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Contact Officer:
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To: Cllr Tim Newhouse (Chairman)

Councillors: Glyn Banks, Haydn Bateman, Ian Dunbar, Alison Halford, Ian Roberts and Arnold Woolley

Co-opted Member:
Paul Williams

17 January 2017

Dear Councillor

You are invited to attend a meeting of the Audit Committee which will be held at 10.00 am on Wednesday, 25th January, 2017 in the Clwyd Committee Room, County Hall, Mold CH7 6NA to consider the following items

A G E N D A

1 APOLOGIES

Purpose: To receive any apologies.

2 DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)

Purpose: To receive any Declarations and advise Members accordingly.

3 MINUTES (Pages 5 - 14)

Purpose: To confirm as a correct record the minutes of the meeting held on 26 September 2016 (copy enclosed).

4 INTERNAL AUDIT PROGRESS REPORT (Pages 15 - 50)

Report of Interim Internal Audit Manager enclosed.

Purpose: To present to the Committee an update on the progress of the Internal Audit Department.

5 STRATEGIC RISKS - MID YEAR REVIEW (Pages 51 - 106)

Report of Chief Executive enclosed. Portfolio of the Leader of the Council and Cabinet Member for Finance.

Purpose: To review the Council's strategic risk at the mid year position.

6 CODE OF CORPORATE GOVERNANCE AND ANNUAL GOVERNANCE STATEMENT (Pages 107 - 144)

Report of Chief Executive enclosed. Portfolio of the Leader of the Council and Cabinet Member for Finance.

Purpose: To endorse the Council's Code of Corporate Governance and preparation for this year's Annual Governance Statement.

7 GRANTS AUDIT WORK 2015/16 - VERBAL UPDATE

To receive a verbal update on Grants audit work 2015/16.

8 WALES AUDIT OFFICE (WAO) - ANNUAL AUDIT LETTER 2015/16 (Pages 145 - 152)

Report of Corporate Finance Manager enclosed.

Purpose: To present the Wales Audit Office's Annual Audit Letter 2015/16 for Members information

9 TREASURY MANAGEMENT - STRATEGY 2017/18, MID-YEAR REPORT 2016/17 AND QUARTERLY UPDATE 2016/17 (Pages 153 - 198)

Report of Corporate Finance Manager enclosed.

Purpose: 1 To present the draft Treasury Management Strategy 2017/18 for review prior to the Committee recommending its approval to Cabinet.

2 To provide an update on matters relating to the Council's Treasury Management Policy, Strategy and Practices 2016/17 to the end of September 2016.

3 To provide Members with a quarterly update on matters relating to the Council's 2016/17 Treasury Management Strategy up to the end of December 2016.

10 **MOBILE PHONES - PROGRESS UPDATE** (Pages 199 - 204)

Report of Chief Officer (Governance) enclosed.

Purpose: To provide a progress update on mobile phones.

11 **IMPLEMENTATION OF CONTRACT PROCEDURE RULES** (Pages 205 - 208)

Report of Chief Officer (Governance) enclosed. Portfolio of the Cabinet Member for Corporate Management.

Purpose: To update members on the implementation of the new Contract Procedure Rules

12 **ACTION TRACKING** (Pages 209 - 214)

Report of Interim Internal Audit Manager enclosed.

Purpose: To inform the Committee of the actions resulting from points raised at previous Audit Committee meetings.

13 **FORWARD WORK PROGRAMME** (Pages 215 - 222)

Report of Interim Internal Audit Manager enclosed.

Purpose: To consider the Forward Work Programme of the Internal Audit Department.

14 **ARRANGEMENTS FOR THE POST OF INTERNAL AUDIT MANAGER - VERBAL UPDATE**

Purpose: To receive a verbal update.

**LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 - TO
CONSIDER THE EXCLUSION OF THE PRESS AND PUBLIC**

The following item is considered to be exempt by virtue of Paragraph(s) 12, 13 of Part 4 of Schedule 12A of the Local Government Act 1972 (as amended).

The report contains information relating to individuals and the public interest in not revealing the information outweighs the public interest in releasing it.

15 GREENFIELD VALLEY HERITAGE PARK (Pages 223 - 238)

Report of Interim Internal Audit Manager enclosed.

Purpose: To inform committee of the Internal Audit review of Greenfield Valley Heritage Park.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Rob Robins', with a long horizontal stroke extending to the right.

Robert Robins
Democratic Services Manager

AUDIT COMMITTEE **26 SEPTEMBER 2016**

Minutes of the meeting of the Audit Committee of Flintshire County Council held in the Clwyd Room, County Hall, Mold on Monday, 26 September 2016

PRESENT: **Councillor Tim Newhouse (Chairman)**

Councillors: Glyn Banks, Haydn Bateman, Ian Dunbar, Alison Halford,
Ian Roberts and Arnold Woolley

CO-OPTED MEMBER: Mr Paul Williams

ALSO PRESENT: Councillors: Aaron Shotton, Bernie Attridge and Billy Mullin

IN ATTENDANCE:

Chief Executive, Chief Officer (Governance), Internal Audit Manager, Principal Auditor, Corporate Finance Manager, Finance Manager - Technical Accountancy and Committee Officer

Mr. John Herniman, Mr. Matt Edwards and Mr. Simon Monkhouse of Wales Audit Office (for minute number 24)

Mr. Paul Goodlad of Wales Audit Office (for minute number 25)

Mr. Tom Booty, Programme Manager, Facilities, Assets & Housing, Denbighshire County Council (for minute number 26)

Senior Manager, Safeguarding & Commissioning and Business Manager (for minute number 27)

22. **DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)**

Councillor Glyn Banks declared a personal interest on Agenda Item 6 'Contract Procedure Rules' as he was a contractor on the Council's approved list.

23. **MINUTES**

The minutes of the meeting held on 13 July 2016 were submitted.

Matters Arising

Minute number 5: Consultancy Follow up - the Chief Executive gave an update on the effectiveness of the new system, reporting that only one new consultant at the highest threshold had been appointed since the last report. The Corporate Resources Overview & Scrutiny Committee was receiving regular updates to give assurance on value for money.

Minute number 6: Draft Statement of Accounts 2015/16 - the Finance Manager - Technical Accountancy was thanked by Councillors Haydn Bateman and Arnold Woolley for her explanations on the accounts.

Minute number 17: Car User Allowances - the Chief Executive said that all Members had been advised by email of the outcome of the negotiations with Trade Unions with the amended scheme due to become effective from 1 October.

RESOLVED:

That the minutes be approved as a correct record and signed by the Chairman.

24. STATEMENT OF ACCOUNTS 2015/16

The Corporate Finance Manager presented the final version of the Statement of Accounts for 2015/16 with the Wales Audit Office (WAO) reports in connection with the audit of the financial statements and Letters of Representation for Flintshire County Council and the Clwyd Pension Fund.

Changes agreed with the WAO during the course of the audit had been incorporated into the accounts and actions taken by officers. A response to the queries raised on the draft accounts at the July meeting had been forwarded to all Members, along with an offer to discuss any further queries directly with officers. The WAO had commended the Council's positive and proactive response to the issues raised on the 2014/15 audit and noted no reoccurrence of issues raised in previous years. The Corporate Finance Manager thanked WAO colleagues for their work on the audit and summarised three new issues highlighted in the report.

Mr. John Herniman of WAO welcomed the Council's approach in setting up the Accounts Governance Group to adopt a corporate oversight for the production of the accounts. He said that significant progress had been made, with a clean audit opinion given on the accounts. On the three new issues, the mathematical errors identified on the housing stock valuation would have no operational impact and no further action was required. It was also noted that work would need to progress on recognising provision for potential liability on former waste disposal sites and to pursue up-to-date membership information for the Clwyd Pension Fund.

The Chief Executive thanked WAO colleagues, including Amanda Hughes who was not present. He spoke about the continuation of the Accounts Governance Group which he had formed to support the Finance team, with involvement from WAO and progress reporting to the Chair and Vice-Chair of the Committee.

