



1. Scope of Responsibility

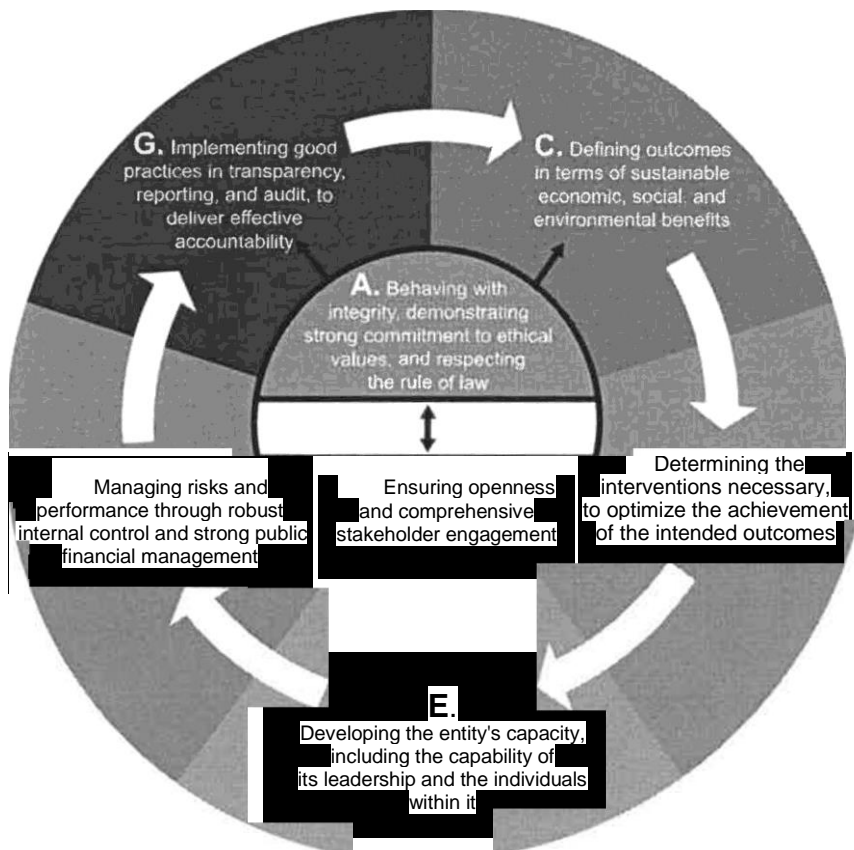
- 1.1 The City and County of Swansea is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government (Wales) Measure 2009 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the City and County of Swansea is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 The City and County of Swansea adopted a Code of Corporate Governance on 24 August 2017, which is consistent with the principles of the new CIPFA/SOLACE Framework '*Delivering Good Governance in Local Government 2016*'. A copy of the Code can be found on the Council's website.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at the City and County of Swansea throughout the year ended 31 March 2019 and up to the date of approval of the Statement of Accounts.

3. The Governance Framework

3.1 The Council has adopted a Code of Corporate Governance based on the “*Delivering Good Governance in Local Government*” framework published by CIPFA and SOLACE in 2016.



3.2 This Statement explains how the Council has complied with the Governance Framework and meets the requirements of the Accounts and Audit (Wales) Regulations 2014 (as amended by the Accounts and Audit (Wales) (Amendment) Regulations 2018). The Council aims to achieve a good standard of governance by adhering to the 7 key principles of the CIPFA/Solace 2016 Guidance.

3.3 The 7 key principles are:

- A) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- B) Ensuring openness and comprehensive stakeholder engagement.
- C) Defining outcomes in terms of sustainable economic, social and environmental benefits.

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- D) Determining the interventions necessary to optimise the achievement of the intended outcomes.
- E) Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- F) Managing risks and performance through robust internal control and strong public financial management.
- G) Implementing good practices in transparency, reporting and audit to deliver effective accountability.

3.4 The application of the principles of good governance is summarised below which sets out supporting information for the 7 key principles.

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Principle A

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

Sub Principles:

Behaving with Integrity

Demonstrating strong commitment to ethical values

Respecting the rule of law

How we do this:

- The behaviour and expectations of officers/members is set out in the Constitution, Officer and Member Code of Conduct and Protocol
- The Monitoring Officer provides training on the code of conduct and ensures the highest standards of conduct by the authority, members and officers
- The Standards Committee is responsible for monitoring and scrutinising the standards of members
- Member led authority principles with training to senior officers and Cabinet members
- Compliance with a suite of policies/rules set out in the Constitution
- The Constitution sets out requirements as to gifts and hospitality and there are regular reminders circulated to both officers and members
- Adoption of Member Dispute Resolution Protocol
- Officers/members declarations of interest
- Officer Secondary Employment Policy

- The Council's appraisal and recruitment system based on competencies, training and objectives underpin personal behaviours with ethical values
- Commitment to working to promote high standards of performance based on the Nolan principles
- Adoption of Welsh Government ethical ways of working
- The Swansea Pledge
- The Constitution contains comprehensive Procurement and Financial Procedure Rules

- The Statutory officers and members ensure compliance with legislative and regulatory requirements via a robust framework including the scheme of delegation, induction training, standing procedures and rules set out in the Constitution
- Reports to Committees have legal/finance clearance
- Robust Scrutiny and Call-In function
- Robust audit challenge
- External challenge from auditors, Ombudsman and other external agencies
- The Monitoring Officer ensures the council complies with statute and reports on any maladministration
- An effective anti-fraud and corruption framework supported by a suite of policies i.e. whistleblowing

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Principle B

Ensuring openness and comprehensive stakeholder engagement

Sub Principles:

Openness

Engaging comprehensively with institutional stakeholders

Engaging stakeholders effectively, including individual citizens and service users

How we do this:

- The Council is committed to ensuring an open culture evidenced by open meetings and publication of agendas and minutes
- A Forward Plan showing key decisions to be made by Council and Cabinet is published
- There is appropriate Consultation and Engagement supporting the decision making process including annual budget consultation, co-production, engagement with trade unions and engagement with Disability and LGBT communities.
- There are Public questions at Council and Cabinet
- There is engagement with children and young people to meet the requirement of the UNCRC
- There is pre-decision scrutiny of Cabinet decisions and Call-In procedure
- Corporate and Directorate risks are published

- The Council adopts a Team Swansea approach working as a whole council and effectively engages with stakeholders to ensure successful and sustainable outcomes by:
 - targeting communications
 - effective use of social media
 - formal and informal meetings with key stakeholder groups i.e. External auditors, Welsh Government, Health board
- The Council has an extensive range of partnerships to support the delivery of the Council's objectives including:
 - The Public Services Board
 - The Safer Swansea Partnership
- The Council has adopted the Community/Town Council Charter and facilitates the Community/Town Council forum meetings with the 24 Councils.

