

Audit Committee

Meeting Venue
**Council Chamber - County Hall,
Llandrindod Wells, Powys**

Meeting Date
Monday, 9 November 2015

Meeting Time
10.00 am



County Hall
Llandrindod Wells
Powys
LD1 5LG

For further information please contact
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2 November 2015

AGENDA

1.	ELECTION OF CHAIR	A73-2015
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To elect a Chair for the remainder of the year.

2.	APOLOGIES	A74-2015
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To receive apologies for absence.

3.	DECLARATIONS OF INTEREST	A75-2015
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To receive declarations of interest from Members.

4.	DISCLOSURE OF PARTY WHIPS	A76-2015
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To receive disclosures of prohibited party whips which a Member has been given in relation to the meeting in accordance with Section 78(3) of the Local Government Measure 2011.

(NB: Members are reminded that under Section 78 Members having been given a prohibited party whip cannot vote on a matter before the Committee.)

5.	MINUTES	A77-2015
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To authorise the Chair to sign the minutes of the previous meeting.

(Pages 5 - 10)

6.	RISK MANAGEMENT AND BUSINESS CONTINUITY	A78-2015
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To consider the report of the Business Continuity and Risk Management Officer.
(Pages 11 - 64)

7.	COMMERCIAL SERVICES	A79-2015
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To consider the oral report of the Professional Lead, Commercial Services.

8.	INTERNAL AUDIT	A80-2015
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To consider the report of the Internal Audit Manager.
(To Follow)

9.	CLOSURE OF ACCOUNTS	A81-2015
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To consider the report of the Professional Lead, Finance.
(Pages 65 - 68)

10.	TREASURY MANAGEMENT	A82-2015
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To consider the report of the Portfolio Holder for Finance together with a confidential appendix.
(Pages 69 - 90)

11.	AUDIT COMMITTEE	A83-2015
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To consider the report of the Solicitor to the Council.
(Pages 91 - 94)

12.	WORKING GROUPS	A84-2015
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12.1. Finance and Performance

To consider the scrutiny summary report.
(Pages 95 - 96)

12.2. Finance Scrutiny Panel

To consider the scrutiny summary report.
(Pages 97 - 98)

12.3. Internal Audit Working Group

To consider the scrutiny summary report.

(Pages 99 - 100)

13.	WORK PROGRAMME	A85-2015
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To consider the forward work programme and whether any additional items should be included.

(Pages 101 - 102)

14.	CORRESPONDENCE	A86-2015
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To consider any correspondence which, in the opinion of the Chair, is of sufficient urgency to warrant consideration.

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MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT COMMITTEE ROOM A - COUNTY HALL, LLANDRINDOD WELLS, POWYS ON MONDAY, 28 SEPTEMBER 2015

PRESENT

County Councillor A W Davies (Chair)

County Councillors D E Davies, E R Davies, L R E Davies, S C Davies, R H Mills, JG Morris, WD Powell, R G Thomas, T J Van-Rees and J Brautigam

1.	APOLOGIES	A61-2015
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Apologies for absence were received from County Councillors L Fitzpatrick and G G Hopkins. County Councillors M J Jones, F H Jump, P J Medlicott and D A Thomas were absent due to other Council business

2.	DECLARATIONS OF INTEREST	A62-2015
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There were no declarations of interest.

3.	DISCLOSURE OF PARTY WHIPS	A63-2015
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There were no declarations of party whips.

4.	MINUTES	A64-2015
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The Chair was authorised to sign the minutes of the previous meeting, held on 16 July 2015, as a correct record subject to County Councillor W T Jones being included as having been In Attendance.

5.	STATEMENT OF ACCOUNTS	A65-2015
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Documents:

- ISA260 Pension Fund
- ISA260 Powys County Council
- Letter of Representation – Pension Fund
- Letter of Representation – Powys County Council
- Statement of Accounts including Annual Governance Statement

i) **ISA260 Pension Fund**

Issues:

- A revised ISA260 Pension Fund had been issued and circulated following an addition regarding 'Other significant issues arising from the Audit'
- The significant issue related to an overstatement of the estimate of the value of private equity investments in the draft accounts. This was not a material consideration but procedures for estimation should be reviewed.

- An Unqualified Opinion had been issued

Responses:

- Members queried the definition of materiality. The WAO informed the Committee that the level of materiality was dependent on both the organisation and the particular item within the accounts. The audit did not aim to provide assurance of perfect accuracy but an acceptable level of assurance.
- The Chair queried the delay in completion from August to September. The WAO welcomed improved support from the Authority and believed that these improvements would continue.

ii) ISA260 Powys County Council

Issues:

- An Unqualified Opinion had been issued
- Three uncorrected misstatements were noted and that these were not material

Responses:

- The Committee had held a workshop prior to the formal meeting of the Committee to consider the Statement of Accounts in depth with queries being answered at that time
- The WAO had noted a marked improvement in the information and support provided by the Authority. Members asked at what stage would a 'lighter touch' audit be required and whether the Authority might see a reduction in the fees charged. The WAO would issue its Audit Plan for next year which would include proposed fees. They hoped that this would show a reduced fee to reflect improvements to date. The Finance Team had taken a Project Management approach to developing the Statement of Accounts and the Working Group would meet as soon as the process had been completed to implement further improvements in the development of the Accounts for the current year.
- As greater involvement by third parties developed, Members asked how this would affect the Authority's accounts. There may be a need to move to consolidated or group accounts – any requirements on third parties in this regard would be clearly stated within any contract documents.

iii) Letter of Representation – Pension Fund

iv) Letter of Representation – Powys County Council

Outcome:

- Both Letters of Representation be approved for signature

County Councillor R G Thomas arrived at 10.20 am

County Councillor L R E Davies arrived at 10.30 am

v) Statement of Accounts

Issues:

- The Committee were informed that there were some minor amendments relating to rounding up on the Income and Expenditure account. Members

were advised of the detail and the amended version would be uploaded to the internet

- LIBOR rate

Responses:

- The Strategic Director noted that there were no further queries from Members following the in depth workshop which had been held prior to the meeting. This had been trialled the previous year and would be continued as good practice. He went on to pay tribute to the work of the Finance Team and the continuing improvements that were being made.
- The Committee raised a question about the Pension Fund's accounts with reference to the level of return against benchmark and were advised that this responsibility lay with the Pensions and Investment Committee which appoints specialist advisers to assist them in their deliberations. The Strategic Director indicated that recently an asset manager had been required to appear before the Pensions and Investment Committee because of concern about performance.

6.	ANNUAL IMPROVEMENT REPORT	A66-2015
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Documents:

- Annual Improvement Report (AIR)

Issues:

- No recommendations for improvement had been made
- There were six proposals for improvement
- The AIR had been considered by Cabinet
- The WAO expressed the hope that their officers would be present when the AIR was considered in future
- Members thought that some of the information contained within the report was somewhat out of date

7.	CERTIFICATION OF GRANTS	A67-2015
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Documents:

- Certification of Grants Action Plan

Issues:

- The document had been contained within the WAO report considered at the previous meeting of the Audit Committee
- The final two columns detailed the Authority's responses to the proposed actions
- The actions were now complete

8.	SELF ASSESSMENT OF AUDIT COMMITTEES	A68-2015
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Documents:

- Report of the Internal Audit Working Group

- Draft Action Plan

Issues:

- An effective Audit Committee is essential in assisting the Council to achieve good corporate governance
- The Internal Audit Working Group had provided a draft self- assessment which was approved at the last Committee
- Draft Action Plan prepared for consideration by Audit Committee

Responses:

- One action reflected the Committee's responsibility to consider value for money through its procurement processes. It is proposed that the Commercial Services Team report to the Audit Committee twice a year on value for money initiatives and the savings accrued.
- Members asked that further consideration be given to the inclusion of a clearer definition of the relationship between the Committee and Finance Scrutiny Panel

Outcome:

- The Action Plan was approved

9.	INTERNAL AUDIT CHARTER	A69-2015
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Documents:

- Report of the Internal Audit Manager
- Internal Audit Charter

Issues:

- An Internal Audit Charter is a requirement under the Public Sector Internal Audit Standards code of practice
- The Committee previously approved the Charter and the document under consideration includes some revisions to meet current demands

Responses:

- Members noted the importance of the role of Internal Audit given the pressure on budgets and the potential risks of increased fraud and welcomed the Charter
- The Committee would review the Charter annually to ensure it remained relevant

Outcomes:

- The revised Charter was approved.

10.	PENSION FUND - DISCOUNT RATES	A70-2015
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Documents:

- Report of the Pensions Manager

Issues:

- An issue regarding the effect changes in the discount rate would have on pension fund liabilities and the potential, significant financial implications had been raised in working groups and at the last Audit Committee

Responses:

- The Actuary was responsible for setting the discount rate – this would be set in April 2016 but any change to the employer's contribution would not be implemented until April 2017
- A number of other factors would also influence this decision including life expectancy, age of the workforce, performance of assets etc
- An assumed increase in the contribution has been factored into the Medium Term Financial Strategy and this will have to be reviewed once the Actuary has completed the Triennial Valuation

Outcome:

- The Strategic Director would keep the Committee informed of future developments. Consideration could be given to delegating monitoring of this issue to the Finance and Performance Working Group

11.	DOMICILIARY CARE CONTRACT	A71-2015
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The WAO reported that work was underway with the review of the letting of the Domiciliary Care contract. Data had been collected and is being validated. A final report would be available for the next meeting of the Audit Committee.

12.	WORK PROGRAMME	A72-2015
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Documents:

- Work Programme

Outcome:

- The Work Programme be agreed subject to those items raised in the meeting being included

The next meeting is scheduled for Monday 9 November 2015 at 10am.

County Councillor A W Davies (Chair)

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CYNGOR SIR POWYS COUNTY COUNCIL

AUDIT COMMITTEE 9th November 2015

REPORT AUTHOR: Caroline Evans, Business Continuity & Risk Management Officer

SUBJECT: Update Report on Risk Management

REPORT FOR: Information and Decision

1.0 Summary

1.1 An update has been requested by the Audit Committee on Risk Management within the Council, following a report to the previous Committee on 16th July 2015.

1.2 This report outlines the position statement for Risk Management within the Council, and progress made since the last committee.

2.0 Background

2.1 We are in a process of continuously improving and updating our approach to risk management to help us to better understand and manage the risks the Council faces and to increase the likelihood of achieving our objectives. Risk management is a core management discipline that supports organisational delivery. The risks that the organisation faces are changing all the time, so the art of good risk management is to combine planning for what we know might happen with preparation for unknown situations, and to safeguard the organisation and in turn make it more resilient.

2.2 A process of engaging with Heads of Service and their Management Teams was initiated, to review and update service risks, and to ensure that control measures are identified. The risks are reviewed and updated quarterly to ensure that the risk registers are dynamic and remain up-to-date.

3.0 Progress

3.1 A 'Risk Score' has been added to the Risk Register, which helps to further clarify the level of risk posed to the Council both pre and post-mitigation. Additional to the risk rating of Low, Medium, High or Very High against both inherent and residual risk, the scoring offers further clarification of the measurement of the risk and is based on a figure between 1 and 16.

3.2 The process of undertaking risk workshops within SMTs has continued. Officers have been assisted to identify their risks and to assess the level of risk this poses to the service, along with control measures to mitigate the risk and the residual level of risk post-mitigation. Services have been advised to categorise those risks into either service or corporate risks.

- 3.3** The risks have been incorporated into Service Business Plans, and are now monitored quarterly within SMT meetings. The updated risks are then reported through the Quarterly Performance Review Meetings. New risks can also be identified at the earliest opportunity. This will ensure that service risk registers are dynamic and that services 'own' their risks and the required mitigation. Services are currently in the process of reviewing their risks for the second quarter.
- 3.4** The risk register will also form part of the budget papers. A Single Integrated Impact Assessment (SIIA) tool has been developed which incorporates a risk assessment as well as impact on equalities, Welsh language, Wellbeing and Future Generations Act, Safeguarding and Corporate Parenting within one toolkit. The SIIAs are currently being completed by services for all of the budget savings identified in the MTFS 2016-19.
- 3.5** The Cabinet continues to view the corporate risk register on a quarterly basis.
- 3.6** A Policy, Strategy & Methodology document has been produced, which underpins and supports the process of embedding risk management throughout the Council. On approval from Cabinet, this document will supersede the existing Risk Management Strategy which was last reviewed in November 2011.
- 4.0** **Further Work**
- 4.1** Within services a judgement is made whether to escalate the risk to the Corporate Risk Register. The judgement is based on the level of risk posed to the Council, or if the risk has the ability to impact across more than one service area. Following discussion with WAO, it was recommended that this judgement is endorsed by Management Team. Management Team will view the corporate risk register on a quarterly basis and will discuss any further risks that should be added. This will provide quality assurance that appropriate service risks are being escalated to the corporate risk register.
- 4.2** Engagement with SMTs will continue, to embed the risk management process throughout the Council. Initial workshops are still to be completed with Customer Services, Programmes & Governance and Legal.
- 4.3** Services will review their risks ongoing on a quarterly basis, and will report this information at the Quarterly Performance Review meetings, as well as Cabinet Management.
- 4.4** The Business Continuity & Risk Management Officer will continue to meet with the Leader on a monthly basis to ensure that the corporate risk register remains up-to-date with the appropriate mitigating controls identified.
- 4.5** An analysis of the results of completed SIIAs will be undertaken and this will accompany the budget papers, along with the SIIAs, to ensure Cabinet are able to make informed decisions.
- 4.6** Upon completion of the impact assessment of budget, the project group will meet again to discuss issues and any gaps identified throughout the SIIA process. The new toolkit will also enable new policies and change objectives to be impact assessed prior to a decision being made to implement them.

4.7 The Business Continuity & Risk Management Officer continues to be involved in work being undertaken to transfer delivery of our services to Town and Community Councils, as part of the One Powys Plan.

5.0 **Business Continuity Management (BCM)**

5.1 At the last meeting it was requested that a BCM Champion be invited to a future meeting to provide a viewpoint from the service areas. The BCM Champion from Chief Executive & Member Services kindly volunteered to attend.

5.2 Attendance at the Dyfed Powys Local Resilience Forum (DPLRF) continues. This work has helped to form good working relationships and a peer support network with colleagues within the DPLRF which will allow the sharing of information and approaches taken in other areas of work including Risk Management.

5.3 The current approach to BCM has been viewed as a method of best practice by Dyfed Powys Police and Ceredigion County Council. PCC was invited to present to the Business Continuity & Emergency Planning Group within Ceredigion County Council, on the approach to implement BCM throughout PCC. Feedback received was positive; the Head of Service was particularly impressed and has asked for the approach to be trialled within one service area. They are also using the high level business impact analysis with immediate effect, to prioritise their services in terms of time criticality.

6.0 **Statutory Officers**

6.1 The Strategic Director, Resources (S151 Officer) has made the following comment:

“The progress being made is important to ensure the Council has appropriate and fit for purpose risk management to mitigate existing and future risks. The alignment with corporate planning and the medium term financial strategy forms a key part of our risk assessment process to meet the need to change service models and deal with the emerging risk.”

6.2 The Solicitor to the Council (Monitoring Officer) has made the following comment:

“I have nothing to add to the report.”