In response to questions from Councillor Ian Dunbar on the new issues, the Chief Executive said that provisional funding had been set aside for potential liabilities on former landfill sites and would be subject to further consideration by Cabinet and Overview & Scrutiny. The housing re-valuation matter reinforced the need for a standard national model to be developed by the Welsh Government. The Finance Manager explained the need to revalue council housing stock at least every five years and that this accounting entry showed the existing use value to the Council at the balance sheet date being 31 March 2016. She explained the Council's responsibilities in carrying out investigations on former waste disposal sites, with work starting on five former sites and another two nearing completion.

Councillor Arnold Woolley asked whether WG guidance on consistency of regional adjustment factors to value council stock could be pursued through the Welsh Local Government Association. The Corporate Finance Manager said that this was an issue across all Welsh councils and that representations were being made through regional groups.

Following a query by Councillor Haydn Bateman, the Finance Manager agreed to follow-up a request for clarification on what was included within the figures for 'specialist services' on the Housing Revenue Account (HRA) Income and Expenditure Statement. Details would also be given on the changes between the draft and final versions, which was likely to be a small amount of depreciation on leased assets such as aërials.

On the Clwyd Pension Fund, Councillor Glyn Banks asked about plans to manage or reduce the deficit. The Chief Executive said that the majority of Local Government pension funds across the UK were in a deficit position and that a long-term strategy to reach a fully funded position had been developed. Progress over the past few years had resulted in the Fund currently being 75% funded.

Mr. Matt Edwards thanked the Clwyd Pension Fund team for their co-operation in enabling WAO to conclude the audit work resulting in a positive, unqualified opinion on the accounts. He confirmed that there were no reported misstatements and that details of corrected misstatements on the draft accounts were appended to the report. The actions set out by management to address WAO recommendations on the Pension Fund accounts would be followed up as part of the audit for next year and made no material difference to the accounts.

When asked by Councillor Alison Halford about any concerns arising from the accuracy of the pension administration membership records, Mr. Edwards clarified that they did not impact on the Pension Fund accounts and the actuary had confirmed that the inaccuracies did give rise to material misstatement in the financial statements of the admitted bodies. Councillor Halford suggested that the Audit Committee could be involved in discussions with the Clwyd Pension Fund Committee when the issue was under consideration. The Chief Executive advised that Councillor Haydn Bateman was a member of both committees and that a specific item had been scheduled for that meeting at which the Corporate Finance Manager and the Pensions Finance Manager would provide an update. He went on to say that the Clwyd Pension Fund accounts formed part of the consolidated accounts, and that the Clwyd Pension Fund Committee was amongst the key stakeholders with governance responsibility on the accounts.

On contingent liabilities, Councillor Halford queried whether there was any significant financial risk arising from employment tribunals. The Finance Manager would check to confirm that this was a new liability within the accounts that did not apply in the previous year. At the end of the 2015/16, the risk had been noted as a contingent liability following an assessment and consultation with the Interim HR Manager on the basis that current cases leading to tribunals were not considered to be material. Councillor Halford requested details of the amount paid out by the Council to resolve employment tribunal claims.

The Chief Executive said that an overview of anonymised outcomes could be shared with the Committee. Following further comments from Councillor Halford, the Chief Officer (Governance) spoke about the process for confidentiality agreements. The Finance Manager explained that such costs would be summarised on the Income and Expenditure Statement within the accounts. The Chief Executive advised that a breakdown of the number, total amount paid out and outcomes of employment tribunal claims for 2015/16 would be shared with the Committee within two weeks. He explained that it would be an inappropriate practice to report individual cases to the Committee and that the Council had a good record on tribunal cases. It was also explained that a cap was imposed on employment claims and that any significant amount for claims would be included as part of Revenue Budget Monitoring reporting to the Corporate Resources Overview & Scrutiny Committee.

When asked to sum up, the Chairman stated that the Committee's focus was on procedural issues arising from claims against the Council.

The Chief Executive said that such claims would always present a risk especially to larger-scale employers. He said that significant work had been done to mitigate risks over the years, including an ongoing review of the quality of disciplinary procedures with the Trade Unions.

RESOLVED:

- (a) That the final version of the Statement of Accounts 2015/16 be recommended to County Council;
- (b) That the Wales Audit Office reports on the Audit of the Financial Statements for Flintshire County Council and Clwyd Pension Fund be received; and
- (c) That the Letters of Representation for Flintshire County Council and the Clwyd Pension Fund be recommended to County Council.

25. ANNUAL IMPROVEMENT REPORT OF THE AUDITOR GENERAL FOR WALES

Mr. Paul Goodlad of Wales Audit Office (WAO) introduced the Annual Improvement Report which summarised audit work since March 2015. The report concluded that 'despite increasing financial pressures, the Council has continued to improve performance within its priority areas and to strengthen its corporate arrangements'. Mr. Goodlad confirmed there were no specific areas of concern or new proposals for improvement and noted that the sections on education and social services incorporated in the report had been provided by the respective external bodies. He reported that good progress had been made on actions being taken to address proposals for improvement from the 2014 Corporate Assessment Report.

The Chief Executive gave an overview of progress on the action plan where each action was being led by either himself or the Chief Officer (Governance).

On the P5 proposal for improvement, Councillor Ian Dunbar welcomed the early budget consultations with Members which provided an insight into the financial pressures faced by the Council.

RESOLVED:

- (a) That the Annual Improvement Report be accepted; and
- (b) That the updated response to the proposals for improvement from the 2015 report be noted.

26. CONTRACT PROCEDURE RULES

The Chief Officer (Governance) presented the draft revised Contract Procedure Rules (CPRs) which had been updated to reflect various legislative changes and the move to an electronic procurement system. The current CPRs had been adopted in 2013 following delays in the agreement of a national model and the proposed new set was consistent with those used at Denbighshire County Council with whom Flintshire shared the procurement service. A number of improvements had been made to the revised CPRs including the introduction of a commissioning form and changes to authorisation thresholds which allowed an increased level of oversight for Members. A programme of sessions for Members and officers was planned to raise awareness of the new rules, including more targeted user training.

The Committee was introduced to Mr. Tom Booty, the Programme Manager for Facilities, Assets & Housing at Denbighshire County Council. He explained that the development of the revised CPRs had been informed by assessing procedures and issues raised by Internal Audit. Feedback from Denbighshire, where the CPRs had been in use for several months, showed that the training programme and increased focus on procurement planning had been well received.

Councillor Ian Roberts asked whether any weight was given to the previous performance/conduct of contractors within the new rules. Mr. Booty explained that the electronic system incorporated a performance review element for completion at the end of each contract which would help to inform future tendering exercises. Councillor Roberts went on to question the current process in Flintshire and stressed the importance of safeguards to ensure that contractors with a poor record of service delivery were not given an opportunity to tender for further work.

The Chief Officer said that whilst contract award criteria was 60/40 for quality and cost, consideration should also be given to previous under-performance which had not been rectified. The Chief Executive said that officers were expected to apply rigour and judgement when awarding contracts under the rule prevailing at that time.

Councillor Glyn Banks commented on the Council's select list of contractors and was advised that this was no longer required under the new CPRs as contracts were awarded on an individual basis.

Councillor Roberts raised concerns about the continuing performance levels of a particular contractor and stressed the importance of safeguards within the CPRs to flag up this issue. Councillor Alison Halford felt that the report gave no assurance about the issue raised by Councillor Roberts. The Chief Officer referred to his earlier response and that given by Mr. Booty on collating performance data, asking that any concerns about specific contractors be raised with him outside the meeting.

In response to concerns raised by Councillor Arnold Woolley, Mr. Booty explained that the regulations did not permit a contractor to be excluded from tendering solely on the basis that they already undertook a significant proportion of work for the Council. Where this had occurred in Denbighshire, the practice was for the Economic Development team to discuss diversification options with the supplier. The Chief Officer added that a section on risk planning had been included in the CPRs which helped to give assurance on safeguards in respect of engaging start-up businesses. He went on to clarify that the CPRs did not apply to agency contracts as a robust recruitment process was already in place.

Mr. Paul Williams felt that the CPRs were too complex and difficult to follow, suggesting that the inclusion of a flowchart would help to clarify the process. He sought assurance on safeguards to ensure workforce compliance with the rules, as this had been a previous issue, and asked whether aggregate authorisation limits had been set for service managers. In response to further points raised, it was reported that audits on the new CPRs were scheduled in both Denbighshire and Flintshire and that Internal Audit officers from both councils had been involved in the reviewing process of developing the CPRs. Mr. Williams felt unable to support the recommendations at this stage and suggested that implementation be delayed until the audit findings were known to give assurance on the safeguards.