- The Council has appropriate structures in place to encourage public participation which is used to inform proposals and key decisions including:
 - A Consultation and Engagement framework
 - "Have your Say" consultations on website
 - The Scrutiny Programme Committee invites stakeholder contributions and participation
 - An Annual Staff Survey with responses considered by CMT/Senior Management
 - A Complaints Policy and Annual Report to assess organisational learning and change
 - The appointment of Councillor Champions who provide a voice for under represented groups

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Principle C

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

Sub Principles:

Defining outcomes

Sustainable economic, social and environmental benefits

How we do this:

- The Council has a clear vision which is set out in the Corporate Plan *Delivering a Successful & Sustainable Swansea* which prioritises 6 well-being objectives. The sixth well-being objective *Natural Resources and Biodiversity* was added during the 2-18/22 refresh of the Corporate Plan
- Delivery of the Corporate Plan is monitored through the Council's Performance Management Framework with quarterly performance monitoring by CMT/Cabinet
- There is an Annual Performance Review
- Annual Service Plans address the sustainability of service delivery along with key corporate priorities
- There is monthly Performance and Financial Monitoring meetings held for each Directorate
- There is a Corporate Risk Management Policy ensuring consistent application of risk registers and terminology and audit scrutiny

- The Council takes a long term and sustainable view and balances the economic, social and environmental impact of policies and plans by:
 - Medium Term Financial Planning covering 3 financial years approved annually by Council
 - Refresh of the Corporate Plan annually
 - Annual service planning
- The Council's *Sustainable Swansea: Fit for the Future* programme seeks to modernise and transform the council to meet the longer term challenges and ensure sustainable provision of services
- There is public and stakeholder engagement

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Principle D

Determining the interventions necessary to optimise the achievement of the intended outcomes

Sub Principles:

Determining interventions

Planning interventions

Optimising achievement of intended outcomes

How we do this:

- The Council ensures that decision makers receive objective and rigorous analysis of options with intended outcomes and risks by:
 - written reports from Officers
 - report clearance by legal, finance and Access to Services officers
 - embedding of impact assessment in decision making process
 - clear option appraisals reflected in reports detailing impact, risk and any best value considerations
- The results of consultation exercises are fully considered by decision makers with consultation responses set out in report
- Consultation on budget proposals is extensive and includes roadshows with staff
- The Council has a Corporate Risk Management Policy

- The Council has established robust planning and control cycles covering strategic and operational plans, priorities and targets which is achieved through:
 - a timetable for producing and reviewing plans on an annual basis.
 - Working with a consultation and engagement framework
 - quarterly and annual performance monitoring including achievement of national and local performance indicators
- There is robust Medium Term Financial Planning
- There is an Annual budget setting process in place including an extensive consultation exercise

- The Council ensures the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints by setting out any shortfall in resources and spending requirements in the context of service priorities
- To ensure that the budget process is all inclusive there is regular engagement with members with robust scrutiny by the Service Improvement & Finance Scrutiny Performance Panel
- Sustainable Swansea – Fit for the Future
- The Council ensures the achievement of “social value” through the effective commissioning of service in compliance with CPR’s e.g. Beyond Bricks and Mortar (community benefit clauses in council contracts)

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Principle E

Developing the entity's capacity, including the capability of its leadership and the individuals within it.

Sub Principles:

Developing the entity's capacity

Developing the capability of the entity's leadership and other individuals

How we do this:

- The Council aims to ensure that Members and Officers have the right skills, knowledge and mind set to operate efficiently and effectively to achieve intended outcomes by:
 - adopting a comprehensive induction training programme for members and officers
 - a Councillor Training Programme based on a Training Needs Assessment
 - annual performance review of staff
 - adoption of a mentoring scheme
- Operational capacity is supported by the Transformation & Future Council objective to help tackle rising demand and reducing revenue budget
- The Organisational Development Strategy aims to develop the right staff with the right skills to work in a sustainable way
- There is engagement with benchmarking groups such as APSE, CIPFA
- There is collaborative and partnership working including the Public Service Board, ERW.

- Effective shared leadership and understanding of roles and objectives is supported by:
 - The Leader and Chief Executive have clearly defined leadership roles
 - The Chief Executive Appraisal and Remuneration Committee have responsibility for the appraisal of the Chief Executive
 - there has been member led training with both senior officers and cabinet members
 - there are regular 1-2-1 meetings with the Leader, Cabinet members, Chief Ex, CMT and Heads of Service
 - the Transformation and Future Council objective and the Organisational Development Strategy
- The Constitution sets out the Scheme of Delegation which is regularly reviewed
- Annual appraisal and performance review
- A review of senior management roles report to Council in July 2018.

