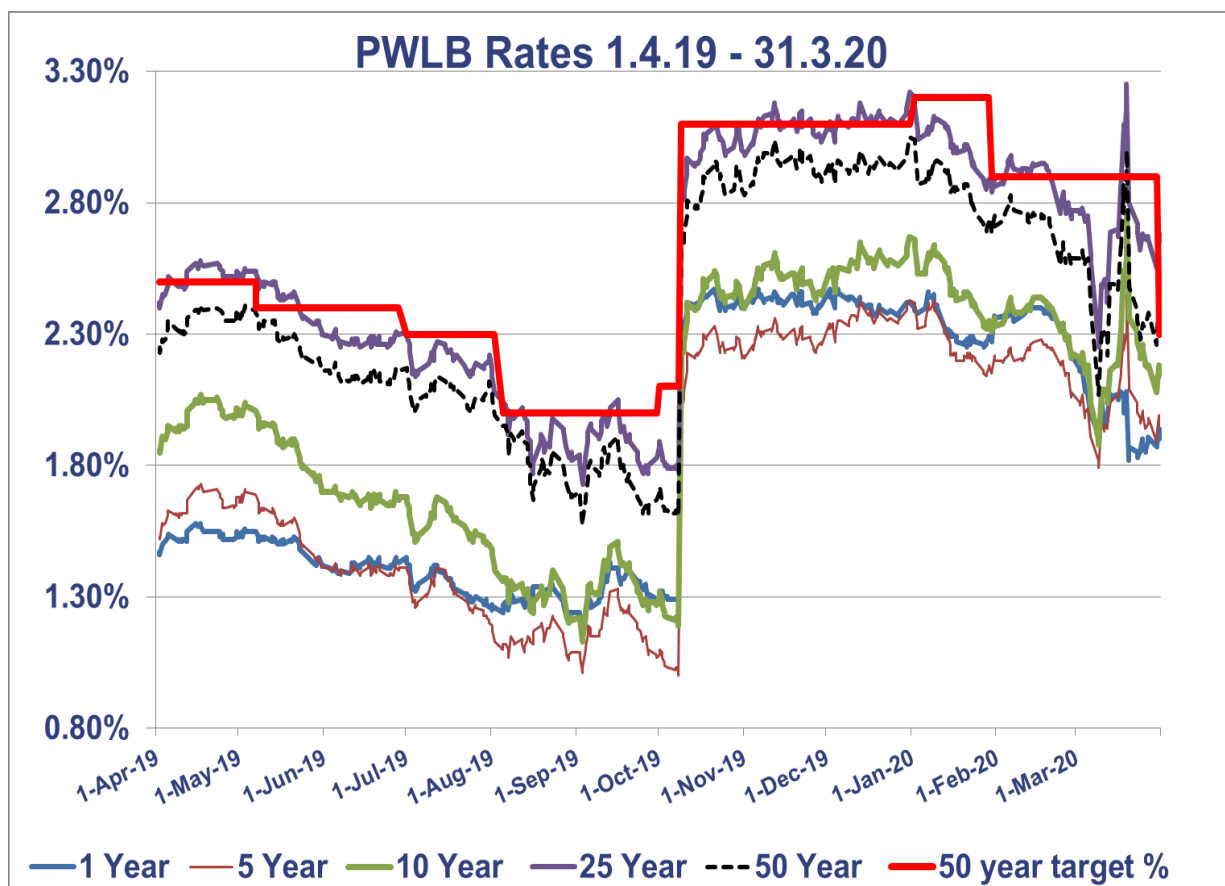
	1 April 2019		31 March 2020	
	Principal £'000	Interest Rate %	Principal £'000	Interest Rate %
Long Term Debt				
PWLB - fixed rate	444,084	4.42	444,082	4.22
Money Market (LOBO)	98,000	4.10	98,000	4.10
Welsh Gov	10,970	-	10,970	-
Short Term Debt				
Market	-	-	40	0.77
External Bodies	969	0.56	2, 475	0.9
Total Debt	554,023	4.22	555,567	4.11