7.0 **Future Status of the Report**

7.1 Not applicable

Recommendation:	Reason for Recommendation:
That the Audit Committee notes the progress being made and endorses the role that the Business Continuity & Risk Management Officer will also play in corporate processes such as budget setting and Community Delivery to meet Risk Management requirements.	To ensure the adequate management of risk, and safeguard the Council.

That the Audit Committee approves the Risk Management Policy, Strategy & Methodology document	To support the process of embedding risk management throughout the Council.
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Relevant Policy (ies):	
Within Policy:	Y / N
Within Budget:	Y / N

Relevant Local Member(s):	Not Applicable
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Person(s) To Implement Decision:	
Date By When Decision To Be Implemented:	

Contact Officer Name:	Tel:	Fax:	Email:
Caroline Evans	01597826171		caroline.evans@powys.gov.uk



Risk Management

Policy, Strategy and Methodology

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Executive Summary

Powys County Council is committed to a proactive approach to risk management. The Council recognizes the value of maintaining an effective risk management culture and will seek to identify, analyse, manage and control the risks it faces. The Council acknowledges that risk cannot be totally eliminated and may sometimes need to be embraced as part of an innovative approach to problem solving.

Risk is the combination of the probability of an event and its consequence. Consequences can range from positive to negative.

Risk Management is a process which aims to help organisations understand, evaluate and take action on all their risks with a view to increasing the probability of success and reducing the likelihood of failure.

The Council recognizes that a certain element of risk is unavoidable. However, it also recognizes that effective Risk Management will deliver both tangible and intangible benefits.

Corporate Risk Register

The Corporate Risk Register aims to identify the main risks facing the Council so that elected Members and Management Team can make informed decisions and prioritise actions, with these high level risks in mind. The Business Continuity & Risk Management Officer, Management Team, Audit Committee and Cabinet ensure the register remains relevant and captures any new and emerging strategic risks facing the Council.

The Corporate Risk Register is a controlled document held centrally by the Business Continuity & Risk Management Officer. It is important that a proactive approach to mitigating the strategic risks and a robust monitor process is followed. In order to recognize the importance of monitoring and reviewing the Corporate Risk Register, the quarterly review is considered by Audit Committee, Management Team and Cabinet.

Service Risks

Service Improvement Plans will identify clear business objectives and link these to the risks that may prevent the objectives being achieved. The risks identified are to be captured within the SIP.

Service Management Teams will also identify risks to the day to day operation of their business. These need to be identified, risk assessed and action taken to reduce or mitigate the risks wherever possible. It is important that these risks are captured and associated actions monitored in the same way as for those risks that may result in failure to meet an objective.

Programmes and Projects

With all programmes and projects, it is vitally important that risks are identified and assessed early in the planning process.

Risk management should assist in identifying any potential for a project to fall outside the agreed constraints of time, cost, quality and scope. A Project Risk Register should be developed and maintained throughout the life of a project and risks monitored closely and regularly reported to the Project Board.

Where projects are attached to a programme, project-level risk management will inform the Programme Risk Registers. A Programme Risk Register covers risks to the programme's broader, higher-level objectives and considers risks that may affect a programme that may not be considered within individual projects. It also includes common or aggregated risks from projects.

Powys County Council's Risk Management Policy Statement

Powys County Council is committed to a proactive approach to risk management. The Council recognises the value of maintaining an effective risk management culture and will seek to identify, analyse, manage and control the risks it faces. The Council acknowledges that risk cannot be totally eliminated and may sometimes need to be embraced as part of an innovative approach to problem solving.

The Council is, within the above context, committed to the management of risk in order to: -

- Ensure that statutory obligations and policy objectives are met;
- Prioritise areas for improvement in service provision and encourage meeting or exceeding customer and stakeholder expectations;
- Safeguard its employees, clients or service users, Members, pupils, tenants and all other stakeholders to whom the Council has a duty of care;
- Protect its property including buildings, equipment, vehicles, knowledge and all other assets and resources;
- Identify and manage potential liabilities;
- Maintain effective control of public funds and efficient deployment and use of resources, achieving value for money;
- Preserve and promote the reputation of the Council;
- Support the quality of the environment;
- Learn from previous threats, opportunities, successes and failures to inform future management of risks.

These aims will be addressed by systematically identifying, analysing and evaluating, cost effectively controlling and monitoring risks at strategic, programme, project and operational levels.

Members are responsible for ensuring that arrangements are in place for delivering an effective Risk Management Strategy in accordance with this policy. Risk management strategies and processes are to be reviewed for efficiency and effectiveness as part of the annual management review cycle.

It is the responsibility of the Management Team to ensure that risk management strategies and processes are implemented and brought to the attention of relevant staff in their Directorate. Every employee has a responsibility to support the Council's policy in managing risk.

Risk Management Strategy

Purpose

The purpose of the Strategy is to establish a framework for the systematic management of risk within the Council which will ensure that the objectives of the Council's Risk Management policy are realised.

Objectives

The objectives of this Strategy are: -

- Identifying the scope of risk management;
- Embedding and integrating risk management into the culture of the Council;
- Assignment of roles, responsibilities and accountability for risk management activities within the Council;
- Raising the awareness of the need for risk management by all those connected with the Council's delivery of services;
- Prevention of injury, damage and losses to reduce both the financial and reputational cost of risk;
- Enhanced realisation of opportunities and resulting benefits;
- Ensuring consistency throughout the Council in the management of risk.

These objectives will be achieved by: -

- Incorporating risk management considerations into all levels of corporate planning;
- Incorporating risk management considerations into all levels of programme, project and partnership arrangements;
- Regular monitoring and reporting of risk to identify trends and likely direction of risks for Members and Management Team to be aware of when making decisions.

Definitions

Risk is the combination of the probability of an event and its consequence. Consequences can range from positive to negative.

Risk Management is a process which aims to help organisations understand, evaluate and take action on all their risks with a view to increasing the probability of success and reducing the likelihood of failure.

The Council recognises that a certain element of risk is unavoidable. However, it also recognises that effective Risk Management will deliver both tangible and intangible benefits.

The Benefits of having a Risk Management Strategy

Risk Management is a management tool which forms an important part of the Council's governance arrangements. Risk Management is not simply a compliance issue but rather a way of viewing what we do and whether there is a significant impact on our ability to operate safely and ensure long-term viability. It is critical to success and a focal point for senior management and Members. It is critical to success and a focal point for the Management Team and Members. It helps us to demonstrate openness, integrity and accountability in all of our dealings.

Benefits of Risk Management

- Improved efficiency of operations;
- Protected reputation of the Council;
- Better mitigation of key risks;
- Protection of budgets from unexpected financial losses or increased ability to secure funding;
- Increased uncertainty and fewer unwelcome surprises;
- Better delivery of intended outcomes;
- Supports the achievements of the Council's objectives;
- Demonstrates good governance;
- Increased effectiveness of change programmes and projects;
- Improved management information to inform decision making;
- Maximise opportunities;
- Reduced losses arising from workplace accidents and illnesses;
- Enhanced political and community support;
- Protection of Council assets;
- Improved corporate planning;
- Mitigation or reduction of potential loss after an event has occurred.

All of these benefits are achievable but risk management requires: -

- A supportive organisation;
- A clearly defined and understood process;
- A robust methodology;
- Leadership;
- Stakeholder buy-in;
- Committed individuals.

Risk Appetite

An important stage in the Risk Management process is the identification of an organisation's 'Risk Appetite'. In other words, what level of risk is the organisation prepared to tolerate before it takes protective action. The decision to accept a risk is based partly on a manager's view of the tolerance level of that particular risk. One of the aims of this document is to help managers view risks in a consistent way across all service areas, and ensure the Council has a balanced risk appetite. It is worth noting that not every risk will require an action; in some cases an organisation will decide not to take action to mitigate a risk but in doing so it will need to carefully assess the potential impact of such a course of action.

It is increasingly important for the Council to identify innovative solutions and to explore new approaches in carrying out its operations. Such opportunities will naturally bring new risks, both specific to the opportunity identified and in a wider context to the Council. The Council's risk appetite in relation to the opportunity needs to be assessed and value for money decisions taken to decide the cost appropriate to incur to achieve a certain level of control in respect of that risk. The Council is not risk averse but will accept risk at a tolerable level that is acceptable to the Council's risk appetite.

Only in extreme circumstances will it be found that value for money can be achieved by the total elimination of risk from any given situation. It is more likely that limited risk management controls combined with monitoring of remaining exposures will achieve a value for money situation.

Opportunity Risk Management

Most risk management standards and guidelines recognise the upside of risk management rather than the negative threats that face an organisation. The concept of opportunity risk management can be more difficult to grasp due to the associations that risk has to negative consequences.

Risk management is about managing uncertainties. Many uncertainties may have negative impacts (threats) whilst others may have beneficial ones (opportunities). Effective risk management is about minimising the likelihood and impact of threats, whilst maximising the likelihood and impact of opportunities. Identifying and making the most of potential opportunities will be of heightened importance in the coming years due to the size and scale of challenges facing Local Government.

Risk Management in Context

The Wales Programme for Improvement sets out a 'general duty to improve'. Delivering high quality services and addressing multiple community needs is understood as being complex. Therefore arrangements are put in place which enables the Council to effectively understand local needs and priorities and make the best use of resources and capacity to meet them. Part of these arrangements focus on managing risk by identifying the risks to citizens, risks associated with service provision and the risks around managing performance.

Effectively risk management is at the heart of good governance and needs to be embedded throughout all levels of the organisation. As part of the decision making process, elected Members, through the Cabinet, Scrutiny and other Committees, will determine whether the Council is 'risk taking' or 'risk averse', on

specific issues and ensure risks are considered as part of every Cabinet report decision. They should also ensure procedures are in place to monitor the management of all risks and that these are being actively managed, with the appropriate controls in place.

Greater involvement and awareness of risk management regarding the implications of decisions taken by Members is part of the continual improvement of corporate governance and risk management. The emphasis is on being risk aware rather than risk averse. Part 4 of the Council's Rules of procedure (intranet page 3432) addresses risk management and control of resources. The Rules of Procedure require Management Team to take responsibility for risk management, having regard to advice from the Strategic Director – Resources, and other specialist officers.

A further impetus to adopting risk management is that external auditors will be seeking assurance that the Council has effective and robust systems in place to manage risk. The Local Government (Wales) Measure 2009 sets out a framework for regulation and engagement to be delivered by Wales Audit Office as the Welsh Government's appointed auditor. The Council receives an 'Annual Improvement Report' that provides a judgement / opinion on the arrangements, appropriateness and their overall ability to support the Council in delivering services and improvements.

Embedding Risk Management within the Council

Corporate Risk Register

In order to support arrangements for good corporate governance it is necessary for the Council to have a clear statement of its overall position in relation to corporate risks and to review them on a regular basis. It is important to note that risks are liable to change as circumstances alter and the Corporate Risk Register presents the position at a point in time.

The Corporate Risk Register aims to identify the main risks facing the Council so that elected Members and Management Team can make informed decisions and prioritise actions, with these high level risks in mind. The process followed is to identify the risk and then to address it through the control environment and mitigations in place or planned within the Council. Best practice suggests that a Corporate Risk Register should highlight any significant risks faced by the Council, and ideally not have more than 25 risks. The Business Continuity & Risk Management Officer, Management Team, Audit Committee and Cabinet ensure the register remains relevant and captures any new and emerging strategic risks facing the Council.

Strategic risks may impact on a number of elements of the business e.g. governance, financial control or people. There may be instances where strategic risks are service specific which are considered significant, such that any risks associated with failure in these areas would have a major impact on the Council as a whole. The risks captured within the register are categorised as either even driven or ongoing. There are some areas which may remain on the register indefinitely which are categorised as ongoing high priority risks. For these, the important aspect is to continue to be able to demonstrate sound management, a proactive approach to mitigating the risks and a robust monitoring process.

The Corporate Risk Register is a controlled document held centrally by the Business Continuity & Risk Management Officer. It is important that a proactive approach to mitigating the strategic risks and a robust monitoring process is followed. In order to recognise the importance of monitoring and reviewing the Corporate Risk Register, the quarterly review is considered by Audit Committee, Management Team and Cabinet.

Service Risks

The One Powys Plan provides both our citizens and the Council with an understanding of what the priorities are for the Council. It is not a full plan for the Council as a whole as further objectives can be found in Service Improvement Plans. There is a relationship between the two planning regimes in that the: -

- One Powys Plan provides the key areas where improvements have been identified and in doing this, Cabinet and Management Team will need to be aware of the risks associated with delivering these priorities;
- Service Improvement Plans will identify clear business objectives and link these to the risks that may prevent the objectives being achieved. For each objective there may be a number of factors which result in failure and these need to be identified, assessed and where possible, action taken to mitigate or reduce the risk. The risks identified are to be captured within the SIP.

Service Management Teams will also identify risks to the day to day operation of their business. These need to be identified, risk assessed and action taken to reduce or mitigate the risks wherever possible. It is important that these risks are captured and associated actions monitored in the same way as for those risks that may result in failure to meet an objective.

Risk Management within Programmes and Projects

With all programmes and projects, it is vitally important that risks are identified and assessed early in the planning process. The Council has an internally developed set of programme and project management tools including the corporate risk register template and risk assessment methodology. This approach to managing change can be used for any project of any scale as risks are assessed throughout the project, with governance and internal controls aligned to the project's risk profile.

Risk management is integrated throughout the PQA programme and project lifecycle and aims to reduce the time to implement change, while improving the control of expenditure, reducing risk and improving the quality of outcomes for citizens.

Risk management should assist in identifying any potential for a project to fall outside the agreed constraints of time, cost, quality and scope. A Project Risk Register should be developed and maintained throughout the life of a project and risks monitored closely and regularly reported to the Project Board.

Where projects are attached to a programme, project-level risk management will inform the Programme Risk Registers. Key risks from the project risk register are reported through Project Highlight Reports in line with the reporting cycle to Programme Board. A Programme Risk Register covers risks to the programme's broader, higher-level objectives and considers risks that may affect a programme that may not be considered within individual projects. It also includes common or aggregated risks from projects.

Programme Risk Registers are captured within Excel spreadsheets, a template for which is available from the Programme Office.

Effective Programme & Project Risk Management requires:

- Management Team commitment to successful programme / project delivery and proactive risk management;
- Clearly defined roles and responsibilities at all levels within the programme and / or project, with responsibility and ownership of risk accepted and agreed;
- Early identification of risk, which informs programme / project scope and outputs;
- Proactive stakeholder engagement in the identification, mitigation and management of risk;
- Active management of risk throughout the lifecycle of the programme or project;
- Risk reporting integrated throughout the business change activity.

Risk Management within Partnerships

The Local Government Measure (Wales) 2011 places greater emphasis on collaborative working. Reduced public service funding is leading to more public services and community projects being delivered through different forms of partnership involving the public, private and third sector. These partnerships range from small local initiatives, to much larger agendas. As demand for services increase and public finances are reduced, it has become increasingly important for the Council to work in collaboration with other organisations to deliver more effective services for citizens. This is particularly relevant in Powys as it seeks to work more closely with communities through a community delivery model.