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Principle F

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

Sub Principles:

Managing risk

Managing performance

Robust internal control

Managing data

Strong public financial management

How we do this:

- Risk management is an integral part of decision making supported by:
- A revised Corporate Risk Management Policy with clear nominated officer responsibility
- Quarterly review of risks by CMT
- Monthly review of Directorate Risks at PFM meetings
- The publication of Corporate & Directorate Risks allowing greater scrutiny
- The Audit Committee regular review of risks

- There are quarterly performance monitoring reports to Cabinet
- Each Head of Service produces an Annual Service Plan setting out clear objectives and SWOT analysis of their service
- There are regular reports as to performance indicators and milestones against intended outcomes
- There is robust scrutiny challenge by pre decision scrutiny, inquiries and Call-In.
- Monthly Directorate Performance and Financial Monitoring meetings

- The Audit Committee provides independent and objective assurance on effectiveness of internal control, risk management and governance arrangements
- The Council is dedicated to tackling fraud and corruption and has an Anti-Fraud and Corruption Policy and Whistleblowing Policy
- The Audit Committee receives an annual report on the fraud function and Anti-Fraud Plan
- The Internal Audit Plan is approved by Audit Committee

- The Council demonstrates effective safeguarding of personal data and information by:
- The appointment of a Data Protection Officer
- The adoption of a Data Protection Policy
- An Information Governance Unit and Senior Information Risk Officer
- An information asset register
- The Council is signed up to the Wales Accord for Sharing Personal Information (WASPI)
- Data Protection training is mandatory

- The Council ensures both long term achievement of outcomes and short term performance through the delivery of the Medium Term Financial Plan
- Financial management is integrated at all levels of planning and control by:
 - financial implications are included in all decision making reports
 - there is a specific Corporate risk around Financial Control and Sustainable Swansea owned by the S151 officer

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Principle G

Implementing good practices in transparency, reporting and audit to deliver effective accountability

Sub Principles:

Implementing good practice in transparency

Implementing good practices in reporting

Assurance and effective accountability

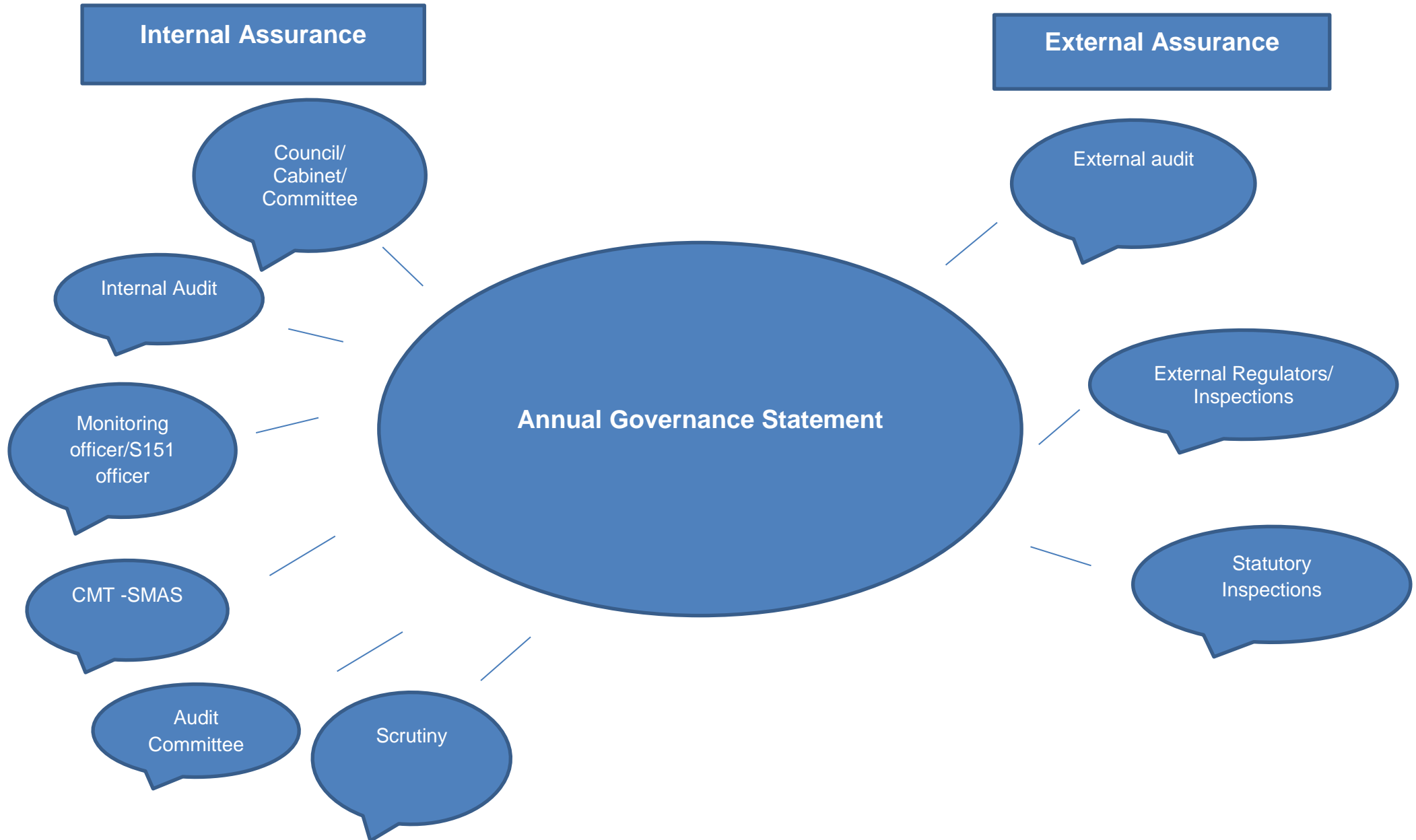
How we do this

- The Council aims to present understandable and transparent reports for both stakeholders and the public which is supported by:-
- - A Report Authors Protocol which ensures consistency in reports
- A Clear Writing guide for officers
- All reports are signed off by Cabinet member, legal, finance and access to services officers
- The Council has a Publication Scheme which is available on the website
- Where possible exempt reports are split so that the main report can be heard in public with confidential information being a separate exempt report
- Reports are published on the website and agendas are published in the Welsh Language