The Chief Executive reiterated the need to refresh and modernise the current CPRs which were already in use, and that appropriate training and support would be provided. He said that a report on training and operations could be provided to the Committee to give assurance about how the new rules were working in practice following the transition.

The Chief Officer spoke about the role of the Procurement Team in having an oversight of the process and reporting directly to him. Discussions on the timing of the training programme had resulted in agreement on 1 November 2016 as the current rules were outdated. Explanation was also given on plans to adopt a category management approach similar to Denbighshire.

Mr. Booty said that guidance used in Denbighshire for both suppliers and officers could be shared with the Committee. Feedback had shown the document was easier to read and highlighted the benefits of moving to electronic procurement. Flowcharts used in Denbighshire could also be shared whilst noting that there were complexities in the process.

Councillor Halford welcomed the learning from Denbighshire's experience and understood the need to refresh the rules, but felt that not enough consideration was being given to the quality of contractors' work. Councillor Roberts agreed and said that the issue extended beyond one contractor, for

example on a number of contracts for the Flint redevelopment. He raised concerns about reputational risk to the Council and felt that the quality of workmanship should be strongly represented in the CPRs to reinforce the message to contractors.

Councillor Woolley agreed that the rules should reflect the responsibilities of contractors to rectify any faults identified. Mr. Booty said that the CPRs set out clear accountability on the management of contractors' performance and the expectation for contract managers to address any issues of underperformance.

The Chief Executive pointed out that the new CPRs would not in themselves remove the concerns raised. He proposed a report on the transition to the new rules and the success of training and supervision of those making procurement decisions. He said that the new rules should be implemented as they raised expectations on managing contracts and achieving community benefits.

The Chief Officer drew attention to the section on contract performance within the CPRs which gave clear guidance on managing contracts and said that specific focus could be given to this during the training.

On contractor performance, Councillor Halford asked about opportunities for resident feedback, adding that some may not feel comfortable reporting issues. The Chief Executive referred to the robust system for housing tenants where both positive and less positive feedback was received, which helped to identify trends.

Councillor Halford referred to section 1.1.9 of the CPRs on the role of Council Members on accountability for the Council's actions and said that a better system was needed with provision to feedback satisfaction levels to contractors. Councillor Roberts felt that individual officer capacity was an issue.

Councillor Woolley suggested an additional resolution that the Committee confirms to Council that the proposed CPRs would give satisfactory assurance and controls in the provision of awarding contracts only. The Chief Executive again made his suggestion for a report on the transition to the new rules and performance of contracts against the rules in practice. The Committee agreed that the implementation date should remain as 1 November 2016 to enable a report to be submitted in January detailing progress on implementation and training. On being put to the vote, this was carried.

As suggested by Councillor Halford, an update on CPRs would be scheduled twice yearly on the Committee's Forward Work Programme.

RESOLVED:

- (a) That the Audit Committee confirms to Council that the proposed CPRs will give satisfactory assurance and controls in the provision of awarding contracts only;
- (b) That the Committee recommends Council adopts the proposed new rules;

- (c) That the Audit Committee receives an early report on the successful transition to the new Contract Procedure Rules and receives reports on the performance of contracts against the rules in practice; and
- (d) That the implementation date will remain as 1 November 2016 to enable a period of implementation prior to January at which an update report will be received.

27. INTERNAL AUDIT PROGRESS REPORT

The Internal Audit Manager presented the update report on progress of the Internal Audit department. He referred to information on the finalised report on the red review of provider overpayments to care homes and welcomed the prompt actions including the establishment of a Task & Finish Group.

The Senior Manager (Safeguarding & Commissioning) and Business Manager were in attendance to report on progress with the action plan. They explained that on identifying the overpayment, the team had engaged with Internal Audit to look at processes, most of which had already been recognised by the service area. An update was given on positive actions to strengthen links and address the weaknesses which had led to the overpayment.

Councillor Alison Halford thanked the team and Internal Audit for their work. She raised concerns that the PARIS system had not identified the overpayment and suggested that the Chief Officer (Social Services) be invited to a future meeting to give an overview of the safeguards and provide assurance on the effectiveness of systems.

The Senior Manager advised that the provider had prepared a repayment schedule and that the full amount was being sought through debtor negotiations.

The Chief Executive agreed that the incident was regrettable and that it was reasonable to ask the Chief Officer (Social Services) to address the concerns. He spoke about the responsibilities on service providers as well as that of the Council and felt that this should be highlighted with other care providers. He also referred to the complexities of the PARIS system.

In response to questions from Mr. Paul Williams, explanation was given on the invoicing process where checks had not been properly carried out and it was confirmed that all records had been checked to verify that this was a standalone issue. Actions included a review of procedures across Social Services to learn lessons and make improvements to prevent any reoccurrence. In respect of the repayment schedule, this was a reasonable request but the Council was seeking to recover the full cost and an informal communication could be shared with the Committee on the conclusion of these negotiations. It was also explained that the care provider had been made aware of the overpayment once it had been brought to their attention.

The Chief Executive suggested that the Chief Officer could be invited to the next meeting in January to report on the progress of implementing the recommendations.

On the question of further work by Internal Audit, there were no overdue actions and no new investigations to report.

The Internal Audit Manager reported on changes within the section, as set out in the report, which had led to revisions to the Audit Plan. The Principal Auditor confirmed that the reduced number of days within the Plan remained sufficient to give the annual audit opinion and that the changes had been determined by assessing various factors and consultation with relevant senior officers.

Following a query by Councillor Halford on the risk ratings allocated to audits within the Plan, it was clarified that these did not reflect any findings or pre-judgement but were determined by the model used in the planning process to prioritise work.

Officers agreed to the request made by Mr. Paul Williams that any actions with a revised due date six months beyond the original date be flagged up with the Committee to monitor slippage.

RESOLVED:

That the report be accepted.

28. INTERNAL AUDIT CHARTER

The Principal Auditor presented a report to consider the outcome of a review of the charter to meet legal and regulatory requirements including recent changes to the Public Sector Internal Audit Standards (PSIAS). Members were advised of the key changes relating to the Mission Statement and Code of Ethics.

RESOLVED:

That the updated Internal Audit Charter be approved.

29. ACTION TRACKING

The Internal Audit Manager presented the progress update report on actions arising from points raised at previous meetings of the Committee. Whilst the vast majority had been implemented, the remainder would be brought to future meetings. The comparative statistics on grant claims, provided by Wales Audit Office, would be presented to the next meeting.

RESOLVED:

That the report be accepted.

30. FORWARD WORK PROGRAMME

The current Forward Work Programme was presented for consideration. The suggested items on the Contract Procedure Rules update and Chief Officer report on Provider Overpayments would be scheduled for the January meeting.

As this was the last meeting before the departure of the Internal Audit Manager, the Chairman took the opportunity to thank him for his excellent work and offer best wishes on behalf of the Committee. Good wishes were also extended to the Principal Auditor who was to undertake the role on an interim basis.

The Chief Officer (Governance) said that information on the interim arrangements had been shared with Members and that work was underway to explore permanent options for the post including the potential for post-sharing with other Authorities. A clear position statement would be given to the Committee at the meeting in January. The Internal Audit Manager thanked the Committee for its support to him personally and to the Internal Audit section.

RESOLVED:

- (a) That the Forward Work Programme be accepted with amendments; and
- (b) That the Internal Audit Manager, in consultation with the Chair and Vice-Chair of the Committee, be authorised to vary the Forward Work Programme between meetings, as the need arises.

31. ATTENDANCE BY MEMBERS OF THE PRESS AND PUBLIC

There was one member of the press in attendance.