Increased collaboration and joint working has been at the heart of public service delivery for some time in Wales and covers both strategic issues through to operational issues. A large element of regional collaboration in Powys is undertaken under the umbrella of the Powys Local Service Board (LSB). The Powys LSB is a partnership between Powys County Council, Powys teaching Health Board, Dyfed Powys Police and Powys Association of Voluntary Organisations. It aims to improve the way the main public service organisations within Powys work together to tackle challenging issues, ensuring citizens receive better services.

Following the formal release of Welsh Government guidance on single integrated plans in 2012 (Shared Purpose Shared Delivery), we have a duty to produce a single integrated plan for the area that clearly reflects the needs of our local communities. For the first time, Powys County Council has integrated its own corporate improvement plan, the Powys Change Plan, into the single integrated plan. This will mean that the council will work alongside other LSB organisations to deliver efficient services, at a local level, according to the community's needs.

Integrating the Council's change plan into the new One Powys Plan demonstrates the Council's commitment to collaborative working and the community leadership role it will take in the coming years. The One Powys Plan is the new transformational plan for the Powys LSB to enable us as partners to work together to provide improved outcomes for our citizens. As with all plans it will change as public service delivery changes with even greater collaboration and integration between public, private and voluntary bodies.

The use of risk management to mitigate risks whilst also exploring opportunities is key to ensuring that collaborative working arrangements contribute positively to service delivery. The risks associated with any collaborative activity should be considered before any agreement has been determined.

Example Partnership / Collaboration risks include: -

- Fundamental differences in political agendas;
- No agreed indicators for measuring each partner's contribution and overall performance of the partnership;
- Partners may operate under different legislative and regulatory environments;
- A lack of relevant skills across the partnership to fulfil the objectives;
- Poor communication across the partnership;
- Non acceptance of the roles and responsibilities of each partner;
- Different levels of resource constraints across the partnership;
- Misalignment of strategy and objectives across partnerships;

- Failure to achieve efficiencies or other defined benefits of the partnership;
- Those involved in the partnership may be operating under different governance arrangements;
- Partners being inflexible and unwilling to change what they do and how they do it.

There are two distinct aspects to partnership / collaboration risks: -

- The risks associated with delivering the outcomes of the partnership / collaboration activities;
- The risks facing the Council when inputting to a partnership / collaboration activity and the implications for the Council should the acting fail to deliver what was agreed at the outset.

Effective partnership risk management requires: -

Effective partnership working is not an easy process and often requires a significant investment of time and energy to build trust between different partners and to develop the working relationships required to ensure successful delivery of the project or service. It is therefore crucial that: -

- The partnership will have a senior management team made up of members from all organisations, who support, own and lead on risk management;
- An approved risk management framework within which risks will be identified and managed on an on-going basis, this may be the risk matrix adopted from one of the partnering organisations;
- A partnership culture which supports well thought through risk taking opportunities and innovation;
- Risk management consideration to be embedded in management processes and consistently applied throughout all partnership activities.

Risk Management Roles and Responsibilities

The roles and responsibilities of individuals and groups to implement the strategy are as follows: -

Cabinet

The Cabinet has a fundamental role to play in the management of risk. Its role is to set the risk appetite and influence the culture of risk management within the Council, this includes: -

- Determining whether the Council is 'risk taking' or 'risk averse' as a whole or to relevant individual issues;
- Ensuring that risks are considered as part of every Cabinet report decision;
- To review the content of the Corporate Risk Register at least annually, ensuring procedures are in place to monitor the management of significant risks to reduce the likelihood of unwelcome surprises;
- Periodically review the Council's approach to risk management and approve changes or improvements to key elements of its processes and procedures.

Elected Members

Elected members are responsible for effective governance in the delivery of services to the local community. Members have a responsibility to understand the strategic risks that the Council faces and will be made aware of how these risks are being managed through the annual strategic and service planning process. Elected members should consider the risks associated with recommendations put forward in reports to the various committees such as the Cabinet or Scrutiny Committees to name but a few, when making decisions recommended within the reports.

Executive Leader

The Executive Leader is the Portfolio Holder for risk management and plays an important role in raising the profile of risk management and promoting the benefits to Members, as well as promoting the accountability and responsibility of all staff within the Council, as set in Powys County Council's Risk Strategy.

Scrutiny Committees

In their role of scrutinising decisions taken by the Cabinet, Scrutiny Members should ensure that associated risks have been taken into account. Scrutiny Committees also have a role in bringing potential risks that may not have been previously identified to the attention of the Management Team.

Audit Committee

The Council's Audit Committee has responsibility for overseeing all aspects of risk management, governance and Internal Control. The Audit Committee will provide guidance and oversight to the management of risk, but also challenge the effectiveness of the risk management arrangements within the Council. The Audit Committee will look to seek assurance for the Council that risk management is being properly undertaken and at least annually provide an opinion on the risk management arrangements in place within the Council.

Chief Executive

The Chief Executive leads on the wider Corporate Governance agenda of which risk management is a part. The Chief Executive should support the Strategic Director – Resources in raising the profile of risk management and promoting the accountability of all staff within the Council.

Strategic Director – Resources

The Strategic Director – Resources plays an important role in raising the profile of risk management and promoting the benefits to officers, also promoting the accountability and responsibility of all staff within the Council as set in the Council’s Risk Strategy. The Strategic Director – Resources should bring forward ideas from the Management Team to the attention of the Business Continuity & Risk Management Officer which they consider relevant to including on the Corporate Risk Register.

Management Team

The key roles of Management Team are to: -

- To review the content of the Corporate Risk Register at least quarterly, and to provide assurance to stakeholders that the risks are being effectively mitigated;
- Allocate sufficient resources to address strategic risks;
- Create an environment and culture where risk management is promoted, facilitated and appropriately undertaken within the Council;
- To identify emerging strategic risks and address them through the control environment, identifying any future mitigating actions.

Senior Management Teams (within Service areas)

The key role of SMTs are to: -

- Implement policies on risk management and internal control;
- To review the content of the Corporate Risk Register at least quarterly for which they are assigned risk owner;
- Identify the significant risks faced by the Council and take action to ensure these are reduced as effectively as possible, in line with the risk appetite set by the Cabinet;
- Undertake an annual review of effectiveness of the system of internal control, based on the assessment of risks within their Service;
- Promote the accountability and responsibility of all staff within the Council as set in Powys County Council’s Risk Strategy;
- Ensure that risk management is incorporated into performance management, business planning, business change projects, partnership or collaborative activities;
- Be aware of the corporate requirements for risk management to aid the SMT in managing their risks. To ensure that an effective Risk Register is maintained and facilitate a regular review of this to provide assurance that risks are being monitored;
- Disseminate information on the major risks to the Business Continuity & Risk Management Officer.

Business Continuity & Risk Management Officer

The Business Continuity & Risk Management Officer supports the Strategic Director – Resources in championing risk management within the Council. The majority of the work involves implementing or enabling the key responsibilities listed below.

The key role of the Business Continuity & Risk Management Officer is to: -

- Maintain and develop risk management policies and procedures in accordance with best practice;
- Regularly review and update the Risk Management Policy, Strategy and Methodology for approval by the Cabinet and Management Team;
- To review the content of the Corporate Risk Register at least quarterly to ensure the content and the scoring of the risks is in context with the corporate risk appetite;
- Facilitate the training and development of managers and staff on risk management processes, procedures and implementation;
- Identify areas where risk management is not adequately addressed within core systems and advise the Management Team accordingly;
- Advise on any relevant matter that improves the effectiveness of risk management within the Council;
- Fundamentally to work with managers within service areas to identify and capture the key business risks;
- Drive risk management forward to raise its profile and promote its benefits, within the Council;
- Ensure best practice is followed by maintain links with risk management colleagues elsewhere

All Staff

All staff have a responsibility for identifying opportunities as well as hazards and risks in performing their day to day duties and taking appropriate action to take advantage of opportunities or limit the likelihood and consequences of risks. Staff identifying any matters associated with risks should refer these to their Line Manager who should ensure that they are duly considered.

External Audit – Wales Audit Office

Each year, the Wales Audit Office carries out Improvement Assessments on local authorities. These are complete assessments of each authority's performance and cover the services it delivers, its priorities, and the way it organises itself to keep improving. Risk management is fundamental to the Council's performance, risk information is used to inform decision making which feeds into the Council's improvement agenda.

The Risk Management Methodology in Summary

1. Risk Identification

The process of identifying the events which might create, prevent, accelerate or delay the achievement of the Council's Strategic Objectives.



2. Risk Analysis & Assessment

Having identified a number of risks (threats / opportunities) the risks need to be analysed and scored using the Risk Assessment Matrix.



3. Risk Control

Once the processes of risk identification and risk analysis have been undertaken we then need to consider our risk appetite and how we are going to control the risks. The risk owner is the responsible person for deciding on the most appropriate course of action to implement.



4. Risk Monitoring

The final stage of the risk management process is often the one that gets forgotten about. Risks will constantly change and will therefore need to be reviewed in a timely and appropriate manner.

Integration with Strategic Planning & Decision Making

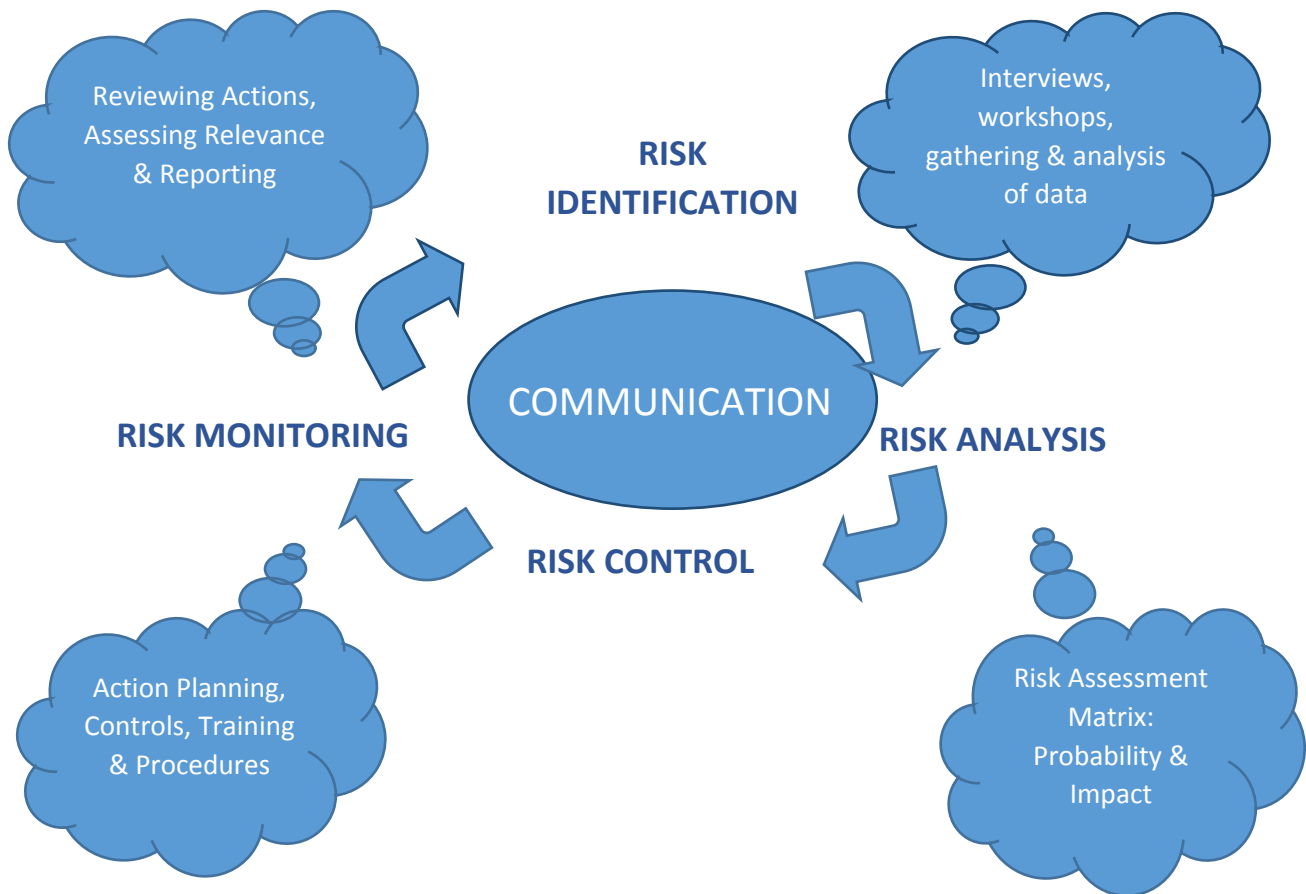
- Integrate the output of the risk management process with strategic decision making;
- Ensure senior management can use the output to inform decisions;
- Communication is fundamental throughout the entire process.

Risk Management Methodology

Stage 1 – Risk Identification

To ensure the risk management process is effective and consistent it must occur within an overall framework, and be supported by set processes and procedures. A systematic and consistent approach to identifying and analysing risks will be an integral part of all key management processes, rather than a separate initiative. The Council’s risk management procedure, including the development of risk registers, involves continuous utilisation of a four step cycle involving: -

Risk Management Cycle



Essentially there is no difference between identifying risks that pose a threat or an opportunity. Risk identification involves recognising potential opportunities and threats relating to the achievement of the Council’s corporate objectives or business as usual. These may arise because of the general environment in which we are operating in, or in relation to specific decisions being made or options being considered. All types and categories of risk should be considered at this stage.

Managers have been identifying risks for a number of years, but maybe not documenting them to be able to demonstrate good governance. The methodology set out within this document encourages a consistent approach to the management of risk.

There are a variety of techniques and methodologies that can be used to identify risks, examples include:

- Analysis of previous losses, events and incidents or lessons learned;
- Technical briefings, national reports, networking and best practice;
- Interviews with managers which enables greater discussion;
- Risk identification workshops;
- SWOT or PESTLE analysis;
- Involvement of stakeholders;
- General understanding by experienced managers of working practices and the issues and problems which may occur.

For many managers the risk identification process will begin at the start of a new business planning cycle which will involve reviewing the risks in place from the previous year. The process of identifying risks should be ongoing throughout the year and not a one-off activity undertaken at the beginning of the year. Consideration should be given to the following: -

- Have any of the risks previously identified significantly changed, or are they still relevant;
- Are there any risks missing from the register;
- Is anything planned over the next 12 months that will give rise to a significant risk;
- The risk identification process should not be limited to a review of existing registers.

Historic records are potential sources of valuable information. In particular they may record incidents, the frequency they happen and the impact of such an incident.

Experiences in implementing the objectives of previous service plans will also help i.e. what worked well, what did not work well, why? Further preparation should include analysing current performance data; collating results from independent reviews (e.g. Internal Audit, Health and Safety Executive, Wales Audit Office, National Assembly for Wales); reviewing complaints data, insurance claims and details, or fraud history.

One of the best ways to identify risk is through workshops or group working. A good starting point is to consider the functions performed by a service area, to list these and then consider what factors may prohibit or reduce the ability to deliver the function or to achieve an objective. Potential opportunities may also arise from group discussion. During the workshop the risks identified should be captured.