- The Council reports at least annually on performance as evidenced by:
 - Quarterly reports to Cabinet on performance
 - An annual Review of Performance report setting out how the Council has performed in meeting its Corporate Objectives
 - The Annual Statement of Accounts audited by external auditor and approved by Council and published demonstrates how the Council has achieved performance, value for money and the stewardship of resources
- Senior Managers complete Senior Management Assurance Statements (SMAS) reflecting performance against governance, risk management and internal control. The SMAS contribute to the Annual Governance Statement
- The Council have adopted the Code of Corporate Governance based on CIPFA framework

- Through the assurance mechanisms set out below the Council can demonstrate effective accountability:
- The Internal Audit work plan provides assurance on the council's control mechanisms, risk management and governance arrangements which is monitored by the Audit Committee
- All agreed actions from Internal Audit reviews are monitored
- Implementation of WAO and Internal Audit recommendations monitored by Audit Committee
- Peer Review and inspection from regulatory bodies and external compliance reviews which are reported to CMT/Cabinet and used to improve service delivery
- There is scrutiny and audit review of WAO reports and action plans.
- Assurance on risks associated with delivery of services through third parties is achieved by:
 - Commissioning and monitoring arrangements and compliance with Contract Procedure Rules
 - SMAS reflect risk assessments in relation to partnership/third party working

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4. Review of Effectiveness

4.1 The City and County of Swansea annually reviews the effectiveness of its governance framework including the system of internal control.

- (a) Statements from Corporate Management Team (CMT), Statutory Officers, the Internal Audit Manager and the Audit Committee.
- (b) External organisations i.e. Wales Audit Office and regulators
- (c) Core evidence mapped to Council, Cabinet and Committees

4.2 The following highlights the review of the governance framework in order to compile the Annual Governance Statement and sets out the assurance of CMT, officers and external organisations.

INTERNAL SOURCES OF ASSURANCE

5 Corporate Management Team/SMAS

5.1 The Senior Management Assurance Statements (SMAS) form part of the governance assessment framework. Through the SMAS each Director responds to 20 good governance statements covering:

- Risk Management
- Partnership/Collaboration governance
- Compliance with Policies/Rules/Legal & Regulatory requirements
- Programme and Project Assurance
- Budget Monitoring
- Planning and Decision Making
- Internal Control Environment
- Fraud & Financial Impropriety
- Performance Measurement & Management

5.2 The Directors assess assurance using a 5 points maturity scale for their areas of responsibility ranging from “not in place” to “embedded”. Directors are expected to consult with their Heads of Service to support a directorate approach to each statement.

5.3 The Four SMAS from the Directors of Corporate Resources, People, Place and Education were challenged and reviewed at CMT. The Director of People submitted a SMAS split into Social Services – Adult and Social Services – Child & Family.

5.4 The 20 assurance statements summarised by 9 categories showed an overall “strong application” of good governance across the assurance areas. The greatest maturity was reported in budget monitoring with a 60% “embedded” and 40% “strong application” rating. Risk Management maturity was strong with a rating of 88% strong or embedded application and the 12% mixed application was supported by an assurance that training was in place to embed in 2019/20.

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- 5.5 The maturity assessment highlighted opportunities to enhance the categories relating to Performance Measurement and Management for which there was a higher incidence of “mixed application” which have been identified in the significant governance risks for 2019/20.
- 5.6 CMT reviewed the SMAS and draft Annual Governance Statement on 8 May and 10 May 2019. Having considered and discussed the outcomes of the SMAS and noting the “mixed application” responses overall CMT considered the assurance level to be strong. The significant governance issues for 2019/20 as identified by CMT are those set out below.

6. The Monitoring Officer

- The Chief Legal Officer is the Monitoring Officer with a specific duty to ensure that the Council, Officers and Members maintain the highest ethical standards of conduct. The Standards Committee has the responsibility for monitoring the ethical standards of conduct and to deal with any breaches of the Code referred to the Committee by the Public Service Ombudsman (PSOW).
- In 2018/19 the Monitoring Officer was notified of 6 complaints relating to members conduct by the PSOW. The PSOW decided not to investigate 5 of those complaints and the remaining complaint the PSOW found that there was no evidence of a failure to comply with the Code of Conduct. There are regular PSOW bulletins circulated to all councillors as to Code of Conduct issues.
- During 2018/19 the Standards Committee interviewed the Leaders of the Opposition, the Chairs of Planning, Democratic Services and Licensing Committees and the Chief Executive. Following the Leaders attendance at committee the Standards Committee will reflect their views in the Annual Report.
- An audit of officer gifts and hospitality was undertaken in 2018/19 with recommendations to improve consistency across departments. Members and officers are required to register their personal interests, gifts and hospitality with regular reminders sent out by the Head of Democratic Services. A Gifts and Hospitality Policy is currently under review.
- The Monitoring Officer has not had to issue any statutory Section 5 Local Government and Housing Act 1989 reports during 2018/19.
- A number of amendments to the Constitution were adopted by Council including a new Call-In procedure enabling greater scrutiny of Cabinet decisions. Further work is being undertaken by the Monitoring Officer in terms of publication of officer delegated decisions and changes to procedure rules.