3.2 The average external debt portfolio interest rate was 4.11%. (2018/19 4.22%)

4. Treasury Strategy & Economic Background 2019/20

- 4.1 PWLB rates are based on, and are determined by, gilt (UK Government bonds) yields through H.M.Treasury determining a specified margin to add to gilt yields. There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was heightened expectations that the US could have been heading for a recession in 2020, and a general background of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued; these conditions were conducive to very low bond yields. While inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. We have therefore seen, over the last year, many bond yields up to 10 years in the Eurozone turn negative. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities.
- 4.2 Gilt yields were on a generally falling trend during the last year up until the coronavirus crisis hit western economies. Since then, gilt yields have fallen sharply to unprecedented lows as investors have panicked in selling shares in anticipation of impending recessions in western economies, and moved cash into safe haven assets i.e. government bonds. However, major western central banks also started quantitative easing purchases of government bonds which will act to maintain downward pressure on government bond yields at a time when there is going to be a huge and quick expansion of government expenditure financed by issuing government bonds; (this would normally cause bond yields to rise). At the close of the day on 31 March, all gilt yields from 1 to 5 years were between 0.12 – 0.20% while even 25-year yields were at only 0.83%.
- 4.3 However, HM Treasury has imposed **two changes in the margins over gilt yields for PWLB rates** in 2019-20 without any prior warning; the first on 9 October 2019, added an additional 1% margin over gilts to all PWLB rates. That increase was then partially reversed for some forms of borrowing on 11 March 2020, at the same time as the Government announced in the Budget a programme of increased spending on infrastructure expenditure. It also announced that there would be a consultation with local authorities on possibly further amending these margins; this ended on 4 June. It is clear that the Treasury intends to put a stop to local authorities borrowing money from the PWLB to purchase commercial property if the aim is solely to generate an income stream.
- 4.4 There is likely to be little upward movement in PWLB rates over the next two years as it will take national economies a prolonged period to recover all the momentum they will lose in the sharp recession that will be caused during the coronavirus shut down period. Inflation is also likely to be very low during this period and could even turn negative in some major western economies during 2020-21.

- 4.5 The policy of avoiding new borrowing by running down spare cash balances has served the Council well over the last few years (eliminating the ‘cost of carry’ where the interest rates of borrowing are greater than available investment rates). During 2018-19, in light of the planned capital spend in subsequent years, it was determined prudent to materially fund its outstanding capital financing requirement during the year, fixing in some historically low interest PWLB financing for the portfolio during the course of 2018/19, therefore having substantially fulfilled the CFR, no new borrowing was undertaken in 2019/20.
- 4.6 Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Section 151 Officer therefore monitored interest rates in financial markets and adopted a pragmatic strategy to manage interest rate risks, evaluating opportunities to average in the capital financing requirement as opportunities arose during the year during periods of market volatility/ market sentiment caused by Brexit uncertainty and US Trade war rhetoric, however no action was taken to take any new borrowing, noting the material funding undertaken in 2018/19.
- 4.7 As depicted in the graph below, PWLB 5,10, 25 and 50 year rates have been volatile during the year with little consistent trend. The graphs and tables for PWLB rates show, for a selection of maturity periods, the average borrowing rates, the high and low points in rates, spreads and individual rates at the start and the end of the financial year



5. Actual Borrowing 2019/20

- 5.1 The Treasury Management strategy 2019/20 agreed by the Council in February 2019 projected an unfunded capital financing requirement of £127m as at end of 2019/20. Page 76

- 5.2 As identified in 4.5 above, the general overall strategy is to mitigate the 'cost of carry' in the current economic environment, however during 2018/19 it was determined prudent to fully fund the capital financing requirement ahead of planned capital spend in subsequent years, locking in some historically low PWLB long term interest rates which offered long term value. As such, having largely fulfilled its CFR requirement in 2018/19, no new borrowing was undertaken in 2019/20.

6. Compliance with Treasury Limits

- 6.1 During the year, the Council operated within the limits set out in the Council's Treasury Management Strategy 2019/20 under the Prudential Code. The outturn for the prudential indicators are shown in Appendix 1.

7. Capital Financing Charges 2019/20

- 7.1 The capital financing charges made to the Council's accounts for 2019/20 including capital repayments net of discounts/premiums and interest receivable are detailed below.

	Actual 2018/19	Actual 2019/20
	£'000	£'000
Housing Revenue A/c	9,689	9,930
General Fund	24,756	24,933

- 7.2 The net capital financing interest rates charged differ from the average rate of interest for external debt due to the fact that part of the Council's borrowing for capital purposes is funded by the investment of internal reserves and the use of internal balances and the amortisation of historical discounts/premia applied. The General Fund capital financing charges 2019/20 take into account implementation of the revised Minimum Revenue Provision (MRP) Policy adopted by Council in Dec 2018.