(The meeting started at 10.00 am and ended at 12.45 pm)

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Chairman



AUDIT COMMITTEE

Date of Meeting	Wednesday, 25 January 2017
Report Subject	Internal Audit Progress Report
Cabinet Member	Not Applicable
Report Author	Interim Internal Audit Manager
Type of Report	Assurance

EXECUTIVE SUMMARY

Internal Audit produces a progress report for the Audit Committee every quarter. This shows the position of the team against the plan, changes to the plan, final reports issued, action tracking, performance indicators and current investigations. This meets the requirements of the Public Sector Internal Audit Standards, and also enables the committee to fulfil the Terms of Reference with regards to Internal Audit.

The current report is attached.

RECOMMENDATIONS

1	To consider and accept the report.
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REPORT DETAILS

1.00	EXPLAINING THE INTERNAL AUDIT PROGRESS REPORT
1.01	Internal Audit gives a progress report to the Audit Committee every quarter as part of the normal reporting process. The report is divided into several parts.
1.02	All reports finalised since the last committee meeting are shown in Appendix A. The level of audit assurance for standard audit reviews is detailed within Appendix B. Details for the three 'red' assurance reviews, Provider Overpayments, Payment Card Industry Data Security Standard (PCIDSS) and Greenfield Valley Heritage Park is given in Appendix C. Service Area management will provide a verbal update during the meeting for each.

	Copies of all final reports are available for members if they wish to see them.
1.03	<p>The automatic tracking of actions continues using the integrated audit software. All actions are tracked automatically and the system allows Managers and Chief Officers to monitor their own teams' outstanding actions and confirm they are being implemented.</p> <p>E-mail alerts are generated by the system and sent to the responsible officer and their manager before the action is due. E-mails are also sent to them and copied to Chief Officers if actions are not completed on time. Monthly reports are also sent to Chief Officers informing them of outstanding actions for their teams.</p> <p>The system was rolled out from the 4th January 2016, including requiring all managers and Chief Officers to register. It included all actions from reports issued since April 2015, along with outstanding actions previously tracked. As such there was a large backlog of actions which have been completed and closed on the system.</p> <p>Appendix D shows the current situation. Of 419 actions entered into the system 331 have been cleared. Of the remaining live 88 actions, 6 are currently overdue. Appendix E provides the reasons for overdue actions, along with a note on how the risk is being managed before the action is complete.</p> <p>In accordance with the wishes of the Committee in September, Appendix F lists all actions with a revised due date of six months from the original due date is listed. For each revised due date entered onto the system, the officer is required to provide a reason to support this change.</p>
1.04	Appendix G shows the status of current investigations into alleged fraud or irregularities. The table includes the start dates of the investigations.
1.05	<p>Appendix H shows the range of performance indicators for the department. Within the last two quarters there has been an improvement in the number of audits completed within budget and for the few targets that did not improve they were green.</p> <p>A review of the targets will be carried out in preparation for the new financial year to ensure targets are realistic. There has been a decline in the number of Client Questionnaires returned and this is reflected in the stats. This will be followed up with each Portfolio.</p>
1.06	Appendix I shows the current position with regards to the 2016/17 plan.
1.07	Progress continues to be made with the plan and since the last committee meeting, we have now appointed a Senior Auditor who commenced work on the 3 rd January 2017.

2.00	RESOURCE IMPLICATIONS
2.01	None as a direct result of this report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None required.

4.00	RISK MANAGEMENT
4.01	The work of Internal Audit provides assurance to the Council that adequate and effective controls are in place to mitigate risks.

5.00	APPENDICES
5.01	<p>Appendix A – Final Reports Issued Since September 2016</p> <p>Appendix B – Levels of Audit Assurance</p> <p>Appendix C – Summary of Findings & Action Plans for Red Reports</p> <p>Appendix D – Action Tracking – Portfolio Statistics</p> <p>Appendix E – Actions Beyond Due Date</p> <p>Appendix F – Actions with Revised Due Date Six Months Beyond Original Due Date</p> <p>Appendix G – Investigation Update</p> <p>Appendix H – Performance Indicators</p> <p>Appendix I – Operational Plan 2016/17</p>

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>None.</p> <p>Contact Officer: Lisa Brownbill, Interim Internal Audit Manager</p> <p>Telephone: 01352 702231</p> <p>E-mail: Lisa.brownbill@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>Wales Audit Office: works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.</p> <p>Corporate Governance: the system by which local authorities direct and control their functions and relate to their communities. It is founded on the basic principles of openness and inclusivity, integrity and accountability together with the overarching concept of leadership. It is an inter-related system that brings together the underlying set of legislative requirements, governance principles and management processes.</p> <p>Wales Chief Auditors Group: An informal meeting group of Chief Auditors to discuss items of mutual interest.</p> <p>Operational Plan: the annual plan of work for the Internal Audit team.</p>

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Internal Audit Progress Report – Appendices

Wednesday, 25th January 2017 Audit Committee

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Final Reports Issued since September 2016

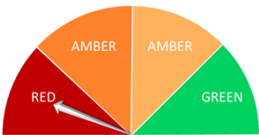
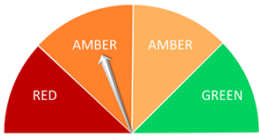
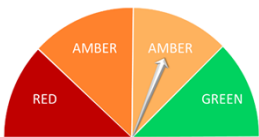
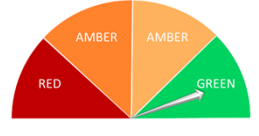
The following reports have been finalised since the last Audit Committee. Action plans are in place to address the weaknesses identified. For reviews which received **Red** assurance a summary of the findings and the Action Plan is attached.

Project Reference	Project Description	Audit Type	Level of Assurance	Actions		
				High	Med	Low
08-2016/17	Provider Overpayments	Risk Based	R	7	4	0
62-2015/16	Payment Card Industry Data Security Standard Compliance (PCIDSS)	Risk Based	R	4	0	2
01-2016/17	Greenfield Valley Heritage Park	Risk Based	R	5	3	1
08-2015/16	Disposal of ICT Equipment	Risk Based	AR	1	1	0
15-2015/16	Homelessness	Risk Based	AR	1	2	1
39-2015/16	Insurance	Risk Based	AG	0	2	3
02-2016/17	Tell Us Once	Risk Based	AG	0	2	0
10-2016/17	Industrial Units	Risk Based	AG	1	1	1
14F-2016/17	Direct Payments – Follow Up	Follow Up	AG	0	7	0
06-2016/17	Flying Start – Child Care Placements	Risk Based	AG	0	2	1
47/2015/16	Migration to Microsoft	Risk Based	G	0	0	0
06-2016/17	Community Asset Transfer (CAT)	VFM	G	0	0	6
17-2016/17	Mobile Working (Housing) & Gas Servicing	Risk Based	G	0	0	3
63-2016/17	Electronic Stock Taking	Advisory	N/A	0	3	0

Levels of Assurance – Standard Audit Reports

Appendix B

The audit opinion is the level of assurance that Internal Audit can give to management and all other stakeholders on the adequacy and effectiveness of controls within the area audited. It is assessed following the completion of the audit and is based on the findings from the audit. Progress on the implementation of agreed actions will be monitored. Findings from **Red** assurance audits will be reported to the Audit Committee.

Level of Assurance	Explanation
Red – Limited 	<p>Urgent system revision required (one or more of the following)</p> <ul style="list-style-type: none"> Key controls are absent or rarely applied Evidence of (or the potential for) significant financial / other losses Key management information does not exist System / process objectives are not being met, or are being met at a significant and unnecessary cost or use of resources. <p>Conclusion: a lack of adequate or effective controls.</p> <p>Follow Up Audit - <30% of actions have been implemented. Unsatisfactory progress has been made on the implementation of high priority actions.</p>
Amber Red – Some 	<p>Significant improvement in control environment required (one or more of the following)</p> <ul style="list-style-type: none"> Key controls exist but fail to address all risks identified and / or are not applied consistently and effectively Evidence of (or the potential for) financial / other loss Key management information exists but is unreliable System / process objectives are not being met, or are being met at an unnecessary cost or use of resources. <p>Conclusion: key controls are generally inadequate or ineffective.</p> <p>Follow Up Audits - 30-50% of actions have been implemented. Any outstanding high priority actions are in the process of being implemented.</p>
Amber Green – Reasonable 	<p>Key Controls in place but some fine tuning required (one or more of the following)</p> <ul style="list-style-type: none"> Key controls exist but there are weaknesses and / or inconsistencies in application though no evidence of any significant impact Some refinement or addition of controls would enhance the control environment Key objectives could be better achieved with some relatively minor adjustments <p>Conclusion: key controls generally operating effectively.</p> <p>Follow Up Audit: 51-75% of actions have been implemented. All high priority actions have been implemented.</p>
Green – Substantial 	<p>Strong controls in place (all or most of the following)</p> <ul style="list-style-type: none"> Key controls exist and are applied consistently and effectively Objectives achieved in a pragmatic and cost effective manner Compliance with relevant regulations and procedures Assets safeguarded Information reliable <p>Conclusion: key controls have been adequately designed and are operating effectively to deliver the key objectives of the system, process, function or service.</p> <p>Follow Up Audit: 75%+ of actions have been implemented. All high priority actions have been implemented.</p>
Categorisation of Actions	Actions are prioritised as High, Medium or Low to reflect our assessment of risk associated with the control weaknesses
Value for Money	The definition of Internal Audit within the Audit Charter includes 'It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper economic, efficient and effective use of resources.' These value for money findings and recommendations are included within audit reports.