Risk Identification with Partnerships / Collaboration Activities

Once a risk framework has been agreed by the partnership i.e. a risk matrix from one of the partnering organisations, the risk management process can be instigated. The principles of effective risk management will apply to any form of partnership / collaboration activity, the below details further points to be mindful of within this environment: -

- Risk identification should focus on risks that may impact on the achievement of the objectives of the partnership;
- All key partners should be involved;
- A partnership risk register should be used to record this information.

Risk Descriptions

Through good service planning, clear objectives will have been identified and there may be a number of risks associated with failing to meet these objectives or providing innovative solutions to achieve them. These will be recorded within the Risk Register as 'Risk Identified'. Each of these risks will need to be captured so that action to mitigate them can be considered. Failure to achieve a particular objective is not in itself a risk and there will inevitably be a number of different risks that need to be managed in order for an objective to be achieved. It is important that these are assessed in order that their likelihood and consequences on the service can be ascertained. The aim of this is to aid decision making and prioritisation of actions, at a time when resources are limited.

Articulation of Risk

It is important to ensure risk descriptions are brief but fully communicate the risk in question. The following gives examples of wording often used to begin the process of articulating risk: -

- Failure to
- Loss of
- Inability to
- Inappropriate
- Exploitation of
- Enhancement of
- Reduction of
- Disruption of
- Increase in
- Lack of
- Realisation that
- Empowerment of

The above indicates wording which is typical of a risk event, a full risk description should incorporate: -

- **Risk Cause:** Detail of what is likely to trigger the risk to materialise;
- **Risk Event:** A brief description of the risk.

Risk Consequence

Detail of the consequences should the risk materialised should also be captured within the Risk Register.

If only the risk event was captured it would be difficult to target the controls and mitigating actions if it were unclear what the risk cause was and the resulting consequence of the risk. By capturing the Risk Event, Risk Cause and Potential Risk Consequence the risk description will be clear to those reading the risk register of the threat or opportunity to the service area or the organisation.

Stage 2 – Risk Analysis & Assessment

Once risks have been described they need to be assessed in terms of the probability of them occurring and the impact they may have if they do. This gives an indication of the inherent risk before any planned ‘control measures’ and / or any mitigating controls are considered. We need to adopt a consistent approach to the assessment of probability and impact so that risks can be compared across the whole authority.

Negative (Threat) Risk	Positive (Opportunity) Risk
In managing a negative risk, we are aiming to see the risk rating decrease so that the probability and impact of the risk decreases should it materialise.	Positive risk is measured in a similar way to negative risk but the desired direction of travel is reversed.

The ‘traffic light’ system for categorising levels of risk has been used for simplicity. The Risk Assessment Matrix is detailed below. Risks are assessed by Probability and Impact. Probability is scored based on the probability of the risk occurring, and the impact table can be used to assess the severity of risk impact of each risk occurring. Taking each risk in turn, the consequences from the first column of the table should be considered in terms of the risk occurring, scoring each area as Low, Medium, High or Catastrophic. The ratings of each consequence are likely to be mixed, for example the consequence of a risk happening may be moderate in terms of financial implications, but may have a significant impact on the Council’s reputation.

Once an outcome has been achieved for each consequence a ‘line of best fit’ should be determined. For example, if the consequences of a risk happening is mainly high with one medium consequence, then the overall expected impact would be high. Not all categories apply to each risk, the tables below are designed to help managers categorise risks appropriately and from a common perspective, they are not prescriptive. The important thing is to use the guidance to good effect, enabling a degree of consistency across the whole of the risk register.

Risk Assessment Matrix

1. Impact:

RISK CATEGORY	RISK TYPE	RISK IMPACT (Severity)			
		Low	Medium	High	Catastrophic
FINANCIAL	Financial				
	Reinstatement following loss / compensation & costs / economic losses / bad lending / VAT errors / fraud / fines	<£250,000	£250 - £750k	£750k - £2m	>£2m
HAZARD	Casualty	Minor Injuries / temporary ill-health	Ill health / disabling injuries	Single fatality	Multiple fatalities
	Employee &/or Public Injury / ill-health				
	Environmental	< 1 week	1 week – 1 month	1 - 12 months	> 1 year / recovery impossible
	Recovery/remediation time				
HAZARD	Hazard	Low	Medium	High	Catastrophic
	Maladministration / Improvement notice / legal proceedings				
OPERATIONAL	Operational	Low	Medium	High	Catastrophic
	Prevention of service efficiency				
	Procurement / Contract / Project Failure	Greater of 5% or £250k	Greater of 5-25% or £250- £70k	Greater of 25 - 50% or £70k - £2m	Greater of 50 – 100% or > £2m
	Additional costs / cost over-run / delays to completion				
	Service Provision (Interruption)	1- 6 days < 1 month	1 week–1month 1-3 months	1 – 6 months 3 - 12 months	> 6 months > 1 year
STRATEGIC	Reputation	Ward/Village	Local Media	Welsh Media	National Media
	Adverse / critical comment / Ombudsman Investigation / ICO Investigation				
	Prosecution/punishments			Disqualification	Imprisonment
	Strategic	Low	Medium	High	Catastrophic
	Failure to achieve corporate objectives				

2. Probability:

PROBABILITY	Definition
Low	Not likely to happen or may happen once every 20 years
Medium	Possible or may happen within 10 years
High	Likely or may happen once a year
Very High	Certain or happens several times a year

3. Risk Profile:

PROBABILITY	Very High (4)	Medium (4)	High (8)	High (12)	Very High (16)
	High (3)	Medium (3)	Medium (6)	High (9)	High (12)
	Medium (2)	Low (2)	Medium (4)	Medium (6)	High (8)
	Low (1)	Low (1)	Low (2)	Medium (3)	Medium (4)
		Low (1)	Medium (2)	High (3)	Catastrophic (4)
IMPACT					

Stage 3 – Risk Control

When deciding how to control a risk there are four options available. The risk control measures are commonly known as the 4 Ts: Tolerate, Treat, Transfer or Terminate.

Negative (Threat) Risk Control Measures			
Transfer	Treat / Control	Tolerate / Accept	Terminate
Insurance, Outsource, Partnerships	Mitigation, Likelihood & Consequence	Understand & live with the risk	Avoid the risk

Risk Control Measures for Negative (Threat) Risks

Transfer the Risk – the traditional approach is to transfer risks to an insurer e.g. legal liability, property, motor vehicle, etc. There are other examples such as service delivery being transferred to the private sector or delivered jointly with partners. Where this approach is considered the risk needs to be carefully considered, as it is often the case that some risk can be transferred whilst major risks such as responsibility for delivery of the service and the reputational risk remains with the Council;

Treat / Control the Risk – the risk is identified as unacceptable to the Council or Service. Controls need to be put in place that effectively manage the risk and reduces the risk to an acceptable level. Controls can be: -

- Preventative, such as physically restricting access to hazardous chemicals, insisting on two signatories, ensuring segregation of duties exist within a system, implementing authorisation limits, or restricting levels of access on IT systems. These controls will help to stop the risk from occurring in the first place;
- Detective, such as quality checks, alarms, exception reports, accident reports, financial reports such as budget monitoring reports, and reviewing insurance claims. These will show when something has gone wrong – perhaps a trigger event that can then alert you that the risk event is becoming more likely to occur;
- Directive, such as procedure manuals, guidance notes, instructions, training. These advise on how to carry out processes safely, but if they are not adhered to they will not prevent risk events occurring;
- Alternatively you can modify the risk as opposed to implementing further controls, where you change the activity or the way in which it is carried out because adding control mechanisms would not help to reduce the probability and / or impact;

Tolerate / Accept the Risk – the Council intends to do nothing different to manage the risk identified above and beyond the normal management routines that are in place. Risks should only be accepted where officers believe that the residual risk is tolerable to the directorate, i.e. where they fall within the green area of the matrix;

Terminate / Eliminate the Risk – the risk is so serious that adding controls or modifications do not reduce the risk to an acceptable level to the Council or Service. An option at this point could be to withdraw from the activity.

The impact of Risk Control Measures on the Risk Rating

By this stage your risks have been identified and analysed giving each risk an Inherent Risk Rating (uncontrolled risk score on the Risk Register). You now need to consider the Residual Risk Rating and to decide how this fits with the risk appetite in terms of acceptability. Once you have considered your current controls you will then need to rescore your risk in light of these controls. In most circumstances the current controls will have an effect on the rating of your risk; this is called the 'Residual Risk Rating'.

Risk Control within Partnerships / Collaboration Activities

- Risk mitigation requiring input from multiple partners should be agreed by the partnership;
- Risk ownership and responsibility for auctioning additional controls should be allocated, it may be that individual partners are accountable for specific actions.

Stage 4 – Risk Monitoring

You will now have undertaken the process of identifying your risks, and analysed and scored them according to the Risk Assessment Matrix. Having completed these stages you will then have identified your controls which will mitigate the likelihood of the risk occurring. You may now think that the process is complete, but the final stage of effective risk management is ‘Risk Monitoring’.

Managing risks is not just about identifying and assessing risks and putting controls in place to mitigate the risks, and seeking innovative solutions to challenges. Risks will constantly change and so a key stage of the risk management process is risk monitoring, which can easily be forgotten. It is necessary to monitor action plans and to regularly report on the progress being made in managing risks or taking advantage of opportunities, so that the achievement of business aims and service objectives is maximised and losses are minimised.

It is important that risk registers are kept up to date and accurate as this will form the means by which not only objectives are being monitored, but also how risks are being managed. Monitoring should be undertaken through Service Management Team (SMT) meetings.

The review of risk registers should consider: -

<p>Go through the existing risks (threats and opportunities) listed in the register to consider whether each risk is: -</p> <ul style="list-style-type: none"> • Still valid; • If the situation has changed in the interim period regarding the mitigating actions / controls which you already have in place; • Record descriptions of any further mitigating actions that are being carried out now; • Move any actions if they have been implemented to current controls and update the register as necessary; • Use the Probability and Impact definitions on the Risk Assessment Matrix to determine the amended residual score if appropriate; • Decide if any risks should be closed, and if so record the reason for this decision and what has happened to the risk. 	<p>Identify if any new risks (threats and opportunities) that have arisen, for example: -</p> <ul style="list-style-type: none"> • From an adverse or positive event occurring either within Powys or another organisation; • By something new happening within the service, project, partnership, e.g. a new partner organisation to work with, a new project starting, a new or different way of delivering services, new funding streams or grants becoming available; • As a result of ongoing management review, e.g. budget pressures have been identified, unexpected demand for a service, etc.; • From changes in legislation. <p><i>(Further guidance on risk identification can be found in the methodology section of this document).</i></p>
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- Previously identified risks will change over time; some may become less of a hazard, e.g. staff may require training, once the training has taken place the risk will reduce. Alternatively, some risks may become more likely if a key milestone is approaching, such as the end of a funding stream;
- When the current controls and proposed improvement actions of an existing risk move on, it would be appropriate to reassess the residual risk score using the probability and impact definitions;
- It may be appropriate to close risks. However, when risks are closed from a register there should be a record of the reasons for this decision and what has happened to the risk e.g. it have been removed at Corporate level but has been passed to SMT level to manage.

Risk Monitoring within Partnerships / Collaboration Activities

- The process for ongoing monitoring of the partnerships risk appetite needs to be agreed by all partners;
- The content of the partnerships risk register needs to be reviewed by all partners on a regular basis and responsibility where possible allocated to the partners.

Risk Reporting

Part of the monitoring process is to provide members and management with the reports which they need to manage their risks. Heads of Service are accountable for monitoring the risks within their service. Risk information should be reported quarterly through SMT.

Effective Risk Reporting should: -

- Provide relevant and sufficient risk information in a timely manner that is user-friendly and drives decision making and action;
- Focuses on the most significant risks, ensuring adequate responses are assigned to the risk;
- Once risks reports have been presented to Management Team and / or Members that views and comments are reflected in an updated register;
- Reporting of risks should provide Management Team and Members with assurance that all risk exposures have been identified, assessed and mitigating controls evaluated.

Risk Escalation

There may be instances where risks cannot be mitigated further and there is a need to escalate the risk i.e. SMT to Corporate Risk Register or Project Risk to Programme Level. Risks which could impact significantly on the Council's reputation, or which may impose significant financial burden should be escalated. Risk escalation to a more senior group should result in a decision being made regarding the appropriate course of action to be taken to mitigate the risk.

Training

Training sessions take place on an ad-hoc or needs basis. The level of training provided will meet the needs of those receiving the training whether management, operational staff or Members. Should training be required please contact the Business Continuity & Risk Management Officer.

Areas of Special Interest

The below are areas that deserve special note in relation to risks, namely Business Continuity Management, Health and Safety, Information Governance, Insurance and Sustainable Development. All have significant risks associated with them which may have a major impact across the Council. It is vitally important that risks in these areas are identified, assessed and prioritised.

Business Continuity Management

Business Continuity Management (BCM) is complementary to a risk management framework that sets out to understand the risks to the Council, and the consequences of those risks.

Risk management seeks to manage risk around the key services that the Council delivers. Service delivery can be disrupted by a wide variety of incidents, many of which are difficult to predict or analyse by cause.

By focusing on the impact of disruption, BCM identifies the services which the Council must deliver, and can identify what is required for the Council to continue to meet its obligations. Through BCM, the Council can recognise what needs to be put in place before an incident occurs, to protect its people, premises, technology, information, supply chain, stakeholders, reputation and importantly the services that the Council delivers to the citizens of Powys. With that recognition, the Council can then take a realistic view on the responses that are likely to be needed as and when a disruption occurs, so that it can be confident that it will manage any consequences without unacceptable delay in delivering its services.

Health and Safety

The Council has responsibilities under health and safety legislation to ensure the health, safety and welfare at work of employees and other people affected by the Council's business. Managing health and safety risks is an integral part of business risk management and the management of such risks should not be taken in isolation. Poor health and safety management can have a negative impact on other business risks such as reputation, insurance, business continuity and financial resources.

Health and safety risks vary across the Council due to the diversity of work activities. The effective management of the risks, as will all significant corporate risks, is an essential part of the role of the relevant managers. The organisation and arrangements for managing health and safety within the Council are detailed in the Council's Corporate Health and Safety Policy (intranet page 5764).

Information Governance

The Data Protection Act 1998, Freedom of Information Act 2000, Environmental Information Regulations 2004, Human Rights Act 2010, Privacy and Electronic Communications Regulations 2003, Protection of Freedoms Act 2012 and the Local Government (Wales) Measure 2011, places a set of requirements and legal obligations on the Council. This means that the Council must have arrangements in place to manage and protect all information taking into account its security, storage, use, access, retention and compliance with legal requirements.

The Council is subject to regulatory intervention by the Information Commissioner's Office (ICO), the UK's independent authority set up to uphold information rights in the public interest, promoting openness by public bodies and data privacy for individuals where there are failures to comply with these pieces of legislation.