8. Investment Strategy for 2019/20

- 8.1 Investment returns remained low during 2019/20. The expectation for interest rates within the treasury management strategy for 2019/20 was that Bank Rate would stay at 0.75% during 2019/20 as it was not expected that the MPC would be able to deliver on an increase in Bank Rate until the Brexit issue was finally settled. However, there was an expectation that Bank Rate would rise after that issue was settled, but would only rise to 1.0% during 2020.
- 8.2 Rising concerns over the possibility that the UK could leave the EU at the end of October 2019 caused longer term investment rates to be on a falling trend for most of April to September. They then rose after the end of October deadline was rejected by the Commons but fell back again in January before recovering again after the 31 January departure of the UK from the EU. When the coronavirus outbreak hit the UK in February/March, rates initially plunged but then rose sharply back up again due to a shortage of liquidity in financial markets. As longer term rates were significantly higher than shorter term rates during the year,

value was therefore sought by placing longer term investments where cash balances were sufficient to allow this.

- 8.3 While the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions. Investment balances have been kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional cost, due to the differential between borrowing and investment rates as illustrated in the charts shown above and below. Such an approach has also provided benefits in terms of reducing the counterparty risk exposure, by having fewer investments placed in the financial markets.
- 8.4 The Council’s investment policy is also governed by WAG guidance, which was implemented in the annual investment strategy 2019/20 approved by the Council on February 2019. This policy sets out the approach for choosing investment counterparties, and is based on our Treasury Advisors’ investment colour matrix based on credit ratings provided by the three main credit rating agencies supplemented by additional market data such as rating outlooks, credit default swaps information, bank share prices etc. New investments were restricted to UK based institutions only, which satisfied these criteria.

9. Actual Investments 2019/20

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

Balance 1 April 2019	Balance 31 March 2020	Average Value 2019/20	Interest	Rate of Return	Benchmark 7 day LIBID
£'000	£'000	£'000	£'000	%	%
147,288	93,529	151,430	1,151	0.76	0.32

- 9.2 The interest achieved on internally managed investments was £1.151m or 0.76%. This return outperformed the benchmark seven-day rate of 0.32% by +0.44%.
- 9.3 As a further measure to mitigate and control risk following the financial crisis, the Authority determined to restrict investments to UK domiciled only banks and financial institutions in October 2008 resulting in an even smaller number of available counterparties to invest with. This policy was maintained in light

of continued sovereign debt crises throughout Europe. The list of investments as at 31st March 2020 is attached at Appendix 3.

10. Debt Repayment/Rescheduling

- 10.1 Market conditions are constantly monitored for opportunities to repay or reschedule debt in line with good Treasury Management practice. Appraising the current portfolio, no such opportunities arose in 2019/20 which would be economically beneficial to the Authority.

Prudential & Treasury Management Indicators

Prudential Indicators	2018/19	2019/20	2019/20
	Actual	Budget	Actual
	£'000	£'000	£'000
Capital Expenditure			
GF	53,482	102,555	74,720
HRA	43,029	53,384	51,839
TOTAL	96,511	155,939	126,559
Ratio of financing costs to net revenue stream			
GF	6.2	5.78	5.61
HRA	14.77	15.11	12.79
Capital Financing Requirement			
GF	340,841	411,678	364,607
HRA	151,916	164,768	157,846
TOTAL	492,757	576,446	522,453

Treasury Management Indicators	2018/19	2019/20	2019/20
	Actual	Budget	Actual
	£'000 or %	£'000 or %	£'000
Authorised limit for external debt	554,023	789,249	555,567
Operational boundary for external debt	554,023	749,249	555,567
Upper limit for fixed interest rate exposure	82.32%/£456,023	100%/£789,249	82.36%/£457,567
Upper limit for variable interest rate exposure	17.68%/£98,000	40%/£315,700	17.64%/£98,000
Upper limit for total principal sums invested for over 364 days	0	40,000	0

Maturity Structure of Fixed Rate Borrowing in 2019/20			
	Upper Limit %	Lower Limit %	Actual %
Under 12 months	60	0	0.7
12 months and within 24 months	60	0	0.5
24 months and within 5 years	60	0	0.1
5 years and within 10 years	90	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

are shown as at balance sheet date 31st March 2020, however it can be reported that none of the above limits were breached during 2019/20.