Summary of Findings and Action Plan of Reviews with Red Assurance Level

Appendix C

1. Provider Overpayments – Care Home

In June 2016, a referral was received by the Internal Audit Team regarding concerns that a significant overpayment (circa £100K) had been made to a learning disabilities provider (a care home) in relation to one service user. The cost of the care package for this service user (at the care home) was identified as £2,794.26 per week, which should be funded equally with the Health Board. Internal Audit were requested to review this matter and determine if control weaknesses exist within the placement process.

Conclusion

A catalogue of systematic errors have occurred which collectively have resulted in the overpayment to one service provider totaling £107,848.15 in relation to the placement of a single service user. These include:

1. The costs of the support to be provided were incorrectly identified and were not appropriately updated on the PARIS system.
2. The placement was approved outside of a panel meeting and retrospective formal approval was not obtained.
3. A contribution by the Health Board has yet to be agreed (12 months after placement) for joint funding resulting in a current amount of £68,459.37 being potentially owed to the Authority up to the end of June 2016.
4. The gross weekly cost was not identified when creating a payment schedule and the confirmation invoices were not checked against the actual payments made.
5. The service provider provided an incorrect costing plan and failed to notify the Authority that they were receiving the significant overpayment on a regular basis.

Summary of payments – June 2015 to July 2016	£
Total amount paid to provider (the care home) by the Council for the service user	£243,325.55
Amount of overpayment to be recovered from the provider (the care home)	£107,848.15
Total amount reclaimed from the Health Board by the council for the service user	£0.00
Amount of funding due to the council from the Health Board for this period	£68,459.37
Total amount to be recovered by the Council	£176,307.52

Agreed actions have been made to address these control weaknesses and the failure to comply with processes already in place. Significant concerns remain in particular with the checking procedures in place, the failure to identify the correct cost of the care package, how joint funding with the Health Board is managed and the concern that this may be indicative of what is happening with other cases / care packages.

Agreed Action Plan – Provider Overpayments

Priority	Description
High (Red)	Action is imperative to ensure that the objectives of the area under review are met.
Medium (Amber)	Requires action to avoid exposure to significant risks in achieving the objectives of the area.
Low (Green)	Action encouraged to enhance control or improve operational efficiency.

No.	Actions	Management Comments	Who	When
1 (R)	The PARIS system was not updated with details of the new placement until October 2015, three months after the placement. This was actioned following a request for payment from the service provider. This resulted in a delay to the processing of payments. PARIS should be updated promptly following a change in care packages.	An instruction will be issued stating that PARIS must be updated following a change in service provision, within 24 hours of the change. URN 01561	Senior Manager Integrated Services	31/07/2016
2 (R)	Key information was incorrectly recorded into the PARIS system for payments to be created for the service provider. All costings for placements should be checked to ensure that accurate figures are recorded appropriately within the PARIS system.	An instruction will be issued to check the costings for placements and if unsure to seek clarification with the FACT team. This will ensure that accurate figures are recorded appropriately within the PARIS system. URN 01562	Senior Manager Integrated Services	31/07/2016
3 (R)	The Authority has yet to obtain approval from the Health Board for joint funding to be applied dating back to April 2015. A recent application has been	Staff will monitor progress on the CHC submission. Timescales are difficult to set re agreement with BCUHB. However this will be	Senior Manager Integrated	30/09/2016

No.	Actions	Management Comments	Who	When
	<p>submitted and this will need to be monitored to ensure that the correct level of funding is approved. Based on 50% approval the current outstanding amount has been identified as £68,459.37 for the current placement.</p> <p>The service should monitor the latest application and ensure that the correct level of funding is claimed when approval has been received. Further work should also be taken to identify and recover any previous entitlement from the Health Board for this service user.</p>	<p>monitored.</p> <p>As part of a task and finish group we will develop a pro-forma to support the monitoring and oversight of claims to BCUHB.</p> <p>Audit will be requested to support this group.</p> <p>URN 01563</p>	Services	
4 (R)	<p>This review identified serious concerns that the process to request funding from the Health Board is not being appropriately managed. Weaknesses were identified from submitting a funding application to monitoring and reporting the approval of funding and providing information to finance for processing.</p> <p>There is a significant risk that the Authority is failing to maximise the funding available from the Health Board and a review of this process should be undertaken.</p>	<p>The task and finish group will take this case as a lessons learnt re improving the governance arrangements, any weaknesses will be explored and more robust system / guidance will be put in place to address these concerns.</p> <p>Audit will be requested to support this group.</p> <p>URN 01564</p>	Senior Manager Integrated Services	30/09/2016
5 (R)	<p>Confirmation invoices were not appropriately checked from this service provider. Significant variances existed in the total amounts to the payments and although they appear to have been previously highlighted, no action had been taken.</p> <p>It is essential that confirmation invoices are appropriately checked upon receipt as this overpayment could have been prevented. A reminder of the procedures in place for checking</p>	<p>Officers have been instructed to appropriately check receipt of invoices. There has been a review of current procedures, and some immediate changes have been made. A further review will take place as part of the task and finish group and guidance will be given on the use of the new procedures. Officers will be expected to act upon any variances with urgency.</p>	Senior Financial Assessment Officer	31/08/2016

No.	Actions	Management Comments	Who	When
	confirmation invoices should be issued and any variances should be followed up.	A new confirmation invoice will be developed as part of the task and finish group. URN 01565		
6 (R)	The Financial Assessment Team should ensure that the total overpayment (£107,848.15) is recovered from the service provider (the care home) as soon as possible.	The care home has been invoiced for the total overpayment (£107,848.15). URN 01566	Senior Financial Assessment Officer	22/07/2016
7 (R)	The Financial Assessment Team should review all other learning disability payments and ensure that these payments are accurate against the care packages being provided. Any further overpayments identified should be recovered as soon as possible.	This will be a significant challenge in terms of team capacity, however we will sample some cases as part of task and finish group. And as part of any service changes we will review the financial elements. URN 01567	Senior Financial Assessment Officer	30/09/2016
8 (A)	Retrospective approval was not sought from the Learning Disabilities Panel for this placement referral. It is possible that the overpayment could have been prevented if a meeting was held to discuss the case. The service should ensure that all emergency applications for care, approved outside of Panel are presented to the following Panel meeting for formal retrospective approval.	An instruction will be issued reiterating that all emergency applications for care, approved outside of Panel are presented to the following Panel meeting for formal retrospective approval. Consideration will also be given to who can approve applications outside panel, and the level of expenditure to be agreed. URN 01568	Senior Manager Integrated Services	31/07/2016
9 (A)	Training on the use of the PARIS system including the requirement to update records should be considered.	There is currently an easy guide on PARIS for officers to follow, this will be revisited with all teams. URN 01569	Senior Manager Integrated Services	31/08/2016