In terms of action the ICO can, where the Council repeatedly or seriously fails to meet the requirements of the legislation, or conform to the associated codes of practice, take action including conducting assessments to check the Council's compliance; serve information notices to provide the ICO with specified information within a certain time period; issue undertakings committing the Council to a particular course of action to improve compliance; serve enforcement notices where there has been a breach of the Act, requiring the Council to take (or refrain from taking) specified steps in order to ensure compliance with the law; issue decision notices detailing the outcome of their investigation to publicly highlight particular issues with the Council's handling of a specific request; issue monetary penalty notices of up to £500,000 for serious breaches of the Data Protection Act, or serious breaches of the Privacy and Electronic Communications Regulations; prosecute those who commit criminal offences under the Data Protection Act; and report to Parliament on issues of concern.

The Council has recognised the need to improve the Council wide understanding of Information Governance and has put in place an Information Governance Framework which will initiate, develop and monitor policies and practices in relation to information security, management and risk. This is supported by mandatory DPA, and IT and Information Security Training, as well as the Information Governance Communications Plan. The Senior Information Risk Owner (Strategic Director – People) chairs the Corporate Information Governance Group. It is the responsibility of this group to ensure that Powys County Council has effective policies and management arrangements covering all aspects of Information Governance.

Insurance

Insurance acts as a risk transfer mechanism which reduces the financial risk to the Council. The Council is largely self-insured but transfers the larger risks to an insurance company by contributing a premium. In the event of a financial loss the Council is entitled to indemnity, subject to the terms and conditions that are in place.

The administration of the Council's insurance arrangements is undertaken by the Insurance Section within Professional Services and Commissioning. The section provides a comprehensive and professional insurance service including insurance provisions and other related activities, as well as processing new and outstanding claims.

The Council is required to provide insurance cover or alternative funding for a variety of possible or probable events and liabilities that could arise. The majority of risks identified through Corporate, Service, Programme or Project Risk Registers will not be insurable and some, on balance, may not be financially viable or of benefit to the Council to insure.

The Council currently has multiple insurance policies in place, the main policies being Employer's Liability, Public / Products Liability, Official's Indemnity, Libel and Slander, Professional Indemnity, Vehicle and Property. Further information can be found on Intranet page 1158.

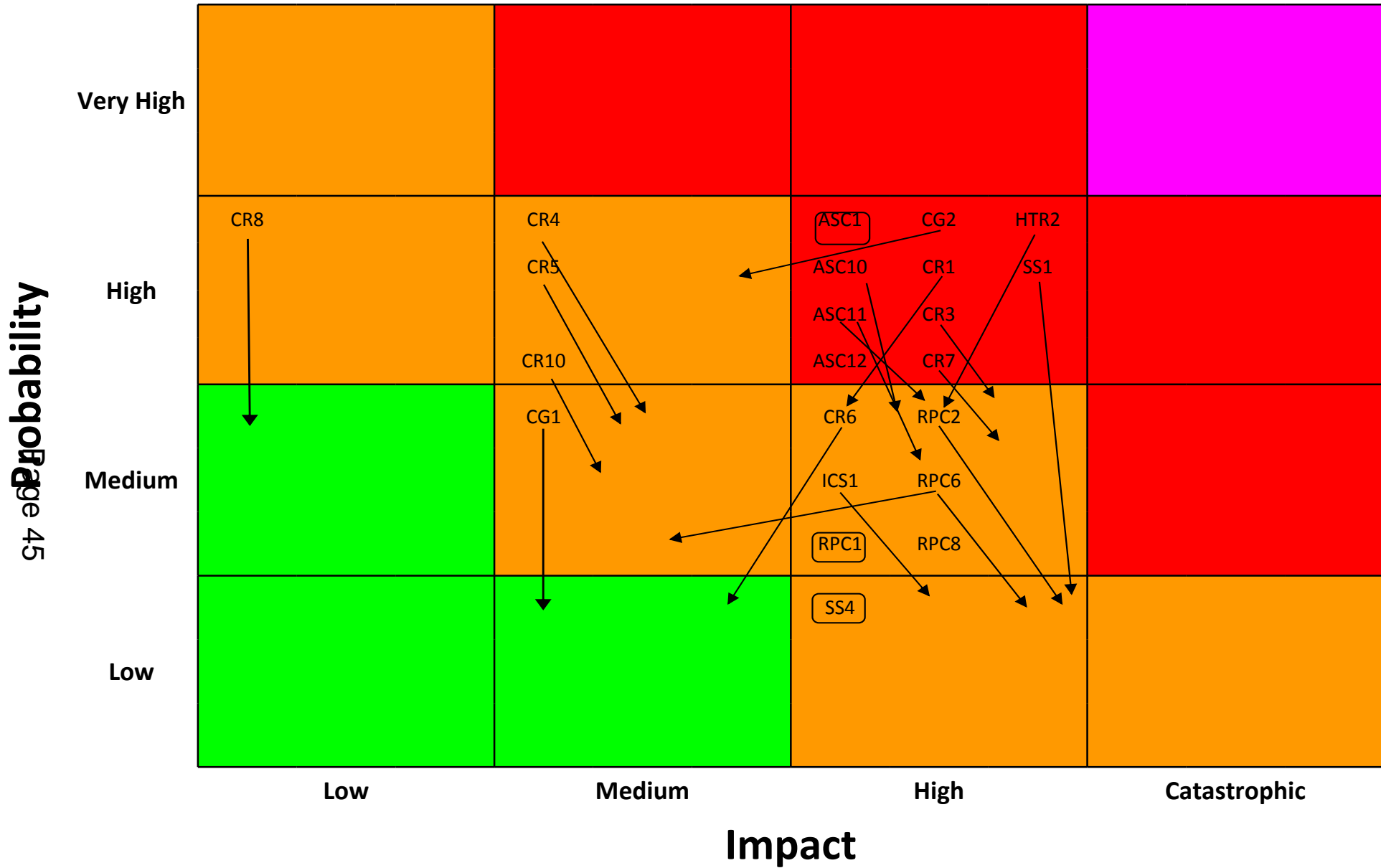
Sustainable Development

Under the Local Government Measure (Wales) 2009, one of the elements of securing continuous improvement within the Council's functions is through sustainability. Additionally the proposed Well-Being of Future Generations Bill, which is expected to become law in Spring 2015, sets out the requirement for sustainable development to be the 'central organising principle' of the wider public service in Wales.

While different services within the Council have a variety of social, environmental and economic remits, it is important to consider our strategies, policies, plans and projects in a more thorough and balanced way to help protect our local environmental capital, build community resilience and help avoid the unintended consequences that occur when social, economic and environmental objectives are pursued in isolation.

There is a sustainability integration toolkit on page 6167 of the Intranet. Using the toolkit can unlock extra efficiencies, help you to do more with less and provide innovative solutions. The resources are designed to ensure that our projects and programmes incorporate the principles of sustainable development.

Heat Map



The risk reference e.g. ASC10 identifies the level of inherent risk to the Council (pre-mitigation).

The arrows from each risk point to the level to which the risk will reduce as a result of the mitigating controls being implemented (residual risk).

Those risks with around them do not change their level of risk with mitigation.

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Risk Register

Risk Reference	Date Identified	Source	Service Area	Risk Identified	Potential Consequence	Inherent Risk		Risk Rating	Current Controls	Risk Owner	Portfolio Holder
						P	I				
ASC1	15/07/2015	SMT	Adult Social Care	Not gaining full agreement on some of the more controversial and high profile agreements for the direction of travel of the service, which without we'll be unable to achieve the full level of financial savings	Inability to meet the demands and requirements of service users	H	H	High 9	<ul style="list-style-type: none"> • Ensure appropriate information is available to inform Member's decision making; • Appropriate options appraisal undertaken. 	Amanda Lewis	Cllr Stephen Hayes
ASC10	01/04/2015	SIP 2015-18	Adult Social Care	Re-negotiation of BUPA contract is unsuccessful or increases cost of service delivery.	<ul style="list-style-type: none"> • We fail to re-negotiate a contract; • Capacity to support the development of interim arrangements could delay the process; • Replacement services not planned for / in place in a timely manner. 	H	H	High 9	<ul style="list-style-type: none"> • SIP outlines action to develop interim arrangements and to assess longer term implications; • Service provider to be consulted as part of the above; • Project team established. Project has commenced and is managed through ICPOP. 	Amanda Lewis	Cllr Stephen Hayes
ASC11	01/04/2015	SIP 2015-18	Adult Social Care	Failure to stabilise the Domiciliary Care market.	<ul style="list-style-type: none"> • A service which does not deliver the outcomes that our services users need / want; • An unsustainable financial burden to the council; • Impact on capacity of ASC Services to undertake innovative work; • Adverse reputational risk for the Council; • Service users left at risk; • Failure to meet statutory duty. 	H	H	High 9	<ul style="list-style-type: none"> • SIP outlines specific action to develop plan to establish a stable Domiciliary Care Service; • Additional / temporary officer capacity has been sourced for Adult Social Care to support this area of work; • Project Board established; • External support and evaluation / critical support from IPC; • Commissioned a range of many providers to deliver care; • Provider forum established. 	Amanda Lewis	Cllr Stephen Hayes

Risk Register

Risk Reference	Date Identified	Source	Service Area	Risk Identified	Potential Consequence	Inherent Risk		Risk Rating	Current Controls	Risk Owner	Portfolio Holder
						P	I				
ASC12	14/09/2015	CEO	Social Care	Implementation of CCIS (DRAIG replacement)	Loss of data resulting in an efficient service with officers being unable to access client files	H	H	High 9	Project team and project governance established	Amanda Lewis	Cllr Stephen Hayes
CG1	Prior to 2014	SIP.L.V2	Change & Governance	Failure of governance.	Council acts ultra vires	M	M	Medium 4	All work is report based and there is a mechanism in place by which appropriate checks are made - two checks are made by Finance and two checks by Legal (Section 151 Officer and Monitoring Officer).	Jeremy Patterson	Cllr Phil Pritchard
CG2	21/11/2012	Risk Register 21/11/12 12.11	Change & Governance	Data Protection Breaches	Information Commissioners Intervention. Financial Penalties	H	H	High 9	Information Governance Plan supported by the Corporate Information Governance Group which meets on a quarterly basis.	Amanda Lewis	Cllr Darren Mayor
CR1	21/11/2012	Risk Register 21/11/12 12.100	Corporate	The Council is unable to manage the level of financial cuts required by the Welsh Government	The Council incurs significant overspend. Projected budget will suffer an overspend. Penalties and fines may be imposed Council reputation damaged	H	H	High 9	Medium Term Financial Plan; Cost Recovery work; 3rd party spend reduction; Income Generation; Regular reports to cabinet and Management Team on budget progress and progress on savings.	David Powell	Cllr Wynne Jones

Risk Register

Risk Reference	Date Identified	Source	Service Area	Risk Identified	Potential Consequence	Inherent Risk		Risk Rating	Current Controls	Risk Owner	Portfolio Holder
						P	I				
CR3	21/11/2012	Risk Register 21/11/12 12.92	Corporate	Inadequate Corporate Governance arrangements for shared services and partnerships	Failure to effectively deliver services	H	H	High 9	<p>Progress on the One Plan is reported through the Transformation Board and the LSB.</p> <p>In July 2012 PCC and PtHB entered into a formal partnership to deliver ICT services from a joint team formed by the integration of the ICT teams from both organisations. A Section 33 agreement was employed and provides a formal basis for partnership working. This agreement has two tiers of governance: -</p> <ol style="list-style-type: none"> 1. ICT Management Team; 2. Joint Partnership Board. <p>The Joint Partnership Board was established in 2012 and is chaired by the Leader. This manages all Section 33 agreements and is attended by the PCC Leader, PCC Chief Executive, PtHB Chief Exec and PtHB Executive Director.</p>	Management Team	Cllr Barry Thomas

Risk Register

Risk Reference	Date Identified	Source	Service Area	Risk Identified	Potential Consequence	Inherent Risk		Risk Rating	Current Controls	Risk Owner	Portfolio Holder
						P	I				
CR4	21/11/2012	Risk Register 21/11/12 12.102	Corporate	Failure to deliver on the Powys One Plan	Failure to deliver on the Powys One Plan	H	M	Medium 6	<p>Programme Office established with Strategic Programme Managers leading on each of the 5 programmes within the Powys One Plan.</p> <p>Programme Boards meet bi-monthly and monitor progress of the projects in each programme. This is then reported up to the Transformational Board and the LSB.</p> <p>Programme Office has adopted the corporate risk assessment methodology and Strategic Programme Managers report the Programme risk registers to the Programme Boards. Projects also have their own risk registers. The registers report risks which may impact upon delivery of objectives, and identify mitigating actions taken to control these risks.</p> <p>Scrutiny challenge and feedback sessions have been held on progress made so far, this has been reported using the Performance Evaluation Grids.</p>	Local Service Board	Cllr Barry Thomas

Risk Register

Risk Reference	Date Identified	Source	Service Area	Risk Identified	Potential Consequence	Inherent Risk		Risk Rating	Current Controls	Risk Owner	Portfolio Holder
						P	I				
CR5	21/11/2012	Risk Register 21/11/12 12.102	Corporate	Lack of management of the procurement process within services.	Inadequate contracts and contract management exposing the authority.	H	M	Medium 6	E-Learning 'Commissioning: The Fundamentals Level 1' training course has been developed, is available and being used, and is aimed at all those employees who undertake some purchasing / ordering / buying and may undertake some commissioning. Level 1 training must be completed before anyone proceeds onto the Level 2 taught course.	All Service Heads supported by central Procurement	Cllr Graham Brown
CR6	21/11/2012	Risk Register 21/11/12 12.90	Corporate	Lack of adequate service business continuity planning	Failure to deliver services in the event of an emergency.	M	H	Medium 6	Officer appointed permanently to post of Business Continuity & Risk Management Officer. Education and training programme delivered to services. Services supported to produce their own Business Continuity Plans.	David Powell	Cllr John Powell
CR7	21/11/2012	Risk Register 21/11/12 12.94	Corporate	Inadequate registers / notifications of items requiring statutory testing provided to the compliance team.	Regulations not met; Financial Penalties; Corporate Manslaughter.	H	H	High 9	The statutory testing team maintain a register of plant, equipment and buildings that require testing, and the timetable for testing these items. This register then forms their work programme.	All Service Heads supported by Policy and Regeneration	Cllr Avril York
CR8	21/11/2012	Risk Register 21/11/12 12.95	Corporate	Inadequacy of Absence Management process	Failure to provide service to a satisfactory standard.	H	L	Medium 3	New Absence Management Policy	All Service Heads supported by HR	Cllr Phil Pritchard
CR10	21/11/2012	Risk Register 21/11/12 12.97	Corporate	Failure to monitor and protect Council assets	Theft and abuse of Council property	H	M	Medium 6	Each service should have it's own asset register. All ICT equipment should be recorded on the ICT asset register.	All Service Heads supported by ?	Cllr Darren Mayor