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- The Deputy Chief Executive has overall responsibility for governance and as part of his strengthening of governance arrangements has presented the assurance framework to audit committee.
7. The **S151 Officer**
- Quarterly **Financial Monitoring Reports** were presented to Cabinet throughout 2018/19. The reports consistently identified a service revenue budget overspend at year end based on available information and stressed the need for expenditure to be contained within the budget set by Council. That service overspend has now been confirmed (at just under £3m) and a draw from Specific Reserves of similar sum (as reported from as early as first quarter) will be necessary for 2018/19, a position that is clearly unsustainable and unrepeatable in future years, given the S151 Officer has already ruled reserves to be at the absolute minimum. On a more positive note the equally fully planned substantial underspending on capital financing (around £7m) facilitated, in part, by the in-year review, and approval by Council, of the Minimum Revenue Provision policy has enabled similar sum to be added to the capital equalisation reserve which is a prudent way of planning for and addressing some of, the future certain increased costs of financing the ambitious mid-term capital programme.
 - A **Mid Term Budget Statement 2018/19** (verbal) and **Review of Reserves** (written) was presented to Council on 25/10/18 which provided a strategic and focussed assessment of the current year's financial performance and an update on strategic planning assumptions over the next 3 financial years. The conclusion of the Statement was that the Council would struggle to deliver within the overall resources identified to support the budget in 2019/20 and beyond. The likely projected outturn was dependent upon the willingness and ability of the Council to reduce and restrict ongoing expenditure across all areas.
 - The Revenue and Capital Budgets were approved by Council on 28/02/19. They continued to set out an ambitious programme of approved capital spending plans and future contingent capital spending plans (partly financed by the Swansea Bay City Deal but predominantly by unsupported borrowing) which would require challenging budget savings to be delivered to help facilitate that major capital investment and economic regeneration stimulus.
 - The **Medium Term Financial Plan 2020/21 – 2022/23** was approved by Council on 28/02/19. The Plan outlined the significant shortfall in funding faced by the Council over the period and the strategy to be adopted to address the shortfall as well as the inherent risks to the success of the adopted strategy.
 - Each Corporate Director held monthly **Performance and Financial Monitoring** meetings where Chief Officers and Heads of Service reported on progress in terms of continuous improvement and budgets.
 - The **Wales Audit Office Annual Management Letter** dated 29 November 2018 (and referred to below) noted that whilst the Council have appropriate arrangements in place to secure economy, efficiency and effectiveness in their use of resources, the Council continues to “face significant financial challenges”. This reflected external auditor concerns around ongoing service

overspending, actual delivery of efficiency savings to the planned timetable and the substantial future capital programme aspirations.

- The Council is the Administering Authority for the City and County of Swansea Pension Fund (the Pension Fund) and Swansea Bay Port Health Authority (SBPHA). The governance arrangements detailed in this Annual Governance Statement apply equally to the Council's responsibilities to the Pension Fund and SBPHA. There are further specific requirements for the Pension Fund which are:
 - Investment Strategy Statement
 - Internal Dispute Resolution Process
 - Funding Strategy Statement
 - Administration Strategy Statement
 - A full actuarial valuation to be carried out every third year
 - Communications Strategy Statement

8. Chief Internal Auditor's Internal Control Opinion

- 8.1 The system of internal control is designed to help the Council manage and control the risks which could affect the achievement of the Council's objectives. However it is not possible to eliminate all risks completely.
- 8.2 This means that Internal Audit can only provide 'reasonable' assurance that the systems of internal control within the areas of the Council reviewed are operating adequately and effectively.
- 8.3 A pleasing trend which has been identified for the past two years of an increase in the number of audits receiving a high level of assurance has continued this year. There has also been a small decrease in the number of audits with a substantial, moderate or limited level of assurance.
- 8.4 There are 14 audits which are classed as fundamental audits. The fundamental audits are the systems that are considered to be so significant to the achievement of the Council's objectives that they are audited either annually or bi-annually. Following the audits completed in 2018/19, 12 of the 14 fundamental audits have a high level of assurance, one has a substantial level of assurance (Accounts Payable) and one has a moderate level of assurance (Accounts Receivable). It is disappointing to note that one of the fundamental audits received a moderate assurance rating in 2018/19. The reasons provided by the service for the weaknesses identified in this area were in relation to reduced resources. As noted in the previous Internal Audit Annual Report, continuity and maintenance of core grip with changing, and more often diminishing, resources was a recognised clear challenge across the Authority and this continues to be the case.
- 8.5 Despite this, it should be noted that of the 14 fundamental audits, 12 have a high assurance level and one has a substantial assurance level. In addition, the

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increase in the number of audits receiving a high level of assurance in the overall audit universe and the results of the work undertaken in 2018/19 provides reasonable assurance that across the Authority, the systems of internal control are operating effectively.

- 8.6 Throughout the year, a significant amount of effort has been directed at further strengthening the systems of risk management across the Authority. Audit Committee now have access to the Corporate Risk Register and also receive regular update reports from the Strategic Delivery and Performance Manager outlining the status of key risks to further strengthen assurance in this area. The Corporate Management Team and Risk Owners have also reviewed the risk register entries regularly throughout the year to ensure the register is up to date and all mitigating controls have been captured and remain effective.
- 8.7 In addition, the appointment in year of the Deputy Chief Executive, tasked with overarching responsibility for ensuring existing corporate governance arrangements are effective, has further strengthened assurances in this area.
- 8.8 Overall, based on the work undertaken in 2018/19, I am satisfied that Internal Audit can provide reasonable assurance that the systems of risk management, internal control and governance established by the Council are operating effectively and that no significant weaknesses were identified in 2018/19 which would have a material impact on the Council's financial affairs or the achievement of its objectives.

9. The **Audit Committee**

- 9.1 The Audit Committee considered the Annual Governance Statement with the Statement of Accounts on 13 August 2019.
- 9.2 Over the last year the Audit Committee has committed to progressing the necessary action to address any Wales Audit Office recommendations. The Committee has reviewed progress against those recommendations with the aim of developing and strengthening the Committee's effectiveness in fulfilling the Committee's terms of reference. Most notably the Committee received:
- A presentation by the Deputy Chief Executive that outlined the Council's Assurance Framework;
 - The Council's Risk Register was received on 14 August 2018 and the Directorate Risk Register on 11 December 2018.
- 9.3 The presentation on the Assurance Framework and the reporting on the Council's risks is a significant step forward in improving the Committee's ability to reflect on the effectiveness of governance, risk management and control that supports and informs the Council's Annual Governance Statement.
- 9.4 The Committee has noted that the Risk Management process across the Council remains under development and officers are progressing to pilot a new

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electronic risk management process/system. However, the associated roll out of the new system and the delivery of training needs remains a challenge.