Treasury Management – Glossary of Terms

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

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

<p>Debt</p>	<p>For the purposes of the Code, debt refers to the sum of borrowing (see above) and other long-term liabilities (see below). It should be noted that the term borrowing used with the Act includes both borrowing as defined for the balance sheet and other long terms liabilities defined as credit arrangements through legislation.</p>
<p>Discounts</p>	<p>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.</p>
<p>Financing Costs</p>	<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
<p>Financial Reporting Standards (FRSs)</p>	<p>These are standards set by governing bodies on how the financial statements should look and be presented.</p>
<p>Investments</p>	<p>Investments are the aggregate of:-</p> <ul style="list-style-type: none"> • Long term investments • Short term investments (within current assets)

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

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

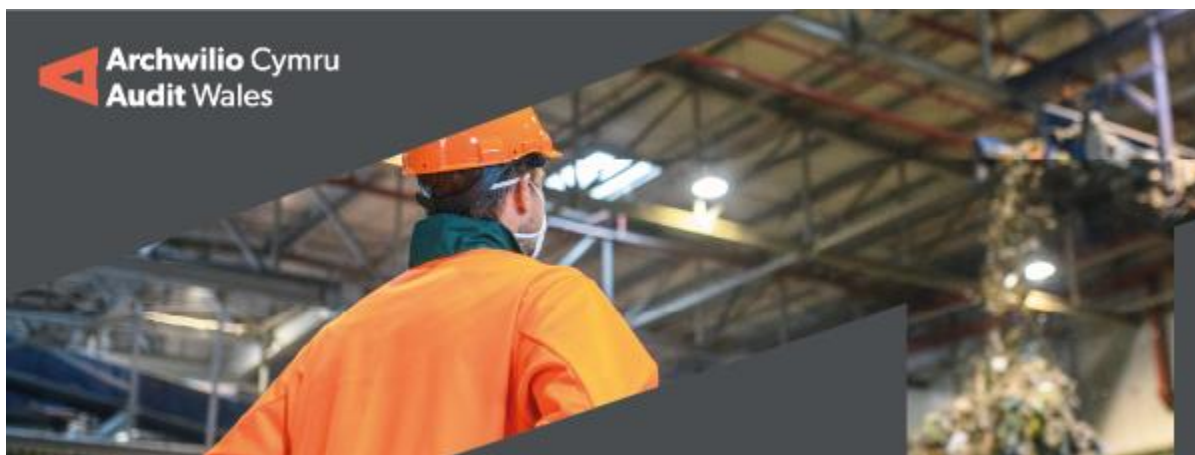
	a loan of the same maturity period, a cash penalty is payable to the lender.
Premia	Where the prevailing current interest rate is lower than the fixed rate of a long term loan, which is being repaid early, the lender can charge the borrower a premium. This is calculated on the difference between the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

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

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

Portfolio of Investments 31st March 2020

Counterparty	£
Bank of Scotland	24,979,619
Santander Bank	3,050,000
Debt Management Office	4,000,000
Aberdeen City Council	5,000,000
Ashfield District Council	1,000,000
Eastleigh Borough Council	3,000,000
Fife Council	3,000,000
Nottingham CC	9,000,000
Rhondda Cynon Taf CBC	3,000,000
Stirling Council	2,000,000
Surrey County Council	8,500,000
Three Rivers DC	5,000,000
Thurrock Council	22,000,000
Total	93,529,619



PRESS RELEASE

6 October 2020

- [Read our report on the financial sustainability of Local Government](#)
- [Read our report on Local Government and commercialisation](#)
- [View our Local Government accounts infographic](#)

Can Wales cope with the financial impact of the pandemic on local government?

Today, we've published three pieces of work around Local Government finances in Wales, two specifically looking at their responses to COVID-19.

Our two reports and infographic on Local Government finances are published at a time when all councils are dealing with the current global pandemic with many more challenges ahead to navigate, according to the Auditor General for Wales.

Our report on the financial sustainability of Local Government as a result of the pandemic shows that councils, with the support of Welsh Government, have been coping with the financial impacts of the pandemic. But there's uncertainty around how they can meet the on-going financial challenge.