Risk Register

Risk Reference	Date Identified	Source	Service Area	Risk Identified	Potential Consequence	Inherent Risk				Current Controls	Risk Owner	Portfolio Holder
						P	I	Risk Rating				
HTR2	Prior to 2014	SIP.LES.V 2	Highways, Transport and Recycling	Failure to ensure Health & Safety of public and workforce	Risk of prosecution and duty of care and injury to the public and staff.	H	H	High	9	Introduction of robust site supervision and monitoring processes internally and externally with contractors.	Paul Griffiths	Cllr John Brunt
ICS1	Prior to 2014	SIP.ICT.?	Information and Customer Services	ICT Disaster Recovery	Failure to maintain key ICT services in the event of a major incident.	M	H	Medium	6	PCC have been working closely with Microsoft and Platform Consultancy to explore utilising the latest cloud services, to provide both a backup solution and disaster recovery solution. This will provide PCC with the ability to instantly power up all replicated servers in the cloud.	David Powell	Cllr Phil Pritchard
RPC1	Prior to 2014	SIP.PPP.V 1	Regeneration, Property & Commissioning	Failure to ensure Health & Safety of public and workforce on Council premises	People could be seriously or fatally injured; Exposure to litigation.	M	H	Medium	6	Public liability insurance. Procurement - external contractors risk statements - monitoring	Paul Griffiths	Cllr Darren Mayor
RPC2	Prior to 2014	SIP.PPP.V 1	Regeneration, Property & Commissioning	Liabilities arising from closed landfill site portfolio	Significant pollution incident resulting in prosecution.	M	H	Medium	6	We have a specialist Contaminated Land Officer who has sought legal advice and determined that this is the land owner's responsibility, and that Natural Resources Wales have responsibility for dealing with the pollution.	Paul Griffiths	Cllr John Powell

Risk Register

Risk Reference	Date Identified	Source	Service Area	Risk Identified	Potential Consequence	Inherent Risk		Risk Rating	Current Controls	Risk Owner	Portfolio Holder
						P	I				
RPC6	2014	SBP 2014/17	Regeneration, Property & Commissioning	Failure to adopt the LDP	Reputational damage, financial implications.	M	H	Medium 6	Action plan in place which includes recruitment of temporary staff, and diverting built heritage work away in order to concentrate on the LDP. A request for further funding if required has been pre-agreed. Closer working with WG.	Paul Griffiths	Cllr Avril York
RPC8	2014	SBP 2014/17	Regeneration, Property & Commissioning	The property disposals programme may not realise the expected returns on time.	Other developments which depend upon them cannot be supported.	M	H	Medium 6	Regularly revise progress on list of disposal sites/ buildings and feed this in through the corporate Cost Improvement Group as well as the property projects.	Paul Griffiths	Cllr Darren Mayor

Risk Register

Risk Reference	Date Identified	Source	Service Area	Risk Identified	Potential Consequence	Inherent Risk		Risk Rating	Current Controls	Risk Owner	Portfolio Holder
						P	I				
SS1	13/01/2015	SMT	Schools Service	Non delivery of the Schools Transformation Programme	infrastructure which is not contributing to the Authority's efficiency agenda, and leading to poor educational outcomes	H	H	High 9	<p>Growth to develop capacity of team. ODP Programme defined.</p> <p><u>Secondary Schools</u> A paper was agreed by Cabinet 27/1/15 to commence Secondary School review in Powys in three parts (South, Mid, North Powys). Progress to date: - <u>South Powys</u></p> <ul style="list-style-type: none"> • Review has commenced; • Beacons Campus Project is ongoing; • Welsh medium at Brecon formal consultation. <p><u>Mid Powys</u></p> <ul style="list-style-type: none"> • Paper to Cabinet in Autumn term. <p><u>North Powys</u></p> <ul style="list-style-type: none"> • Paper to Cabinet in September. <p>· Transformation funding provided from Corporate Finance for structure to be in place.</p>	Jeremy Patterson	Cllr Arwel Jones

Risk Register

Risk Reference	Date Identified	Source	Service Area	Risk Identified	Potential Consequence	Inherent Risk		Risk Rating	Current Controls	Risk Owner	Portfolio Holder
						P	I				
SS4	13/01/2015	SMT	Schools Service	Condition and security of buildings and premises.	<ul style="list-style-type: none"> • Breach of Equalities legislation; • Failure to comply with H&S legislation; • Poor educational achievements; • Detrimental impact on health and wellbeing of learners and staff. 	L	H	Medium 3	<p>Review of Special Schools; 21st Century Schools Programme (prioritised according to pupil vulnerability);</p> <p>A new Schools Service Major Improvement Programme Scoring and Prioritisation criteria was agreed by Cabinet 3/3/15, and it also agreed a spend of £1m per year for the next three years. The purpose of this programme is to carry out a wide range of improvements, refurbishment and upgrading works to support the School Modernisation Programme and assist the Authority in making its schools fit for purpose as required by the Welsh Government.</p> <p>Continual scoring of need against investment matrix; Update Asset Management Plan; Individual monitoring of educational placements for children with complex needs.</p>	Jeremy Patterson	Cllr Arwel Jones

Proposed Further Actions / Controls	Residual Risk		Risk Rating		Notes
	P	I			
Hold regular member development sessions to keep them informed of issues relating to service. 19/10/15 - Consultation process over the winter period for the following services: - <ul style="list-style-type: none"> • Daytime activities for Older People; • Fairer Care Policy; • Residential Care; • Older Peoples Commissioning Strategy; • Learning Disabilities Project - Day & Employment Services; • Budget Consultation. 	H	H	High	9	Previously on ASC Service Risk Register, decision made to escalate to Corporate Risk Register at ASC SMT 15th July 2015.
<ul style="list-style-type: none"> • In conjunction with Commercial services risk assess any interim plans; • Corporate ownership and support in place to ensure focused and successful implementation. 	M	H	Medium	6	Updated at ASC SMT 15th July 2015.
<ul style="list-style-type: none"> • Integrated approach with Health to design a joint domiciliary service model; • Cabinet report in October on Domiciliary Care next steps. 	M	H	Medium	6	Updated at ASC SMT 15th July 2015.

Risk Register

Proposed Further Actions / Controls	Residual Risk				Notes
	P	I	Risk Rating		
Production of a project risk register	M	H	Medium	6	National system for Wales for Community Health & Social Care, and Early Intervention and Prevention across Wales. Integrated working and access to relevant information will be increased.
Installation of a software package by Autumn/Winter 2015. This will insist on timely provision of reports and will send reminder emails to the appropriate officers.	L	M	Low	2	The software is extensively used by WG and automatically sends reminder emails to officers.
Ensure we comply with corporate training requirements and quality assure our processes; Introduction of information asset owners; Information Asset Register; Information Risk Assessments.	M	M	Medium	4	
Moving to 3 years balanced budget; Setting up Budget Management Reserve; Single impact assessment incorporating a risk assessment of each individual identified saving.	M	H	Medium	6	Update provided by Portfolio Holder 03/06/2015

Proposed Further Actions / Controls	Residual Risk			Notes
	P	I	Risk Rating	
<p>As we enter the new landscape of integration being delivered by PCC and PtHB we will require suitable governance arrangements and lines of accountability which makes governance less ambiguous and more robust, and making scrutiny more effective and more complementary with other accountability mechanisms. Taken together these make organisations more responsive to change, and will mean that scrutiny and accountability drive improvement effectively.</p> <p>This work is underway to agree a revised Scrutiny and Governance structure that will meet the increased scope & pace of change for PtHB /PCC integration required by Welsh Government, address member concerns about levels of member involvement and meet PtHB requirements for separation of Board and executive functions. As part of this work we will: -</p> <ul style="list-style-type: none"> • Implement a shared governance and scrutiny structure; • Develop and implement a shared member / non-executive training programme; • Develop & implement a shadowing programme across PCC cabinet / scrutiny and PtHB Board and Committees; • Seek approval at Cabinet and PtHB. 	M	H	Medium 6	WAO report presented to Audit Committee 22nd April 2015 identified that the Section 33 agreement has improved service resilience and reduced IT risk, and Section 33 arrangements provide a good basis for integrated working.

Risk Register

Proposed Further Actions / Controls	Residual Risk				Notes
	P	I	Risk Rating		
<p>Continue to improve the reporting process to make the One Plan and what we're achieving 'more visible'. This transparency leads to clearer lines of accountability and responsibility, which in turn will lead to greater success and delivery of objectives.</p> <p>PCC and PtHB Programme Office' have been aligned and will continue to meet and share experience between teams. This will strengthen the programme management process and support the delivery of the programmes.</p> <p>Continue with monitoring of progress on the programmes and projects within the programmes via project and programme boards.</p> <p>Regular meetings between Programme Sponsors and Strategic Programme Managers, to identify and unblock any issues that arise.</p>	M	M	Medium	4	

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Risk Register

Proposed Further Actions / Controls	Residual Risk				Notes
	P	I	Risk Rating		
<p>It is planned to provide key messages around Commissioning to all Powys County Council employees via NetConsent.</p> <p>The content of and targeted audience for 'Commissioning: The Technicalities Level 2' taught training course is currently being discussed with external providers and a specification is being developed.</p>	M	M	Medium	4	
<p>Continual engagement with BCM Champions via quarterly Business Continuity Group. Services to continue to develop and test their Business Continuity Plans.</p>	L	M	Low	2	Level of risk reduced as urgent services have been prioritised.
	L	H	Medium	3	
	M	L	Low	2	Robust processes in place makes this a low risk
	M	M	Medium	4	

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Proposed Further Actions / Controls	Residual Risk				Notes
	P	I	Risk Rating		
Safe working practices and methods of working.	M	H	Medium	6	
Microsoft Data Protection Manager will perform nightly backups to on-site storage, this backup data will then replicate into Azure blob storage as an off-site back for long-term storage.	L	H	Medium	3	<p>Due for completion by October 2015.</p> <p>The cloud extension suite will enable PCC to replicate the on-site virtual server environment and compatible physical server environment into Azure.</p> <p>Greatest dependency is on County Hall.</p>
Introduction of robust site supervision and monitoring processes internally and externally with contractors. The probability could potentially decrease if further resources were added to this area.	M	H	Medium	6	
Restructuring of functions so that closed landfill are managed within the Public Protection Service (particularly) contaminated land division to improve capacity and capability to resolve pollution issues	L	H	Medium	3	

Proposed Further Actions / Controls	Residual Risk				Notes
	P	I	Risk Rating		
	L	H	Medium	3	
At the end of September 2015 a Property Disposals Board will be set up and chaired by the Portfolio Holder for Property. This will provide a mechanism for challenging services who	M	M	Medium	4	

Proposed Further Actions / Controls	Residual Risk			Notes
	P	I	Risk Rating	
<ul style="list-style-type: none"> • New structure in place; • Succession planning; • Capacity and expertise; <p>Primary Schools A number of Schools have been identified for review under the Powys Schools Transformation Policy (Nov 2014) and we are in discussions with individual schools. Detailed Reports will follow to Cabinet in due course.</p> <p>Proposed update of Schools Transformational Policy in December 2015.</p> <p>Further discussions with WG about our capital programme.</p>	L	H	Medium 3	Updated at Schools SMT 14th July 2015

Proposed Further Actions / Controls	Residual Risk			Notes
	P	I	Risk Rating	
Strategic Outline Plan for 21st Century Schools and Capital Investment Programme.	L	H	Medium 3	Updated at Schools SMT 14th July 2015

A81-2015

CYNGOR SIR POWYS COUNTY COUNCIL

AUDIT COMMITTEE

9th November 2015

REPORT AUTHOR: Professional Lead for Finance

SUBJECT: Closure of Accounts and completion of Statement of Accounts Project 2015/16

REPORT FOR: Information

1. Introduction

- 1.1 Committee will be aware that the Statement of Accounts for 2014/15 were approved and that an unqualified report by the Wales Audit Office (WAO) was presented to Audit Committee on the 28th September 2015, which met the statutory deadline.
- 1.2 The closure of accounts process and completion of the Statement of Accounts for 2014/15 was delivered under a project management approach. This was developed in response to the issues and recommendations raised from the 2013/14 Audit.
- 1.3 The approach adopted has led to improvements both to the quality of the draft financial statements and the information available to support them, this is recognised by the Wales Audit Office in their report to the Committee on the 28th September 2015.
- 1.4 The Project Management approach will continue for the 2015/16 Closure of Accounts and completion of the Statement of Accounts. This will build on the progress made in the last year.

2. Project Update

- 2.1 The Project Team remains in place and the Project Plan for 2015/16 is being developed. A review of last year project delivery will highlight the lessons learnt, the benefits gained, and the areas for improvement. The actions identified will be incorporated into the Plan.
- 2.2 The Wales Audit Office Statement of Accounts Memorandum, which will be received shortly, will also provide details of any issues and make recommendations for changes arising from this year's audit, actions identified from this report will also be incorporated into our plan.

2.3 The Project Plan will include the following:-

- 5 Project Phases
- Individual Work Streams and nominated Lead Officers
- Whole Council Task list and Timetable
- Wales Audit Office Approach, Audit deliverables and timescales.
- Risk Register

2.4 The Professional Lead for Finance reports progress and identifies issues with the Head of Professional Services and the Strategic Director of Resources (Section 151 Officer), and reports under a standard item at the Resources Management Team. Regular update reports will be submitted to Audit Committee.

2.5 Discussions will take place with officers from the Wales Audit Office during the next few months to prepare for next year audit, we will explore what work can be undertaken throughout the year to assist in the audit and how future Workshops can be utilised to further improve the process. A clear Audit Plan will be requested that outlines the audit approach, the audit deliverables and timescales.

2.6 Officers have recently attended a seminar hosted by the Wales Audit Office and Good Practice Wales on the “Faster closure of local government accounts”. The event drew on the experience of several Authorities who are already finalising their Statement of Accounts in quicker timescales, and a series of workshops encouraged delegates to share with and learn from each other. We will further develop the contacts made on the day to share Plans and good practice.

2.7 Welsh Government have issued a paper on the Proposed changes to the Accounts and Audit (Wales) Regulations 2014, the proposal seeks views on the options presented to bring forward the timetable for preparing and publishing the accounts of Local Government Bodies in Wales, the deadline for the responses on this paper is the 27th November 2015. The publication and audit of the Accounts will be brought forward to the 31st July by 2020/21, the proposal considers a phased approach imposing the 31st August deadline for 2018/19. These changes will be considered as part of our annual planning with improvements focused on meeting these revised timelines.

Recommendation:	Reason for Recommendation:
<p>That Audit Committee notes the contents of the report.</p> <p>That Audit Committee receive regular updates on the Delivery of the Project.</p>	<p>To continue the improvement in accounts closure that was noted for the 2014/15 accounts and that the continuing use of project management principles is endorsed for the closure and audit of the 2015/16 accounts.</p>

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A82-2015

CYNGOR SIR POWYS COUNTY COUNCIL.

AUDIT COMMITTEE
12th November 2015

CABINET
1st December 2015

REPORT AUTHOR: County Councillor Wynne Jones
Portfolio Holder for Finance

SUBJECT: Treasury Management Qtr 2 Report

REPORT FOR: Information

1. Summary

1.1 CIPFA's Treasury Management Bulletin issued in March 2009 suggested:

"In order to enshrine best practice it is suggested that authorities report formally on treasury management activities at least twice a year and preferably quarterly."

The CIPFA Code of Practice on Treasury Management emphasises a number of key areas including the following:-

xi. Treasury management performance and policy setting should be subject to scrutiny prior to implementation.

1.2 In line with the above this report is providing information on the activities for the quarter ending 30th September 2015.