- 9.5 The Committee has received reports regularly from the Chief Internal Auditor, that included confirmation of the outcome of the External Quality Assessment of performance against the Public Sector Internal Audit Standards. The External Quality Assessor suggested the production of an assurance map as an improvement to the audit planning process. It is pleasing to report that the Chief Internal Auditor has progressed with this recommendation and reported in February 2019 the draft assurance map with the audit methodology for the development of the Internal Audit Annual Plan.
- 9.6 The Committee has noted that the Auditor General stressed that the Council must continue to risk assess its efficiency savings plans, to review and update its medium term financial strategy and to carefully monitor its reserves. The Audit Committee would like to see robust saving delivery plans from Directors/Heads of Service as an additional level of assurance.
- 9.7 It was noted that a recovery plan should be developed on how the Council plans to deal with overspends and that the Audit Committee should be provided with regular budget variation reports.
- 9.8 Looking forward to 2019/20, the financial challenges facing the Council will continue as will the need to increase performance. Within this context, the importance of an effective Audit Committee remains critical and the Committee is committed to enhancing its effectiveness through an ongoing training programme, delivering against the Wales Audit Office efficiency improvements and liaising with Officers to enhance the information that the Committee receives. The Committee will keep the Work Programme under regular review and will ensure that the Work Programme contains the critical challenges that the Council faces.

EXTERNAL SOURCES OF ASSURANCE

10. External Auditors

- The Wales Audit Office finalised their review of the 22 councils in Wales as to how fit for the future their scrutiny functions were. The “Overview and Scrutiny – Fit for the Future” report for Swansea issued in July 2018 summarised that *“the Council’s scrutiny function is well-placed to respond to future challenges, but could improve arrangements for pre-decision scrutiny and strengthen its evaluation of the impact of scrutiny activity.”*
- The Wales Audit Office Annual Improvement Report 2017/18 was issued in September 2018 and based on the Wales Audit Office work carried out; the Auditor General believed that the Council was likely to comply with the requirements of the Local Government Measure 2009 during 2018/19.

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- The Wales Audit Office Use of Local Government Data was issued on 4 January 2019 with a number of recommendations including further training. The Council's Data Protection Officer is working on the recommendations including an action plan around improvements.
- The Appointed Auditor's **Annual Audit Letter 2017/18** was issued on 29 November 2018 and presented to the Audit Committee on 11 December 2018. The letter stated that the Council had made good progress in bringing forward the production of the financial statements. The letter also stated that *'The Auditor General for Wales is satisfied that the Authority has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources but the Council continues to face significant financial challenges'*. The letter further adds that *"To achieve a balanced budget for 2019/20 the Council must continue to risk assess its efficiency savings plans and implement robust arrangements to secure their delivery"*. No significant issues were identified on work carried out on certification of grant claims and returns that would impact on the 2017/18 accounts or key financial systems.
- The Wales Audit Office on behalf of the Auditor General for Wales presented the **Audit of Financial Statements Report 2017/18** to Audit Committee on 11/9/18 and to Council on 20/09/18. The report highlighted any significant issues to those charged with governance that needed to be considered prior to the approval of the financial statements. The Auditor General issues an unqualified audit report on the financial statements and the report concluded that the financial statements for both the City & County of Swansea and the City and County of Swansea Pension Fund gave a true and fair view of the financial position of the Council and had been properly prepared.

11. STATUTORY EXTERNAL INSPECTIONS/REGULATORS

The Council is subject to Statutory External Inspections by various bodies including ESTYN and Care Inspectorate Wales (CIW).

CIW inspected a number of services during 2018/19 including regional arrangements. They inspected services for children living in Swansea and published their report in October 2018. CIW found good quality practice with positive outcomes and identified areas for development and action to be monitored through ongoing performance review.

In October 2018 CIW also published a report into Foster Swansea Service which identified a well-managed service with quality assurance mechanisms in place. A number of recommendations for improvement were also made.

A Joint inspection took place of Youth Offending Services in Western Bay with a report published in March 2019 with a number of recommendations.

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The **Estyn** profile of school inspections for 2018-2019 is very positive in all sectors. The secondary profile is one of the best in Wales. Between the summer term 2018 and spring term 2019 11 schools were inspected by Estyn in Swansea. 10 schools were judged to be good or excellent in all the five areas that are inspected under the current framework. One school was judged adequate in the area of leadership and management but good in all other areas and is under Estyn review as a result. All inspection results and recommendations as well as other intelligence is discussed in monthly PFM meetings and appropriate support and challenge through the advisory team is identified as a result.

In February 2019 the Swansea Pupil Referral Unit (PRU) was inspected by Estyn who noted that the PRU provides a nurturing and supportive learning environment, which meets the wide range of pupil needs well. Standards, well-being, teaching and learning, care and support and leadership were all judged as good.

Estyn made two recommendations. Firstly to ensure that teachers make effective use of assessment outcomes to plan suitable next steps in their pupils' learning and to inform their individual education plans. Secondly to improve the provision to develop pupils' Welsh language skills across the curriculum, particularly for those transferring from Welsh medium schools. The PRU will continue to be accountable to the Management Committee and EOTAS Steering Group to ensure the vision for improved services for learners educated otherwise than at school is implemented and outcomes are improved further.

Overall the picture for Swansea compared to other authorities is very positive and against the trend of inspection results across Wales.

CORE EVIDENCE

12. Council & Cabinet

The following provide assurance based on reports covering 2018/19. In some instances reports from 2017/18 are reflected in the Annual Governance Statement as the reports for 2018/19 are not yet available

- Council adopted a revised Corporate Plan 2018/22 *Delivering a Successful and Sustainable Swansea* on 25 October 2018. The annual review of the Well-being Objectives resulted in the addition of a sixth Objective – *Maintaining and enhancing Swansea's Natural Resources and Biodiversity* which aligns with the Public Service Boards' Well-being Objective "Working with Nature". The Corporate Plan sets out the Council's values and principles underpinning the

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delivery of the objectives and sets out how the Council will monitor progress through quarterly and annual performance monitoring reports.