In the first six months of this year, Welsh councils have reported financial costs of around £325 million due to the pandemic (£160 million loss of income and £165 million additional expenditure). Welsh Government has made nearly £500 million of additional funding available to councils through the local government hardship fund

as well as making some other funding available including for example in relation to extra funding for teachers for catch up support from education and cleaning materials for schools.

Before the pandemic, some councils were better placed financially, partly due to the levels of reserves they held. Now, there are massive challenges ahead. The cost of the pandemic to councils is significant, although a large proportion of the short-term impact has been mitigated through the provision of extra funding, the financial challenges go well beyond the more immediate and obvious costs of responding to the crisis.

With increasingly severe financial pressures, there is a need for Local Government bodies to look at different ways to make savings, safeguard services and generate income. Commercialisation is consequently becoming more important for councils as they look to offset the impact of austerity and cuts in funding by focussing on growing commercial activities to generate new streams of income. However, this poses challenges as councils need the right culture and skills to manage the risks and unlock the benefits of commercialisation.

Our report identifies the seven building blocks for an effective commercial approach. Importantly, within each of these sections we have included a self-assessment to help councils evaluate their current approach and identify where they can improve. Completing all of these assessments will help councils to develop a bespoke strategy for commercialisation that considers their specific priorities, the needs of their citizens and wider community issues.

Our new set of infographics, published today by the Auditor General, reports the results of several Welsh Local Authorities and provides a summary of their finances for 2019/20. We have worked closely with the sector to mitigate the impact of the pandemic on their ability to sign off their accounts by the statutory deadline of 15 September 2020. With more flexibility this year several Local Government bodies have adjusted their timetables; these will be completed and published on our website by the end of October.

Public sector financial accounting and reporting requirements are detailed and complex, so our new infographic provides a straightforward, accessible summary, highlighting key aspects of the accounts and assurances provided as part of our audit.

These challenges for Local Authorities around meeting financial pressures and operating more commercially whilst still being able to deliver statutory accounting duties can be supported by learning through recovery. We're undertaking work providing real-time capture and sharing of learning and experience across our audited bodies during COVID-19. Our staff are gathering novel and other practice as it emerges and analysing it rapidly to draw out relevant points of learning. We share the resulting insights swiftly to our key contacts across the Welsh public service.

Auditor General, Adrian Crompton said today:

“Against a backdrop of existing funding pressures, the financial costs of the pandemic are unprecedented in modern times, and financial challenges go well beyond the more immediate and obvious costs of responding to the crisis. Therefore, good strategic financial planning and robust governance and decision-making arrangements have become even more important.

Our latest accounts infographics on Local Government bodies is a new format in which we are presenting public sector financial accounts data to make the information more understandable for the general public. It shows that there are a number of financial issues and accounting implications that local bodies are dealing with including the pressures due to the pandemic, whilst still delivering against their statutory duty to produce accounts.

Should councils decide to invest in commercial opportunities, they need to be clear what the benefits are for the council, local people and the wider community. Being open about where money is being invested and the benefits this will bring is essential to get buy in from stakeholders.”

Ends

For more information, please contact Claire Power on 029 2032 0578 or email claire.power@audit.wales. English and Welsh language spokespeople are available on request.

Notes to Editors:

- This press release focuses on the financial situation in Local Government during the current global pandemic. One report is about commercialisation in Local Government, the other looks specifically at Local Government finances and we have also published an infographic, which looks at the accounts across the sector.
- We have published the first 8 Local Government infographics. The remaining of the 22 Local Authorities will follow and be uploaded to our website. We completed a similar [infographic of NHS accounts](#) last month and are currently working on an infographic of Welsh Government accounts to share later this autumn.
- Our COVID-19 learning project we mention consists of blogs around topics across the public sector and we showcase some of the innovate pieces of work we've shared with public bodies on [our COVID-19 learning section of our website](#)
- The Auditor General is the independent statutory external auditor of the devolved Welsh public sector. He is responsible for the annual audit of the majority of the public money spent in Wales, including the £20 billion of funds that are voted on annually by the Welsh Parliament. Elements of this funding are passed from the Welsh Government to the NHS in Wales (over £8 billion) and to local government (over £4 billion).
- The audit independence of the Auditor General is of paramount importance. He is appointed by the Queen, and his audit work is not subject to direction or control by the Welsh Parliament or government.
- The Wales Audit Office (WAO) is a corporate body consisting of a nine-member statutory Board which employs staff and provides other resources to the Auditor General, who is also the Board's Chief Executive and Accounting Officer. The Board monitors and advises the Auditor General, regarding the exercise of his functions.
- Audit Wales is the umbrella name for the Auditor General for Wales and the Wales Audit Office. Audit Wales is a registered trademark, but it is not a legal entity in itself.