No.	Actions	Management Comments	Who	When
10 (A)	<p>Information from the PARIS system was incorrectly used to create the payment for the service provider. As a result of the incorrect figures within PARIS weekly payments were made of £5,256.67 instead of £2,794.26 resulting in an overpayment of £107,848.15 occurring.</p> <p>The financial assessment gross figure should always be used. All officers should be reminded of the correct process when setting up payments for service providers.</p>	<p>An instruction has been issued to appropriately check the receipt of invoices. There has been a review of current procedures, and some immediate changes have been made. A further review will take place as part of the task and finish group and all officers will be given guidance in the use of the new procedures, they will be expected to act upon any variances with urgency.</p> <p>A new confirmation invoice will be developed as part of the task and finish group.</p> <p>URN 01570</p>	Senior Financial Assessment Officer	30/09/2016
11 (A)	<p>The Service should also reconcile the payments made to providers against the care package costs on a defined basis.</p>	<p>An instruction has been issued to appropriately check the receipt of invoices. There has been a review of current procedures, and some immediate changes have been made. A further review will take place as part of the task and finish group and all officers will be given guidance in the use of the new procedures, they will be expected to act upon any variances with urgency.</p> <p>A new confirmation invoice will be developed as part of the task and finish group.</p> <p>URN 01571</p>	Senior Financial Assessment Officer	30/09/2016

2. Payment Card Data Security Industry Standard (PCIDSS) Compliance

An audit review of the Council's approach to meeting the requirements of the Payments Card Industry Data Security Standard (PCI DSS) was undertaken as part of the 2015/16 Internal Audit Plan. The objective of the audit was to provide an assessment of the adequacy of the control environment established to ensure that the Council is compliant with the Payment Card Industry Standard.

The PCI DSS was implemented collectively by the Payment Card Industry in response to increased fraud and identity theft involving stolen credit card data in order to minimise losses by the card providers and improve consumer confidence. The PCI DSS was designed to not only address the most common consumer fears over making credit card transactions but also to ensure that the 'merchants' who process credit card transactions become more accountable for their own risk. The requirements for becoming PCI DSS compliant are dependent upon the merchant level that an organisation falls under. Merchants are divided into four different levels based on the number of transactions they process throughout a year.

Failure to comply may result in fines, restrictions or permanent exclusion from card acceptance programs and ultimately your acquirer may be forced to terminate your relationship, which will prevent you from accepting payments by card. The fines are passed from the Card Scheme to the acquirer (bank) and then onto the merchant (Council).

In order to meet the PCI DSS, the Council must be able to demonstrate that it:

- Builds and maintains a secure IT network
- Protects cardholder data
- Maintains a vulnerability management program
- Implements strong access control measures
- Regularly monitors and tests networks
- Maintains an information security policy

Conclusion

The Council's IT infrastructure is routinely tested to identify any vulnerabilities. Internal scans are carried out every 6 months by IT. Quarterly penetration testing is also carried out externally by an approved PCI scanning assessor to identify any vulnerability on the Council network security. However, the audit did identify the following issues that will require urgent system revision to ensure compliance with the standard:

- There is a lack of ownership and responsibility for ensuring the Council meet the requirements of the PCI DSS.

- At present the complete card payment environment, including all processes that involve PCI related data, has not been clearly identified and documented.
- No arrangements are currently in place to complete the annual self-assessment questionnaire, which is a requirement of the PCI DSS.
- User guidelines are in place, but require revision and updating. They were last revised in July 2009.
- The controls over the recording of personal data should be in accordance with Principle 7 of the DP Act.

Agreed actions have been made to address these control weaknesses and a working group has already been established to work through the agreed action plan to ensure the Council's compliance with the standard.

The Chief Officer, Governance will provide a verbal update to committee members.

Agreed Action Plan – Payment Card Industry Data Security Standard (PCIDSS)

No.	Findings and Implications	Agreed Action	Who	When
1 (R)	No one has overall responsibility for PCI DSS and therefore compliance with the standard may not be met.	A working group of Officers to be appointed with a Chair also assigned to ensure PCIDSS standards are met URN 01543	Gareth Owens	30/11/2016
2 (R)	As no one is responsible for the card environment, the Council has not determined the correct merchant level.	Officer Working Group to determine merchant level. URN 01542	Gareth Owens	30/11/2016
3 (R)	The responsibility to ensure that the annual self assessment questionnaire has been completed, has not been assigned to an individual and therefore has never been carried out.	The Officer working group should ensure that the self assessment is completed drawing on the full range of professional expertise and experience of the group. URN 01516	Gareth Owens	31/12/2016
4 (R)	Limited testing was undertaken to establish the level of compliance with the standard. Four areas were	Working group to ensure systems comply with PCIDSS and Data	Gareth Owens	31/12/2016

No.	Findings and Implications	Agreed Action	Who	When
	selected to test; Theatre Clwyd Box Office, Penetration Testing, Streetscene Payments and payments made at Connects Kiosks. The testing highlighted one direct non compliance (penetration testing) and one area where there is a high risk of non compliance (telephone payments in Street Scene).	Protection requirements. URN 01572		
5 (G)	User guidelines are out of date. They were last updated in 2009, 7 years ago. Specifically, there is no reference to Voice over IP (VoIP) or the security of devices which need to be regularly inspected for tampering, as we now have kiosks and other devices located within Flintshire Connects Centres, which enable staff to pay for services via card.	Working group to establish an action plan and carry out checks each year end to ensure guidance is up to date. URN 01523	Gareth Owens	31/01/2017
6 (G)	User guidelines are out of date. They were last updated in 2009, 7 years ago. Specifically, there is no reference to Voice over IP (VoIP) or the security of devices which need to be regularly inspected for tampering, as we now have kiosks and other devices located within Flintshire Connects Centres, which enable staff to pay for services via card.	The guidelines should be updated and reflect the current and most up to date information available to staff. URN 01675	Gareth Owens	31/03/2017

3. Greenfield Valley Heritage Park

The audit of Greenfield Valley Museum and Heritage Park (subsequently referred to as "Greenfield Valley") was included in the annual Internal Audit Plan for 2016/17.

Greenfield Valley is managed by the Greenfield Valley Trust Ltd (subsequently referred to as "the Trust") a registered Charity and a Limited Company. The Trust was established in 1986 to manage the Greenfield Valley on behalf of Flintshire County Council. The Trust manage the site under a Management Agreement (currently under renegotiation) with the Council. Under this agreement the Trust receive a management fee (currently £38.5k per annum), budget to meet other agreed costs, and the services of Council employees assigned to the Trust, together with the costs of support of these Council employees. The total annual Council budget for the site is in the region of £300k.

The Trust in turn is responsible for the upkeep of all buildings, utility services, borders and insurance, and is required to adhere to all the Councils policies around the management of employees (HR policies).

The audit was undertaken to examine the governance, funding and operating arrangements in place within Greenfield Valley and assess whether efficient and effective systems are in place to manage Greenfield Valley.

The audit report makes specific reference to current employees within the service and only limited discussion would be able to take place with the press and public present. In order to allow more detailed discussion of the issues it is recommended that the report is considered in closed session.

Action Tracking – Portfolio Performance Statistics

Appendix D

Portfolio	December 2016 Stats			Live Actions - As at December 2016		
	Number of Actions Raised Since January 2016	Actions Implemented since 04.01.2016 <i>(including Actions No Longer Valid)</i>	% of Actions Cleared To Date	Live Actions	Actions Beyond Due Date <i>(excludes Actions with a revised due date)</i>	Actions with a Revised Due Date
Corporate	33	26	79%	7	0	7
Community & Enterprise	61	46		15	0	3
Education & Youth	29	29		0	0	0
Governance	63	52		11	0	6
Organisational Change 1	10	4		6	0	2
Organisational Change 2	35	30		5	0	3
People & Resources	75	66		9	0	3
Planning & Environment	10	2		8	0	8
Social Services	56	35		21	0	14
Streetscene & Transportation	27	27		0	0	0
Individual Schools	20	14		6	6	6
Total	419	331		88	6	52

Internal Audit Actions Beyond Due Dates

Appendix E

Portfolio	Audit and Action	RAG	Original and Revised Due Dates	Age of Action from Original Due Date (Months)	Responsible Officer	Current Position	How Risk is Being Managed
Connah's Quay High School	<p>Risk Thematic Review – 15/16:</p> <p>The overtime monies paid to employee 596306353 on SCP 32 should be clawed back in compliance with the Authority's Overpayments Policy to the point where Single Status came into affect. All School claims forms should be in line with the requirements of Single Status</p> <p>There should be greater liaison between the School and HR Employee Services with regards to Single Status compliance issues.</p> <p>URN 1447</p>	M	30/11/2016	1	Ann Peers	<p>Payroll process P008 amended to reference Single Status policy details re:SCP28.</p> <p>Awaiting information from payroll regarding any overtime payments.</p>	Regular contact with County HR. A formal meeting regarding HR and payroll held in Summer 2016