2. Economic Background and Forecasts

2.1 The economic background is attached at Appendix B.

2.2 The most recent forecast of interest rates by the Authority's advisor is as follows:

	Dec 15	Mar 16	Jun 16	Sep 16	Dec 16	Mar 17	Jun 17	Sep 17
Bank rate	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%
5yr PWLB	2.40%	2.50%	2.60%	2.80%	2.90%	3.00%	3.10%	3.20%
10yr PWLB	3.00%	3.20%	3.30%	3.40%	3.50%	3.70%	3.80%	3.90%
25yr PWLB	3.60%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%
50yr PWLB	3.60%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%

3. Treasury Management Strategy

3.1 The Treasury Management Strategy approved by Full Council on 5th March 2015 is at Appendix A.

3.2 The Authority's investment priorities within the Strategy are: -

- (a) the security of capital and
- (b) the liquidity of its investments.

3.3 The Authority aims to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite has been low in order to give priority to security of investments.

4. Current Investments

4.1 The current investment market is difficult in respect of earning the level of interest rates commonly seen in previous years as rates are very low and in line with the 0.5% Bank Rate.

4.2 The Authority's investment position as at 30th September 2015 is as shown below:-

Invested with:	Principal £000's	Interest Rate	Start Date	Maturity Date
Santander	9,050	0.40%	N/A	Deposit A/c
BOS	3,250	0.40%	N/A	Deposit A/c
HSBC	55	0.25%	N/A	Deposit A/c
Total	12,355	0.40%		
Lloyds TSB - LAMS	1,000	3.20%	13.08.12	14.08.17

4.3 There have been no relevant credit rating changes in the last few months in respect of the banks that the Authority utilises for deposits.

4.4 Local Authority Mortgage Scheme:

In August 2012, following a Cabinet report, the Authority entered the Local Authority Mortgage Scheme with an allocation to Lloyds TSB of £1M. Under the scheme this was deemed as Capital Expenditure. However, the Wales Audit Office (WAO) opinion differed from this in that they suggested it should be treated as an investment. Unfortunately, despite meetings and extensive correspondence by Capita Treasury with the Welsh Government, Welsh Local Government Association and the Wales Audit Office, agreement on the accounting treatment for Welsh authorities has not been reached despite the provision of 3 separate legal opinions supporting the Capital Expenditure position. As such, Capita have said that they are not sure there is much more they can do in Wales. This Authority has concurred with WAO's requirement to treat this as an investment and, as such, the amount is included in the table above and is being accounted for as an investment. Council approved this investment following a retrospective report on 16th May 2013.

4.5 **Glitnir:**

The winding up board of Glitnir made a distribution to creditors in a variety of currencies in March 2012. An element of the distribution was in Icelandic Kroner (ISK) which was placed in an escrow account in Iceland. This element of the distribution has been retained in Iceland due to currency controls currently operating in Iceland and, as a result, is subject to exchange rate risk over which the Authority has no control. The distribution has been made in full settlement, representing 100% of the claim.

Cabinet will be aware that this Authority did not take up a sale of escrow option but decided to retain the money in escrow until such time as there is further information forthcoming from the Icelandic government.

4.6 Redemption Penalties:

There are no current fixed investments to redeem.

4.7 Investment returns in future years:

Our advisors' current suggested earning rates for investments for budgeting purposes are as follows:-

	Suggested Rate now	Suggested Rate previous
2015/16	0.50%	0.60%
2016/17	0.90%	1.10%
2017/18	1.50%	1.75%

These are based on investments for three months duration in each year.

5. **Credit Rating Changes**

5.1 There have been no credit rating changes relevant to this Authority's position during the last quarter.

5.2 An update in respect of credit rating methodology is at Appendix B.

5.3 The credit rating list for end of September is attached as a separate file to this report.

6. **Borrowing / Re-scheduling**

6.1 Effective management of the Authority's debt is essential to ensure that the impact of interest payable is minimised against our revenue accounts whilst maintaining prudent borrowing policies.

6.2 The Authority's Capital Position:

The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the current year's unfinanced capital expenditure and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the

treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through external borrowing or utilising temporary cash resources within the Council.

Net external borrowing (borrowings less investments) should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for the current year and next two financial years. This allows some flexibility for limited early borrowing for future years.

CFR Position:

	As at 31.03.15 Actual £M	2015/16 Original Estimate £M	2016/17 Original Estimate £M	2017/18 Original Estimate £M
Capital Financing Requirement	224,482	227,799	319,727	329,533

6.3 The Authority had outstanding long-term external debt of £150.8M at 31st March 2015. In relation to the CFR figure for 31st March 2015, this equated to the Authority being under borrowed by £73.7M. This is a prudent and cost effective approach in the current economic climate. However, internal borrowing is only a temporary situation and, based on capital estimates, it will be necessary for the Authority to borrow at stages over the next few years. As such, the Authority needs to be mindful that it may be prudent to borrow whilst interest rates are at their low levels and carry the cost of this borrowing as opposed to borrowing at a future date at increased rates.

6.4 Capital Budget/Spend per efinancials:

Capital:	Approved Budget	Working budget	Actual Capital Spend (not including commitments)	%age spend
	128,931,594			
June		136,989,764	75,576,339	55.17%
Sept		141,157,883	83,517,819	59.20%

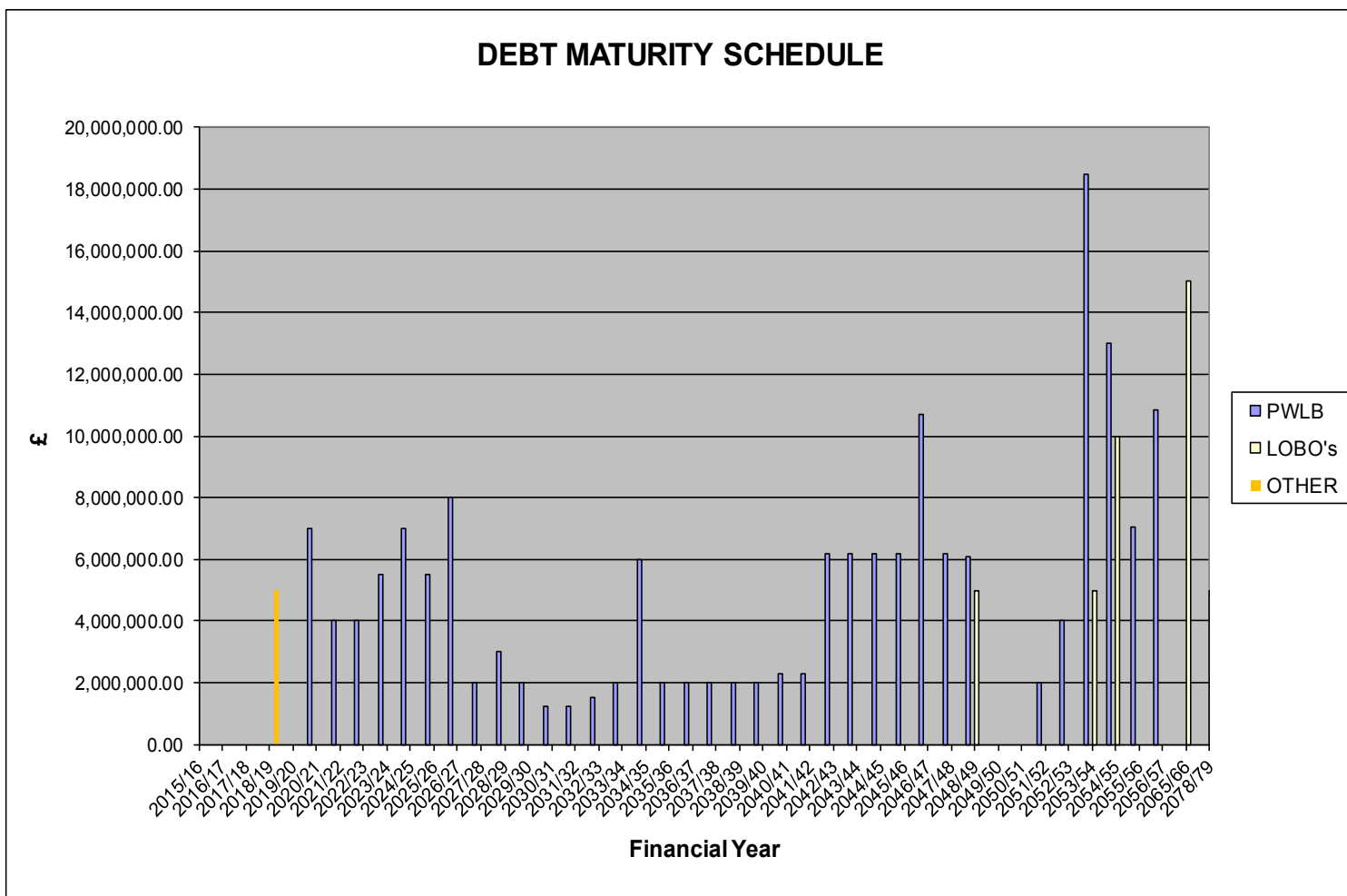
The figures above include the figures for the self-financing of the HRA.

The financing of the approved capital budget included £97.4M of Prudential borrowing in total. £72.4M was borrowed on 2nd April in respect of the self-financing of the HRA.

The exact structure of loans arranged for the HRA purpose reflected the requirements of the HRA business plan, the overall requirements of the Council and certain limitations (e.g. the minimum average duration of any borrowing) put in place by the Welsh Government. The loans were, therefore, arranged at a set of bespoke, higher PWLB interest rates that applied only to Welsh HRA self-financing authorities and may make these loans less flexible, from a restructuring point of view, than would normally be the case.

6.5 Debt Maturity Profile as at 30.09.15:

(please click on the graph below and increase the percentage in the toolbar above for an enhanced view)



6.6 Target rates:

Our advisors' target rates and current PWLB rates are set out below:

Period	Borrowing rate at 30.09.15	Target borrowing rate now	Target borrowing rate previous
5 year	1.98%	2.30%	2.20%
10 year	2.58%	2.90%	2.80%
25 year	3.30%	3.40%	3.50%
50 year	3.18%	3.40%	3.50%

6.7 Rescheduling:

The Public Works Loans Board released a circular regarding rates on 20th October 2010. As a result of this, rates immediately increased by 0.87-0.88 basis points across the board. The overall impact of this circular was that it is far more difficult for authorities to reschedule debt

6.8 Members are aware that officers continue to look for interest savings on a daily basis by monitoring rates that may mean the Authority can re-schedule some of its debt or prematurely repay debt if applicable. However, PWLB interest rates have not been conducive towards rescheduling.

7. Prudential Indicators

7.1 All TM Prudential Indicators were complied with in the quarter ending 30th September 2015.

Proposal

It is proposed that the Treasury Management quarterly report is received.

Statutory Officers

The Strategic Director – Resources (s151 officer) notes the content of the report and supports the recommendation. It is important that Cabinet continues to be informed about this key activity.

The Solicitor to the Council (Monitoring Officer) has made the following comment: “I have nothing to add to the report”.

Future Status of the Report

Not applicable

Recommendation:		Reason for Recommendation:	
That the Treasury Management Quarterly Report be received		To ensure Cabinet remains informed about current Treasury Management performance	
Relevant Policy (ies):		Treasury Management Policy	
Within Policy:	Y	Within Budget:	N/A
Person(s) To Implement Decision:		N/A	
Date By When Decision To Be Implemented:		N/A	
Contact Officer Name:	Tel:	Fax:	Email:
Ann Owen	01597 826327	01597 826290	ann.owen@powys.gov.uk

Background Papers used to prepare Report:

CIPFA Code of Practice on Treasury Management and Cross Sectoral Guidance Notes
 Treasury Management Policy Statement
 Advisors’ Information
 WAG Guidance on Local Government Investments 2010
 PWLB circulars

Appendix A:

Approved Treasury Management Strategy 2015/16:

7.5 "High" credit quality:

7.5.1 It is proposed that the Authority continue with the following in respect of defining a "high" credit quality. If a rating is not available from any of the rating agencies then the available ratings will be used. Members will note that this proposal excludes investments with some banks off the advisors' suggested list:-

Long Term Ratings (in respect of long-term investments):

Permitted Fitch Ratings	Permitted Moodys Ratings	Permitted S&P Ratings
AAA	Aaa	AAA
AA+	Aa1	AA+
AA	Aa2	AA
AA-	Aa3	AA-

Short Term Ratings (in respect of short-term investments):

Permitted Fitch Ratings	Permitted Moodys Ratings	Permitted S&P Ratings
F1+	N/A	A-1+
F1	P-1	A-1

7.6 Country limits:

7.6.1 It is proposed that the Authority will use approved counterparties from the UK and approved counterparties from other countries with the following sovereign credit ratings:-

Permitted Fitch Ratings	Permitted Moodys Ratings	Permitted S&P Ratings
AAA	Aaa	AAA

Country	Maximum Investment per Country	Credit Rating/Other Assessment of Risk
AAA countries (listed at Appendix D)	£20M (held in call accounts)	As per rating list
UK	No Maximum Investment	As per rating list

7.7 *Group/Institutions - Counterparty Criteria/Limits:*

Specified Investments:

Institution	Maximum Investment per Group/Institution £M	Maximum Length	Credit Rating/Other Assessment of Risk
UK Banks	20 (a maximum £10M to be held in fixed term investments)	Up to 364 days	As per Capita's matrices and the Authority's definition of a high credit rating
Foreign Banks	5	Up to 364 days	As per Capita's matrices and the Authority's definition of a high credit rating
Other Local Authorities	25	Up to 364 days	N/A

Non-Specified Investments:

Institution	Maximum Investment per Group/Institution £M	Maximum Length	Credit Rating/Other Assessment of Risk
UK Banks	10 (£2M limit with any one institution)	Up to 2 years	As per Capita's matrices and the Authority's definition of a high credit rating
Lloyds Bank (as a mortgage lender in the LAMS scheme)	5	Up to 5 years	N/A
Foreign Banks	2	Up to 2 years	As per Sector's matrices and the Authority's definition of a high credit rating
Money Market Funds (max. of 5)	10	N/A	All are AAA rated plus the parents/owners must meet the Authority's short term investment criteria
Other Local Authorities	10	Up to 2 years	N/A
European Investment Bank Bonds	3	2-3 years	N/A

Note: Limits for Specified and Non-Specified are combined limits. The maximum limit will also apply to a banking group as a whole.

Appendix B

The main rating agencies (Fitch, Moody's and Standard & Poor's) have, through much of the financial crisis, provided some institutions with a ratings "uplift" due to implied levels of sovereign support. Commencing in 2015, in response to the evolving regulatory regime, all three agencies have begun removing these "uplifts" with the timing of the process determined by regulatory progress at the national level. The process has been part of a wider reassessment of methodologies by each of the rating agencies. In addition to the removal of implied support, new methodologies are now taking into account additional factors, such as regulatory capital levels. In some cases, these factors have "netted" each other off, to leave underlying ratings either unchanged or little changed. A consequence of these new methodologies is that they have also lowered the importance of the (Fitch) "Support and Viability" ratings and have seen the (Moody's) "Financial Strength" rating withdrawn by the agency.