Archwilio Cymru / Audit Wales

www.audit.wales

You are receiving this e-bulletin because we need to communicate with you to publicise our work in exercise of our supplementary powers, under sections 9 and 14 of the Public Audit (Wales) Act 2013, which is in the performance of a task in the public interest.

Agenda Item 12



Report of the Head of Democratic Services

Audit Committee – 20 October 2020

Audit Committee Action Tracker Report

Purpose:	This report details the actions recorded by the Audit Committee and response to the actions.
Report Author:	Jeremy Parkhouse
Finance Officer:	N/A
Legal Officer:	N/A
Access to Services Officer:	N/A
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 2018/19 and 2019/20 Municipal years are attached in Appendix 1 and 2. Responses provided in respect of issues raised at previous meetings are attached at Appendix 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 – Audit Committee Action Tracker 2019/20 (Closed actions removed)

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

Appendix 1

AUDIT COMMITTEE ACTION TRACKER 2019/20				
Date of Meeting	Minute Ref	Action	Nominated Officer(s)	Status
08/09/20	131	Service Centre: Accounts Receivable - Update		
		Service Departments be reminded of their responsibilities and role in the invoice process, which should be reinforced through the Directors and Heads of Service to ensure consistency and robustness of process.	CMT / Heads of Service	Ongoing
		A progress report be provided to the Committee in February 2021.	Michelle Davies / Sian Williams	Ongoing Update report to be provided to Audit Committee in February 2021.
21/07/20	122	Internal Audit Annual Plan 2020/21 – Monitoring Report for the Period 1 April 2020 to 30 June 2020		
		Accounts Receivable Audit 2019/20 - An update report be provided outlining the root cause of the issues identified.	Michelle Davies	Completed Update report was provided to Audit Committee on 8 September 2020.
30/06/20	116	Employment of Agency Staff		
		The Committee is kept updated regarding the review of the current Agency Worker policy.	Adrian Chard	Ongoing Update to be provided in January 2021.
30/06/20	113	Audit Committee Annual Report 2019/2020		
		Report to be presented to Council for approval on 10 September 2020.	Huw Evans / Jeremy Parkhouse / Chair	Completed Report was presented to Council on 10 September 2020.
30/06/20	112	Appointment of Additional Lay Member to Audit Committee		
		Report to be presented to Council for approval on 10 September 2020.	Adam Hill	Completed Report was presented to Council on 10 September 2020.
30/06/20	111	Review of Partnerships in the City and County of Swansea		
		An update report in respect of progress made on the Welsh Government recommendations be added to the Audit Committee Tracker and provided in November / December 2020.	Adam Hill / Jeremy Parkhouse	Ongoing Update report to be provided in December 2020.

		An update be provided regarding the future Scrutiny of the body that replaces ERW in 2021.		Ongoing Update report to be provided.
		An update report regarding the development of a new Local Transport Plan be added to the Audit Committee Work Plan.	Martin Nicholls / Stuart Davies	Ongoing Update report to be provided.
26/05/20		Meeting Adjourned to 01/06/20		
14/04/20		Meeting cancelled due to the Coronavirus Pandemic		
10/03/20	87	Building Services Plant - Findings Update - Internal Audit Report 2019/20		
		The service area further investigates the introduction of a bar reader in respect of stock management.	Nigel Williams / Rob Myerscough	Ongoing Response received 27/04/20 – The Service have been waiting a few years for a bar coding system, it is with IT at present but other large projects such as Oracle / Fusion have been given priority.
10/03/20	86	Fleet Maintenance Audit Report 2019/20		
		The Officers liaise with the Chief Auditor regarding the retrospective nature of checking.	Mark Barrow / Simon Cockings	Completed – The Chief Auditor has discussed this with the Fleet Manager. This was covered as part of the follow-up review. Following attendance at the Audit Committee and at the request of the Chief Auditor and the Chair of the Audit Committee, the service has introduced a system of retrospective sample checks on the usage of parts and materials on completed jobs as a compensating control to strengthen procedures.
10/03/20	86	Fleet Maintenance Audit Report 2019/20		
		The Officers liaise with the Chief Auditor regarding the retrospective nature of checking.	Mark Barrow / Simon Cockings	Ongoing – The Chief Auditor has discussed this with the Fleet Manager. This will be covered as part of the follow-up review which is currently underway, with the outcome due to be reported to the Committee in the Q2 Monitoring Report.