Internal Audit Progress Report

Portfolio	Audit and Action	RAG	Original and Revised Due Dates	Age of Action from Original Due Date (Months)	Responsible Officer	Current Position	How Risk is Being Managed
Connah's Quay High School	<p>Risk Thematic Review – 15/16:</p> <p>A contract extension with Judicium should be entered into but only for a period of time sufficient to allow for the payroll contract to be retendered.</p> <p>When the retendering exercise has been completed full details of the signed and dated contract including start and end dates, termination clauses etc. should be held on file at the school.</p> <p>If such a situation arises again i.e. a contractor goes into administration then an exemption from the Contract Procedures Rules should be sought by the School.</p> <p>The Corporate Procurement Section can</p>	M	30/11/2016	1	Ann Peers	Agreed with Governors that the school will return to County payroll. 6 month notice to Judicium to be served January 2017. Re-procurement not required.	Advice has been sought from County Procurement – (school has contact details of lead officer)

Internal Audit Progress Report

Portfolio	Audit and Action	RAG	Original and Revised Due Dates	Age of Action from Original Due Date (Months)	Responsible Officer	Current Position	How Risk is Being Managed
	be consulted to provide guidance in all aspects of the procurement process. URN 1449						
Connah's Quay High School	Risk Thematic Review – 15/16: Business Manager to manager to arrange for a contract extension of the GAIA contract for sufficient period of time for a full procurement to take place URN 1451	M	31/10/2016 30/11/2016	2	Ann Peers	A support only contract for 12 months is in place with GAIA with a view to going to tender in the Spring term. This is linked with the new capital scheme for a new build at the school – requirements for support for this will be known in the new year and can be included in the tender.	Reviewed alongside the new build and requirements.
Connah's Quay High School	Risk Thematic Review – 15/16: The School should possess a copy of the School Fund Regulations 2013 The Business Manager	L	30/11/2016	1	Ann Peers	School is now in possession of a copy of the School Fund Regulations 2013. Process PS004 has been amended to include the Finance	The school does not have a PTS fund. The School Fund is used for monies raised directly for the school or supported charities. These are listed on the finance system in

Internal Audit Progress Report

Portfolio	Audit and Action	RAG	Original and Revised Due Dates	Age of Action from Original Due Date (Months)	Responsible Officer	Current Position	How Risk is Being Managed
	<p>should involve another officer when reconciling the School Fund to the bank statements. This reconciliation should be evidenced by both the officers completing the check.</p> <p>The Governing Body should consider fidelity guarantee insurance in respect of the school fund</p> <p>URN 1437</p>					<p>Office checking and signing the reconciliation.</p> <p>Additional insurance to be tabled at the next Governors meeting (Feb 2017)</p>	different accounts and referenced on paying slips.
Connah's Quay High School	<p>Risk Thematic Review – 15/16:</p> <p>Training needs to be provided on the Wales Accord on the Sharing of Personal Information and Data Protection.</p> <p>URN 1439</p>	L	30/11/2016	1	Ann Peers	The Headteacher, senior managers and Data Manager are aware of WASPI and the school's local procedures. No formal training has taken place	Data sharing policy in place and forms.
Connah's Quay High	Risk Thematic Review – 15/16:	L	31/10/2016 30/11/2016	2	Ann Peers	School ICT officer and ICT contractor looking at how best to	Spreadsheets continue to be password protected.

Internal Audit Progress Report

Portfolio	Audit and Action	RAG	Original and Revised Due Dates	Age of Action from Original Due Date (Months)	Responsible Officer	Current Position	How Risk is Being Managed
School	Office 365 encryption is being investigated by the School ICT technician. A payroll report will be sent to the Head teacher by the Business Manager on a quarterly basis to check for unauthorised additions/omissions. URN 1448					implement encryption on e-mails (school wide)	Receipt of sent attachments confirmed by e-mail.

Actions with a Revised Due Date Six Months Beyond Original Due Date

Appendix F

Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date
Corporate	1377	Risk Management: Training for Members	M	30/06/2016	30/09/2017	CAMMS is still being developed for the efficiency tracking with the aim of piloting it's use over the recess, ready for launch with Programme Boards in October- December. As part of this, the complexity of levels for each of the efficiency projects have been assessed and at this stage it is unlikely that many will become 'projects' in their own right in CAMMS. It is only when they are using the project module will this become apparent.
Corporate	1375	Risk Management: Efficiency Tracker Risk Register	L	30/6/2016	31/05/2017	At the PSB meeting on 17 October the Board agreed to all partnerships completing the new assessments by the end of March 2017.
Corporate	369	Risk Management: Updates to Programme Board	L	30/6/2016	31/03/2017	Although Programme Boards are reviewing risks at each meeting and manually updating spreadsheets; the intention is that once all business plans are in CAMMS (by Sept/Oct PB meetings) that this will be more automated and transparent. There has been delay to the Efficiency Programme Board information in CAMMS due to their personnel changes. The revised due date reflects this delay.
Corporate	140	Strategic Partnerships : Self Assessment	L	31/03/2016	31/03/2017	This is an ongoing process which will need a number of reminder conversations at quarterly intervals to ensure the understanding. The Member training programme will commence after the elections.
Community &	169	New Homes:	M	31/03/2016	31/03/2017	Review of Policy & procedures is a bigger task than originally

Internal Audit Progress Report

Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date
Enterprise		Policies & Procedures				anticipated.
Governance	174	CPRs : Declaration of Interests	M	31/03/2016	30/04/2017	Development of new electronic system for recording interests. In the meantime we have existing paper arrangements for recording interests and the Chief Officer, Governance, will remind all Chief Officers via DMTs of the need to do this.
Governance	284	Main Accounting : Expenditure Codes	L	29/02/2016	31/05/2017	The Procurement function is going through an organisational re-structure in DCC. Once the new structure has been implemented then the category workflow can be expanded.
Organisational Change 1	1435	Section 106 : Update of LPGN 13	M	30/06/2016	31/03/2017	Due date revised at the request of the Responsible Officer
Organisational Change 2	20	Asset Management : Land & Property Owned within Tech Forge	M	31/10/2015	28/2/2017	Various emails to support date changed. Currently (as at 1/11/2016) the services decided it would be advisable to access Council Land holdings via the above LR portal, and gauge feedback from TechForge users how useful they consider it to be.
Organisational Change 2	21	Asset Management : Tech Forge not used to full potential	M	30/09/2015	31/01/2017	Email extract 'I can confirm that we are implementing the linkage of documents such as asbestos survey reports and DDA access survey reports with their respective properties in Tf Property Register. So on the basis of the above the date for completion has been extended'.
People & Resources	266	Income from Fees & Charges : Policy	H	31/12/2015	30/06/2017	Significant work is ongoing in relation to this area and a review of all current fees and charges for 2016/17 and 2017/18 has been undertaken as part of the portfolio business planning

Internal Audit Progress Report

Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date
						<p>process which has informed the respective budget process.</p> <p>Following on from this staged development of a wider corporate income policy with possible changed or new fees and charges from 2018/19 is under development and external expertise, advice and national data on charges has been commissioned as part of this work.</p> <p>In view of the significant work undertaken on income strategy (past and current) the risk is deemed manageable.</p>
People & Resources	128	Payroll: Budget Codes	M	31/03/2016	31/03/2017	The due date has been amended because we are currently investigating ways of reducing code errors at source instead of implementing costing validation.
Planning & Environment	317	Section 106 : Update of LGPN	H	30/06/2016	31/03/2017	First meeting of the group scheduled for February following the adoption of the revised LPG 23 in January.
Planning & Environment	324	Section 106 : Accounting Treatment of S106 Balances	M	30/06/2016	31/03/2017	First meeting of the group scheduled for February following the adoption of the revised LPG 23 in January.
Planning & Environment	327	Section 106 : Interest Due on Unspent Commuted Sums	M	30/06/2016	31/03/2017	Enforcement team now tracking end dates of 106 agreements. Will be formally addressed at the working group in February.
Planning & Environment	335	Section 106 : Inclusion of Early Payments on S106 Database	M	30/06/2016	31/03/2017	Enforcement team made aware of this change and will be followed up at the first working group in February.