- Performance on delivery of the Council's Well-being Objectives is monitored quarterly by Cabinet. Quarterly Reports contain outturn compliance with performance indicators and an overview of performance for each Objective provided by Directors/Heads of Service. The End of Year Performance Monitoring Report for 2017/18 was presented to Cabinet in July 2018.
- The Annual Review of Performance 2017/18 was approved by Cabinet on 18/10/18 in accordance with the publishing requirements of the Local Government (Wales) Measure 2009. The report showed the results of each performance measure for the 5 Key Priorities ('Improvement Objectives') set out in the Corporate Plan 2017/22. The results showed that overall the Council has made significant progress undertaking the steps to meet its Well-being Objectives but that there were areas for development and lessons learnt.
- The Corporate Complaints Policy is in line with the Welsh Government Model Complaints Policy and was in place throughout 2018/19. It enables the public to tell the Council what they think about services. The Corporate Complaints Annual Report 2017/18 was presented to Cabinet on 17/1/2019. The report reflects the greater emphasis on prompt resolution of complaints and includes compliments about services. Whilst the total of complaints to the Public Service Ombudsman for Wales increased from 54 to 62 only 1 was upheld, 10 were resolved by quick fix/voluntary settlement, 1 was not upheld and the remaining referrals were either out of jurisdiction, premature or closed after initial consideration. There was an assurance that there were no s 16 Public Interest reports during the year.
- The Audit Committee Annual Report 2017/18 was presented to Council on 25/10/18 and outlined the assurance the Committee had gained over control, risk management and governance from various sources over the course of 2017/18. In particular, the report focused on the Performance Review facilitated by the Wales Audit Office and the key findings forming part of an ongoing Action Plan.
- The Equality Review Report 2017/18 was reported to Cabinet on 20 September 2018, which highlighted progress against the Equality Objectives. The report highlighted work linked to the core principles i.e. co-production, engagement and embedding of children's rights.
- The Welsh Language Annual Report 2017/18 went to Cabinet on 21 June 2018 and reflected progress and compliance on the 169 Welsh Language Standards with which the Council has to comply. The report contained an overview of activity and how the Council internally promotes the Welsh Language Standards with tools and information.

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- There were a number of key reports presented to Cabinet/Council during 2018/19 including The Local Development Plan, which was approved by Council on 28 February 2019, and the Homelessness Strategy and Action Plan 2018-22 approved by Cabinet on 15 November 2018.

13. Committees

- 1.1 The **Scrutiny Programme Committee and Panels** met throughout 2018/19 and were supported by the Scrutiny Support Team. The **Scrutiny Annual Report 2017/18** was presented to Council on 25/10/18. The report highlighted the work carried out by Scrutiny, showed how Scrutiny had made a difference and supported continuous improvement for the Scrutiny function. The Scrutiny Programme Committee met on 16 occasions. In total, there were 91 panel and working group meetings during the year with 2 Inquiries relating to Equalities and the Natural Environment. Two Inquiry Panels reconvened to follow up actions agreed by Cabinet – CAMHS and Tackling Poverty. There was also pre decision scrutiny undertaken on a number of Cabinet reports and a high level of councillor commitment. The Council Constitution was also amended to provide for Call-in of Cabinet decisions by Scrutiny. The Call-In procedure was used on one occasion.
- There are well established links between the scrutiny function and Estyn, in respect of Education Services and School Improvement, and similarly with CIW (Care Inspectorate Wales), in respect of Audit Services and Child & Family Services. Scrutiny Performance Panels are routinely provided with relevant reports from Estyn and CIW, and are discussed as required. In November 2018 the Scrutiny Programme Committee agreed that Wales Audit Office reports should go to scrutiny and support the developing relationship. All Wales Audit Office local performance audit reports and relevant national Wales Audit Office reports (those with implications for local government) are included in the Scrutiny Work Programme and there is co-ordination with the Audit Committee. Regional scrutiny continues with ERW and City Deal.
 - The **Standards Committee** met on 3 occasions during 2018/19 and the **Standards Committee Annual Report 2017/18** was presented to Council on 20/9/18. The Committee is chaired by an independent person and is responsible for monitoring the ethical standards of the authority and maintaining the highest standards of conduct by elected councillors. The Committee commenced discussions with the Political Group Leaders as to ethical values within the council and this work is largely finalised and hopefully will form part of the Annual Report for 2018/19. The Standards Committee were also instrumental in ensuring the Ombudsman's Code of Conduct Casebook was considered and circulated to all members by the Monitoring Officer. There were only 6 cases of alleged breach of the code of conduct referred to the Ombudsman with 5 not investigated and one where no evidence was found of failure to comply. The Members Internal Dispute Resolution Process has not yet been utilised, underpins the strong commitment to, and provides assurance that the Council's Code of Conduct is adhered to.

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- The **Audit Committee** met on 10 occasions during 2018/19 and followed a structured work-plan, which covered all areas of the Committee's responsibilities with the aim of obtaining assurance over the areas included in its terms of reference. The Committee includes a lay member who is also the Chair of the Committee. The Committee receive all Wales Audit Office reports once reported to Scrutiny Programme Committee. The Committee may decide to track or prioritise specific proposals or recommendations in addition to the oversight provided by Scrutiny. This arrangement provides additional assurance that the Council responds and puts in place action plans to address any recommendations. The Committee also receives quarterly updates on the overall status of risk within the Council to give assurance that the risk management process is being followed. The Committee have chosen to track 3 corporate risks – Financial Control & Sustainable Swansea, City Centre and Decision to leave the EU monthly.
- During 2015/16 the governance structure for the Pension Fund was amended to include the Local Pension Board, in compliance with the Public Service Pensions Act 2013. The role of the Board is to assist the Council as Scheme Manager and Administering Authority to secure compliance with LGPS regulations and other legislation relating to the scheme. Terms of Reference for the Board were established and appropriate Board members were appointed. The Board convened meetings on 6 occasions during 2018/19.
- The **Pension Fund Committee** met on 6 occasions during 2018/19 and dealt with all issues relating to the governance of the Pension Fund. The Chair of the Pension Fund Committee also represents the Council on the Joint Governance Committee of the Wales Pension Partnership, a collaborative working arrangement between the 8 local government pension funds in Wales.