In keeping with the agencies' new methodologies, the credit element of our advisors' assessment process now focuses solely on the Short and Long Term ratings of an institution. While this is the same process that has always been used by Standard & Poor's, this has been a change to the use of Fitch and Moody's ratings. It is important to stress that the other key elements to the process, namely the assessment of Rating Watch and Outlook information as well as the Credit Default Swap (CDS) overlay, have not been changed.

The evolving regulatory environment, in tandem with the rating agencies' new methodologies, also means that sovereign ratings are now of lesser importance in the assessment process. Where, through the crisis, clients typically assigned the highest sovereign rating to their criteria, the new regulatory environment is attempting to break the link between sovereign support and domestic financial institutions. While this authority understands the changes that have taken place, it will continue to specify a minimum sovereign rating of AAA (excluding the UK). This is in relation to the fact that the underlying domestic and, where appropriate, international economic and wider political and social background will still have an influence on the ratings of a financial institution.

It is important to stress that these rating agency changes do not reflect any changes in the underlying status or credit quality of the institution, merely a reassessment of their methodologies in light of enacted and future expected changes to the regulatory environment in which financial institutions operate. While some banks have received lower credit ratings as a result of these changes, this does not mean that they are suddenly less credit worthy than they were formerly. Rather, in the majority of cases, this mainly reflects the fact that implied sovereign government support has effectively been withdrawn from banks. They are now expected to have sufficiently strong balance sheets to be able to withstand foreseeable adverse financial circumstances without government support. In fact, in many cases, the balance sheets of banks are now much more robust than they were before the 2008 financial crisis when they had higher ratings than now. However, this is not universally applicable, leaving some entities with modestly lower ratings than they had through much of the "support" phase of the financial crisis.

Economic Background

UK:

UK GDP growth rates of 2.2% in 2013 and 2.9% in 2014 were the strongest growth rates of any G7 country. The 2014 growth rate was also the strongest UK rate since 2006 and the 2015 growth rate is likely to be a leading rate in the G7 again, possibly being equal to that of the US. However, quarter 1 of 2015 was weak at +0.4% (+2.9% y/y) although there was a rebound in quarter 2 to +0.7% (+2.4% y/y). Growth is expected to weaken to about +0.5% in quarter 3 as the economy faces difficulties for exporters from the appreciation of Sterling against the Euro and weak growth in the EU, China and emerging markets and, also, the dampening effect of the Government's continuing austerity programme although the pace of reductions was eased in the May Budget.

Despite these difficulties, the Bank of England August Inflation Report included a forecast for growth to remain around 2.4 – 2.8% over the next three years, driven mainly by strong consumer demand as the squeeze on the disposable incomes of consumers has been reversed by a recovery in wage inflation at the same time that CPI inflation has fallen to, or near to, zero over the last quarter. Investment expenditure is also expected to support growth. However, since the report was issued, the Purchasing Manager's Index (PMI) for services on 5th October indicated a further decline in the growth rate to only +0.3% in Q4, which would be the lowest rate since the end of 2012. In addition, worldwide economic statistics and UK consumer and business confidence have distinctly weakened so it would not, therefore, be a surprise if the next Inflation Report in November were to cut those August forecasts.

The August Bank of England Inflation Report forecast was notably subdued in respect of inflation which was forecast to barely get back up to the 2% target within the 2-3 year time horizon. However, with the price of oil taking a fresh downward direction and Iran expected to soon re-join the world oil market after the impending lifting of sanctions, there could be several more months of low inflation still to come, especially as world commodity prices have generally been depressed by the Chinese economic downturn. There are, therefore, considerable risks around whether inflation will rise in the near future as strongly as had previously been expected. This will make it more difficult for the central banks of both the US and the UK to raise rates as soon as was being forecast until recently, especially given the recent major concerns around the slowdown in Chinese growth, the knock on impact on the earnings of emerging countries from falling oil and commodity prices, and the volatility we have seen in equity and bond markets in 2015 so far, which could potentially spill over to impact the real economies rather than just financial markets.

By virtue of paragraph(s) 14 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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A83-2015

CYNGOR SIR POWYS COUNTY COUNCIL.

AUDIT COMMITTEE MEETING 9TH NOVEMBER, 2015

REPORT BY: Solicitor to the Council

SUBJECT: Composition of the Committee

REPORT FOR: Decision

1. Introduction.

1.1 In a recent self-assessment action plan (September 2015) the Audit Committee approved the need to review its terms of reference and role and purpose. As a starting point to that review, a comparison of the size of this Council's committee by comparison to other Audit Committees in Wales was undertaken, which has highlighted that it far exceeds the size of similar committees elsewhere.

1.2 The comparative information is set out below:

Audit Committee Membership in Welsh Councils

	Councillors	Lay	Committee Total	Total No of Members of Council
Anglesey	8	2	10	40
Blaenau Gwent	16	1	17	42
Bridgend	12	1	13	54
Caerphilly	12	1	13	73
Cardiff	7	4	11	75
Carmarthenshire	8	1	9	74
Ceredigion	6	1	7	42
Conwy	16	1	17	59
Denbighshire	6	1	7	47
Flintshire	7	1	8	70
Gwynedd	18	1	19	74
Merthyr	10	1	11	33
Monmouthshire	11	1	12	43
Neath Port Talbot	12	1	13	64
Newport	7	1	8	50
Pembrokeshire	6	1	7	60
Powys	21	1	22	73
Rhondda Cynon- Taff	15	1	16	75
Swansea	12	1	13	72
Torfaen	6	1	7	44
Vale of Glamorgan	7	1	8	47
Wrexham	12	1	13	52

Breakdown:	
20+	1
15 to 19	4
10 to 14	9
5 to 9	8
	22

1.3 The breakdown groups are as follows:

20+ Members	1			
	Councillors	Lay	Committee Total	Total No of Members of Council
Powys	21	1	22	73

15 to 19 Members	4			
	Councillors	Lay	Committee Total	Total No of Members of Council
Gwynedd	18	1	19	74
Blaenau Gwent	16	1	17	42
Conwy	16	1	17	59
Rhondda Cynon-Taff	15	1	16	75

10 to 14 Members	9			
	Councillors	Lay	Committee Total	Total No of Members of Council
Bridgend	12	1	13	54
Caerphilly	12	1	13	73
Neath Port Talbot	12	1	13	64
Swansea	12	1	13	72
Wrexham	12	1	13	52
Monmouthshire	11	1	12	43
Cardiff	7	4	11	75
Merthyr	10	1	11	33
Anglesey	8	2	10	40

5 to 9 Members	8			
	Councillors	Lay	Committee Total	Total No of Members of Council
Carmarthenshire	8	1	9	74
Flintshire	7	1	8	70
Newport	7	1	8	50
Vale of Glamorgan	7	1	8	47
Ceredigion	6	1	7	42
Denbighshire	6	1	7	47
Pembrokeshire	6	1	7	60

1.4 In addition there are other pressures on the Audit Committees as follows:

- (a) In the allocation of Members by the political groups to membership of the Audit Committee it is becoming apparent that this is not a committee on which Members prefer to sit. Currently there are 4 vacancies on the committee.
- (b) The Council's current budget proposals include a reduction in the costs of operating committees, and specifically a need to review the numbers sitting on committees, as the Democratic budget will have to face a reduction over the next financial years. Therefore this is an opportune time to undertake a review with this committee with other Council committees being reviewed in sequence.

1.5 In attempting to make a suggestion to Members as to what might be the appropriate alternative size for the committee, it is suggested that the Council might wish to look at a mid point of between 9 to 12 Members as a starting point.

1.6 In looking at how this would be reflected in the political make up of the committee a committee of 10 and 12 do not work out exactly in terms of group numbers. However a committee of 9 or 11 works out exactly as follows:

Committee of 9:

PIA	Cons	Lib Dem	Labour	Ind	Non Political	Total
3	1	1	1	2	1	9

Committee of 11:

PIA	Cons	Lib Dem	Labour	Ind	Non Political	Total
4	2	1	1	2	1	11

1.7 Any change to the composition and terms of reference of the Committee will require the approval of Council as it is a change to the Council's Constitution. Any recommendation from this committee will therefore need to be submitted to the Democratic Services Committee for consideration in accordance with the Constitution.

1.8 If the Committee is minded to amend its composition, the next stage of the review process will be to consider the terms of reference and its own internal operation i.e. working groups. This can be considered at the next meeting of the committee.

Recommendation:	Reason for Recommendation:
<p>(i) That the Committee considers amending its composition; and</p> <p>(ii) That this recommendation is considered by the Democratic Services Committee in order to progress an amendment to the Council's Constitution.</p>	<p>To progress the Committee's own self-assessment action plan.</p>

Person(s) To Action Decision:	Clive Pinney, Solicitor to the Council.		
Date By When Decision To Be Actioned:	November, 2015		
Relevant Policy (ies):	Council's Constitution.		
Within Policy:	Y	Within Budget:	Y
Contact Officer:	Wyn Richards, Scrutiny Manager Tel: 01597 826375 Email: wyn.richards@powys.gov.uk		



Audit Committee

9 November 2015

Finance and Performance Working Group

Purpose of Report: Progress report

One meeting has been held in the quarter to consider the Financial Overview and Forecast as at 31 August 2015 and Q1 Service Improvement Plan performance data.

It was noted that the projection at the end of August was for an overspend of £4.4M which would wipe out half of the Authority's reserves. A number of savings will not be realised until the fourth quarter, a similar situation to previous years. £1.9M of last year's savings have been realised in the current financial year with a further £459K still to be achieved. It is hoped that by moving to a three year budget the profiling of savings will improve. However it was also recognised that not all systems in operation across the authority facilitate the easy compilation of data. The Group remain concerned at the lack of comment by Cabinet and intend to take the matter up with the Leader and Portfolio Holder for Finance.

The data provided for Performance at the end of Q1 was thought to be inadequate – only one measure was reported as red. Furthermore, classifying a measure as blue simply indicates that it has been completed with no reference to whether it was successful. The speed of access to information remains challenging. Although scrutiny had participated in challenging the emerging SIPs, it was still thought that targets were insufficiently clear or relevant. The Group has asked that the Joint chairs Steering Group give further consideration to the scrutiny of performance.

Report contact: Lisa Richards, Legal, Scrutiny and Democratic Services

Contact details: lisa.richards@powys.gov.uk, 01597 826371

Sources/background papers: Notes of meeting 16 October 2015

Group Members: County Councillors A W Davies (Lead Member), G G Hopkins, J G Morris, T J Van Rees, and Mr J Brautigam

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Audit Committee

9 November 2015

Finance Scrutiny Panel

Purpose of Report: Progress report

Two meetings of the Panel have been held.

In August the Portfolio Holder for Finance had presented the long list of proposed savings drawn up by each service area which were to be considered in more detail at two Budget Seminars for all Members.

A further meeting was held recently when Members considered the impact of their comments on the information presented to those Seminars. The budget setting process in Powys is evolving and, whilst the Panel welcomed the earlier and more detailed involvement of Members, there remained concerns that there were still too many elements of 'salami' slicing rather than transformational change. The Panel remain concerned whether some proposals are deliverable.

The Panel agreed to ask a series of questions to all Heads of Service regarding the level of confidence they had in achieving the proposals and the plans and process that are in place to deliver savings. Some service areas may be questioned in more detail regarding their responses. A final report will be prepared for Cabinet's consideration prior to the final Members' Budget Seminar scheduled for 18 December 2015.

Report contact: Lisa Richards, Legal, Scrutiny and Democratic Services

Contact details: lisa.richards@powys.gov.uk, 01597 826371

Sources/background papers: Notes of meetings 14 August and 19 October 2015

Group Members: County Councillors A W Davies (Lead Member), D E Davies, S Davies, D R Jones, M J Jones, J G Morris, A G Thomas, D A Thomas, R G Thomas and Mr J Brautigam

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Audit Committee

9 November 2015

Internal Audit Working Group

Purpose of Report: Progress report

The Group will have met twice since it last reported to Audit Committee:

Housing Operations and Systems	The Group monitored progress following the implementation of a new IT system and restructure. This highlighted the need for Post Implementation Reviews to be carried out – a selection would be requested for consideration by the Group
Corporate Fraud	A presentation on the work of the Corporate Fraud Team was received. A pilot scheme had run which had retrieved in excess of £200K. Prevention of fraud was likely to save at least £75K per annum
Internet security	An updated action plan was considered. Further monitoring would take place three months after the 'open' internet policy had gone live.
Debt Management and Recovery	A new system was to go live on 1 September and further monitoring would take place once the system had been implemented.
Audit Committee Self-Assessment Action Plan	A draft action plan was approved for consideration by Audit Committee in September.
Recommendation Tracker	A recommendation tracker has been introduced. Services had been asked to indicate progress against action plans but responses had been patchy
Fraud Update	The Group receives a regular update on fraud both internally and corporately.

Reports on Purchase Cards, direct Payments, Fleet Management and Appointee and Deputyship will be considered at a meeting on 3 November – an update will be provided at the meeting.

Report contact: Lisa Richards, Legal, Scrutiny and Democratic Services

Contact details: lisa.richards@powys.gov.uk, 01597 826371

Sources: Notes of meetings 14 August 2015

Group Membership: County Councillors A W Davies, E R Davies, S C Davies, F Jump, J G Morris, D A Thomas and Mr J Brautigam

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AUDIT COMMITTEEWork Programme 2015-16

Chair

Vice Chair Cllr John G Morris

9 November 2015		
Election of Chair and Vice		
Standard Items <ul style="list-style-type: none"> Minutes Joint Chairs Notes Work Programme 	28 September 18 September (meeting cancelled)	Lisa Richards “ “
WAO <ul style="list-style-type: none"> Domiciliary Care Review 	Deferred	
Internal Audit	Quarterly Plan	Ian Halstead
Treasury Management	Q2	Ann Owen
Risk Management	Quarterly report and Business Continuity Champion	Caroline Evans
Working Groups: <ul style="list-style-type: none"> Internal Audit Finance and Performance Finance Scrutiny Panel 	Progress report “ “	Lisa Richards
Other <ul style="list-style-type: none"> Commercial Services 	Half Yearly report	Gail Jones

4 February 2016		
Standard Items <ul style="list-style-type: none"> Minutes Joint Chairs Notes Work Programme 	9 November 2015 20 November 2015 & 22 January 2016	Lisa Richards “ “
WAO	Domiciliary Care Report Management Letter	
Internal Audit	Monitoring of IA Plan	Ian Halstead
Treasury Management	Q3	Ann Owen
Risk Management	Progress report	Caroline Evans
Working Groups <ul style="list-style-type: none"> Finance and Performance Internal Audit Finance Scrutiny Panel 	Summary report “ “ “	Lisa Richards
Other:		

15 April 2016		
Standard Items		
<ul style="list-style-type: none"> • Minutes • Joint Chairs Notes • Work Programme 		Lisa Richards “ “
•		

Working Groups

Finance and Performance: **Chair, Cllrs G Hopkins, T J Van Rees
and Mr J Brautigam**

Internal Audit: **Chair and Vice Chair, E R Davies, S C Davies, F
Jump, D Thomas and Mr J Brautigam**