11/02/20	78	Overview of the Overall Status of Risk - Quarter 3 2019/20.		
		1) the Strategic Delivery & Performance Manager considers the exception reporting format for future meetings;	Richard Rowlands	Ongoing Risk reporting to committee to recommence in November following suspension as a result of COVID-19.
		2) the reasons for the closure of a risk be reported to the next ordinary Audit Committee meeting.	Richard Rowlands	Ongoing Risk reporting to committee to recommence in November following suspension as a result of COVID-19.
11/02/20	77	Governance Group Update Report		
		The Governance Group will ensure that a six-month update report is provided to the Audit Committee next year.	Adam Hill	Ongoing Update to be provided in December 2020.
11/02/20	73	Scrutiny Work Programme 2019-20		
		The Chair seeks assurance regarding future management of staff and staff resource being an issue throughout the Council;	Chair	Ongoing The Covid Pandemic has affected the normal operation of the Council with a number of employees being repurposed into support roles. These roles have enabled the council to offer a greater level of help and support to our communities and also to implement the trace element of the Test, trace and protect programme. A large number of these staff have now returned to their substantive posts. A first phase response to aid recovery has been implemented to enable the council to continue to support the communities as well as ensure we can return as many of the services back to as close to normal business as we can at this point. A more detailed recovery plan will be presented at Cabinet on the 15 th October which will set a framework for further recovery.

				In addition a number of restructures have taken place including areas of Finance. This first phase of the restructure was presented and approved at Council at the end of September and sees a strengthening of management arrangements in finance.
		Future monitoring of external audit recommendations be discussed further.	CMT	Ongoing Email sent to CMT 02/03/20.
	68	Internal Audit Recommendation Follow-Up Report - Quarter 2 2019/20 The need for more robust tracking of External Audit recommendations be referred to the Corporate Management Team for discussion. Combined with action highlighted at Minute No.32 from 16/09/19.	CMT	Ongoing Email sent to CMT 02/03/20.

Appendix 2

AUDIT COMMITTEE ACTION TRACKER 2018/19				
Date of Meeting	Minute Ref	Action	Nominated Officer	Status
11/12/18	59	Overview of the Overall Status of Risk – Quarter 2 2018/19 The contents of the Risk Register requires enhancement.	Richard Rowlands	Ongoing Risk reporting to committee to recommence in November following suspension as a result of COVID-19.

Agenda Item 13



Report of the Head of Democratic Services

Audit Committee – 20 October 2020

Audit Committee – Workplan 2020/21

Purpose:	This report details the Audit Committee Workplan to May 2021.
Report Author:	Jeremy Parkhouse
Finance Officer:	N/A
Legal Officer:	N/A
Access to Services Officer:	N/A
For Information	

1. Introduction

- 1.1 The Audit Committee's Work Plan to May 2021 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 2017/18 and 2018/19 Action Plans are included at Appendix 3. 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 the Political Group Leaders.

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 2020/21

Appendix 2 – Audit Committee Statement of Purpose

Appendix 3 – Performance Review 2017/18 and 2018/19 Action Plans

Audit Committee Plan 2020 – 2021

Terms of Reference	Report Title	Report Summary	Report Author	Date of Meeting
Governance & Assurance	Election of the Chair for the 2020-2021 Municipal Year.	To elect the Chair for the 2020-21 Municipal Year.	Jeremy Parkhouse	20 Oct 2020
Governance & Assurance	Election of the Vice-Chair for the 2020-2021 Municipal Year.	To elect the Vice-Chair for the 2020-2021 Municipal Year.	Jeremy Parkhouse	20 Oct 2020
Financial Reporting	Revenue Financial Outturn 2019/20.	To report the detailed Revenue financial outturn for 2019/20.	Ben Smith	20 Oct 2020
Internal Audit	Revenue and Capital Budget Monitoring - 1st Quarter.	To report on financial monitoring of the 20/21 revenue and capital budgets.	Ben Smith	20 Oct 2020
Financial Reporting	Treasury Management Annual Report 2019/20.	This report provides details of the Council's treasury management activities during 2019/20 and compares actual performance against the strategy laid down at the start of the year and to report Capital, Prudential and Treasury Management Indicators Outturn.	Ben Smith	20 Oct 2020
Internal Audit	Internal Audit Annual Plan 2020/21 – Quarter 2 Monitoring Report.	This report summarises the audits finalised and work undertaken by the Internal Audit Section in Quarter 2 2020/21.	Simon Cockings	20 Oct 2020