The **Democratic Services Committee** met on 3 occasions and considered the Social Media Guide for Councillors, the Councillors' Handbook and Personal Safety.

Significant Governance Issues

The following table shows the significant governance issues which were identified during the review of effectiveness undertaken when preparing the Annual Governance Statement **2017/18** and the action taken during the year to address the issues.

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Issue	Action Taken
<p>1. Budgetary pressures within the Council.</p> <p>The Council is facing unprecedented financial pressures and budget savings have to be made by departments in a timely manner.</p>	<ul style="list-style-type: none"> • The budget position is tracked on a monthly basis at P&FM, CMT and FSTG to monitor progress and highlight risk. • The sustainable development principals within Sustainable Swansea – Fit for the Future is embedded in to the budget setting process • The introduction of the reshaping board to further challenge for non delivery of savings • Linked to corporate risk CR80.
<p>2. Sustainable savings – there needs to be full consideration and robust business case underpinning savings proposals particularly relating to staff cuts. With wellbeing of future generations in mind sustainability of service, delivery together with mitigation of risks should be part of any proposals.</p>	<ul style="list-style-type: none"> • CMT/Cabinet consider savings proposals in the context of equality impact assessments and well-being of future generations assessments so that any service delivery implications are assessed and monitored • Any risk associated with any saving proposal would be highlighted on the risk register as appropriate.
<p>3. Regional working– with collaboration/merger on national agenda going forward it is essential that not only are governance issues around regional working appropriate and transparent but also that regional working benefits CCS.</p>	<ul style="list-style-type: none"> • Governance arrangements around regional and collaborative working are considered with advice from the legal/finance departments and associated governance documentation being drafted. • An Annual report on Regional Working will be presented to Cabinet and will include reference to the benefits to CCS. This will include City Deal, Western Bay

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	and ERW and any new regional collaborations.
<p>4. Workforce capacity and performance- Directorates have seen a reduction in staff resources and it is essential that workforce performance is monitored through an effective system of appraisal which supports and upskills existing officers.</p>	<ul style="list-style-type: none"> • This is achieved by ongoing staff development through workforce planning and an appraisal system to ensure staff are performing and are being supported in their role • Where appraisals are not undertaken there are regular 1-2-1's and support to staff
<p>5. Delivery of Leisure Partnership Report to be done on an annual basis. This should include reference to activity with other entities within the group structure as part of the review of effectiveness of the system of internal control.</p>	<p>A combined Annual Leisure Partnership Report for 2015/16 and 2016/17 was reported to Council in July 2018.</p>
<p>6. Major projects – significant officer time will continue to need to be dedicated to major projects to ensure transparency around decision making and good governance.</p>	<p>There was revised programme management around Sustainable Swansea, City Deal, City Centre Regeneration, 21st Century Schools and other significant projects with reporting to CMT by exception including the following project boards:</p> <ul style="list-style-type: none"> - Regeneration Programme Board - Housing Futures Programme Board - Property Investment Board - 21st Century Schools Project Board

The following table identifies issues which have been identified during the review of effectiveness, and also highlights any other significant governance issues that need to be considered, together with the proposed actions to be taken during **2019/20** to address the issues.

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Significant Governance Issue linked to Framework	Action to be taken
<p>Maintaining sufficient financial discipline (revenue service spending) to deliver Corporate Objectives and Sustainable Swansea (red risk on Corporate Register)</p> <p>The Council will continue to face unprecedented financial challenge. It is essential that approved service savings are made in a timely way with full risks and impact being understood.</p>	<ul style="list-style-type: none"> • Launch of Reshaping Board to monitor and challenge failure to deliver savings/overspending by Heads of Service • Robust challenge by CMT/Corporate Directors through P&FM • Development of an integrated impact assessment approach to inform budget decisions and longer term sustainability of service provision.
<p>Engagement and communication</p> <p>The views of the public, service users, staff and external partners must be taken into account in decisions impacting upon them. It is essential that there are sufficient structures in place to encourage and enable public participation.</p>	<ul style="list-style-type: none"> • Ensure that there is adequate resources to enable participation • A renewed Engagement and Consultation Strategy • Develop a Co-Production Strategy • An integrated Impact Assessment process embedded in decision making around budget savings (to include Equality implications and Well-being of Future Generations considerations)
<p>Performance Reviews</p> <p>Whilst there is a strong performance management system with regular supervision/training of staff evidenced across the authority there is evidence of inconsistency associated with the IT appraisal use.</p>	<ul style="list-style-type: none"> • Review the corporate appraisal system to ensure it is fit for purpose
<p>Project Governance</p> <p>It remains the position that significant officer time will need to be dedicated to major projects with which the Council is involved. Consideration will need to be given to adequately resourcing project teams to ensure strong and transparent governance arrangements are in place.</p>	<ul style="list-style-type: none"> • All project leads should consider in advance the requirement for legal/finance/other input and ensure sufficient resources are made available for such assistance • Organisational capacity must be considered in preparation of business cases for project delivery • Significant project risks to be reported to CMT
<p>Decision to Leave the European Union</p>	<ul style="list-style-type: none"> • Formation of Brexit Steering Group • Testing/Review of Business Continuity Plans

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<p>Any consequences of leaving the European Union will have to be planned, monitored and managed.</p>	<ul style="list-style-type: none"> Communication with partners/ stakeholders
<p>Partnership/Collaboration/Regional Working Governance</p> <p>As there is increased drive for partnership/regional working the council will need to focus on ensuring the appropriate governance arrangements and benefit to Swansea residents.</p>	<ul style="list-style-type: none"> Ensuring adequate governance arrangements are in place Reports to CMT/Cabinet/Council where appropriate reflecting on governance and benefit Ensuring adequate scrutiny and audit arrangements are in place Robust business case consideration

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

Signed Chief Executive

Date

Signed..... Leader

Date