Audit Committee Plan 2020 – 2021

Terms of Reference	Report Title	Report Summary	Report Author	Date of Meeting
Internal Audit	Internal Audit Recommendation Tracking Report - Quarter 2 2020/21.	This report provides committee with the status of the recommendations made in those audits where the follow-up has been undertaken in Q2 20120/21, to allow the Audit Committee to monitor the implementation of recommendations made by Internal Audit.	Simon Cockings	20 Oct 2020
External Audit	Audit Wales - Press Release on the Financial Sustainability of Local Government.	For Information	Ben Smith	20 Oct 2020
Risk Management & Performance	Mid-Year 2020/21 Overview of Risk.	Mid-Year 2020/21 Overview of Risk.	Richard Rowlands	10 Nov 2020
Financial Reporting	Revenue and Capital Budget Monitoring - 2nd Quarter.	To report on financial monitoring of the 20/21 revenue and capital budgets.ben	Ben Smith	8 Dec 2020
Governance & Assurance	Review of Partnerships in the City and County of Swansea.	An update report in respect of progress made on the Welsh Government recommendations.	Adam Hill	8 Dec 2020
Governance & Assurance	Governance Group Update Report	A six-month update report from the Governance Group.	Adam Hill	8 Dec 2020
Governance & Assurance	Employment of Agency Staff Update.	Update report on actions arising from the Employment of Agency Staff Audit report.	Adrian Chard	19 Jan 2021

Audit Committee Plan 2020 – 2021

Terms of Reference	Report Title	Report Summary	Report Author	Date of Meeting
Internal Audit	Internal Audit Annual Plan 2020/21 – Quarter 3 Monitoring Report.	This report summarises the audits finalised and work undertaken by the Internal Audit Section in Quarter 3 2020/21.	Simon Cockings	9 Feb 2021
Internal Audit	Internal Audit Recommendation Tracking Report - Quarter 3 2020/21.	This report provides committee with the status of the recommendations made in those audits where the follow-up has been undertaken in Q3 2020/21, to allow the Audit Committee to monitor the implementation of recommendations made by Internal Audit.	Simon Cockings	9 Feb 2021
Internal Audit	Draft Internal Audit Annual Plan 2021/22.	This report presents the Draft Internal Audit Annual Plan for 2021/22 to the Audit Committee for consideration prior to the final plan coming to committee in April for approval.	Simon Cockings	9 Mar 2021
Internal Audit	Internal Audit Annual Plan Methodology Report 2021/22.	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 2021/22 being reported to the Committee for approval on 20 April 2021.	Simon Cockings	9 Mar 2021
Financial Reporting	Revenue and Capital Budget Monitoring - 3rd Quarter.	To report on financial monitoring of the 20/21 revenue and capital budgets.	Ben Smith	9 Mar 2021

Audit Committee Plan 2020 – 2021

Terms of Reference	Report Title	Report Summary	Report Author	Date of Meeting
Internal Audit	Fraud Function Annual Plan 2021/22.	This report sets out the planned areas of activity for the Internal Audit Section's Fraud Function for 2021/22 and is designed to provide a strategic view of the areas that will be subject to examination.	Jeff Fish, Jonathon Rogers	20 Apr 2021
Internal Audit	Internal Audit Charter 2021/22.	This report outlines the background to the Public Sector Internal Auditing Standards (PSIAS) which were introduced with effect from 1st April 2013 and presents the Internal Audit Charter for final approval by Audit Committee following Corporate Management Team approval.	Simon Cockings	20 Apr 2021
Internal Audit	Internal Audit Strategy & Annual Plan 2021/22.	This report presents the Internal Audit Strategy and Annual Plan for 2021/22 to the Audit Committee for approval.	Simon Cockings	20 Apr 2021

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 & ACTION PLAN
AUDIT COMMITTEE PERFORMANCE REVIEW 2017/18 & 2018/19

Key Finding	Proposed Actions	Lead (s)	Target Date	Progress Update
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	Ongoing
	2) 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	Ongoing