Internal Audit Progress Report

Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date
Planning & Environment	320	Section 106 : Monitoring Reports	L	30/06/2016	31/03/2017	Date amended following a meeting with Andy Farrow 24/03/2016.
Social Services	150	Direct Payments 15/16 : Annual Reviews are not regularly undertaken.	H	31/12/2015	28/02/2017	Following consideration by Social Services senior managers, a proposal to resource this work in a different way is now being taken forward. A business case has recently been approved to recruit a dedicated resource to concentrate exclusively on the annual financial reviews of direct payment service user accounts. When this new post has been recruited to and the appointed person commences there should be an immediate impact, however, due to the current level of the backlog it may take at least six months to clear it.
Social Services	110	Third Sector Commissioning : Development of a Strategic Commissioning Plan	M	01/04/2016	31/01/2017	Work needs to take place in conjunction with Corporate Services and also incorporating the co-productive work being undertaken with providers and service users to shape commissioned services for the future.
Social Services	116	Third Sector Commissioning 15/16 : Potential for Improved outcomes through joint working with Health	M	01/04/2016	28/04/2017	A requirement under the Social Services and Well-being (Wales) Act 2014 is to undertake a Population Needs Assessment (PNA) across Wales. Work is currently being undertaken regionally to organise the assessment and locally to undertake the work and Flintshire is fully engaged in this process. The results of the PNA are expected at the end of March 2017 and they will inform areas where services need to be commissioned and which parts of that commissioning work can and should be undertaken jointly with BCUHB. As a result no further action on joint commissioning of services with Health is planned to be undertaken until we have the results

Internal Audit Progress Report

Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date
						of the PNA. The Due date has been amended to reflect this.
Social Services	117	Third Sector Commissioning 15/16 : Funding of Third Sector organisations	M	01/04/2016	31/03/2017	New tender will not be out until September, due date revised to reflect this.
Social Services	124	Third Sector Commissioning 15/16 : Impact of changes to the EU Public Contracts Directive	M	01/04/2016	31/03/2017	New tender will be going out September '16. Due date revised to reflect this
Social Services	126	Third Sector Commissioning 15/16 : Inconsistency in the award of contracts to Third Sector organisations	M	01/04/2016	31/03/2017	Procurement Unit have not yet commenced work on the review of Contract Procedure Rules
Social Services	127	Third Sector Commissioning 15/16 : Contract management and contract monitoring	M	01/04/2016	31/01/2017	A reduction in contract monitoring has not been possible over past few months due to increased pressures on the Care Sector affecting quality of care provided. However, once this activity reduces there will be an opportunity to investigate proportionality of contract monitoring in line with work undertaken corporately.
Social	162	Direct Payments	M	31/12/2015	31/03/2017	Further time needed to consult with relevant officers and

Internal Audit Progress Report

Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date
Services		15/16 : No formal Financial Strategy for Direct Payments				agree a way forward to develop a direct payments financial strategy. 3/11/16 Further time needed for the dept to agree how this action will be completed and by whom.
Social Services	111	Third Sector Commissioning 15/16 : Innovation in commissioning practice to ensure service user needs are met and we continue to received value for money	L	01/04/2016	31/01/2017	A group has been established to consider innovation commissioning and improvements in procurement - first meeting held April 2016. to ensure actions are produced and innovation seen, due date has been amended to end October '16
Social Services	114	Third Sector Commissioning 15/16 : Adequacy of resources to maintain Third Sector contract database	L	01/04/2016	28/04/2017	Lack of administration resource for the Commissioning team remains a challenge with no consistent resource available to maintain the contracts database. Proactis system is also still not up and running as expected and this may free capacity

Investigation Update

Appendix G

Ref	Date Referred	Investigation Details
1. New Referral		
1.1	12/12/2016	A referral was received concerning missing monies at Deeside Leisure Centre. Monies have previously been reported missing and controls were reviewed at that time. An internal investigation was also undertaken but was inconclusive due to insufficient evidence. The Auditor discussed the controls in place and further controls are to be implemented by management to rectify the current situation.
1.2	05/01/2017	A whistleblow has been received concerning Flintshire's use of a framework agreement. The referral concerns the terms of the agreement. The investigation is ongoing.
2. Reported to Previous Committees and still being Investigated		
2.1	18/05/2016	A referral was received concerning the use of monies on a grant funded scheme. The investigation has been concluded and a report has been issued pending further information.
3. Investigation has been Completed		
3.1	N/A	N/A

Internal Audit Performance Indicators

Appendix H

Performance Measure	Qtr 1 16/17	Qtr 2 16/17	Qtr 3 16/17	Target	RAG Rating	
Internal Audit Departmental Targets						
Audits completed within planned time	60%	81%	75%	80%	A	↓
Average number of days from end of fieldwork to debrief meeting	21.4	15	13	20	G	↑
Average number of days from debrief meeting to the issue of draft report	1.6	7	4	2	R	↑
Days for departments to return draft reports	3	9	7	3	R	↑
Average number of days from response to issue of final report	2.4	1	2	2	G	➡
Total days from end of fieldwork to issue of final report	28.4	42	35	27	R	↑
Client questionnaires responses as satisfied	100%	100%	100%	95%	G	➡
Productive audit days	74.1%	67%	68%	75%	A	↑
Other Targets						
Return of Client Satisfaction Questionnaires	63%	50%	50%	70%	R	↓

Key					
R	Target Not Achieved	A	Within 20% of Target	G	Target Achieved
↑	Improving Trend	→	No Change	↓	Worsening Trend

Internal Audit Operational Plan 2016/17

Appendix I

Audit	Audit Type	IA Risk Rating	Original Plan Days	Revised Plan Days	Actual Days	Status / Proposed Quarter
Corporate						
Consultants	Risk Based	R	15	15	9	Final
Safeguarding (including schools)	Risk Based	A	20	20		4
Performance Indicators	Risk Based	G	10	10		4
Risk Management	Risk Based	G	10	10		4
Corporate Governance	Risk Based	G	10	10		4
Compliance	Advisory	G	20	10	1	Final
Total Planned Days – Corporate			85	75	10	
Community and Enterprise						
Gas Servicing *(Combined)	Risk Based	R	10	10	*	Final
Disabled Facilities Grant	System Based	R	20	20		4
Mobile Working *(Combined)	Risk Based	A	15	15	24*	Final
Tell Us Once	Risk Based	A	10	10	10	Final
Flintshire Connects	VFM	A	15	15	16	Final
Council Tax and NNDR	System Based	A	15	0	-	Defer
Community First	Follow Up		10	10		4
Total Planned Days – Community & Enterprise			95	80	50	
Education and Youth						
Control and Risk Self-Assessment	Risk Based	R	10	10	23	Final
Budgetary Control	System Based	R	20	20	20	WIP
Education Improvement Grant	Risk Based	R	20	15	7	Final
Risk based thematic reviews across all schools including central controls	Risk Based	A	40	40	3	3
Youth Justice	System Based	A	15	15	3	WIP
School Funding Formula	Advisory	A	15	15		4
School Funds	Follow Up		5	5		4
Total Planned Days – Education & Youth			125	120	56	
Governance						
Network Security	Risk Based	R	See Note #	-	-	4
Procurement	Risk Based	A	30	30	30	WIP

Audit	Audit Type	IA Risk Rating	Original Plan Days	Revised Plan Days	Actual Days	Status / Proposed Quarter
Electronic Document Management	Risk Based	A	10	0	-	Defer
IT Security Policies	Systems Based	A	15	0	-	Defer
Digitisation	VFM	A	20	0	-	Defer
Cloud Computing	Risk Based	G	5	0	-	Defer
Data Protection	Risk Based	G	15	10		4
Total Planned Days – Governance			95	40	30	
Organisational Change 1						
Alternative Delivery Models	VFM	R	30	30	1	4
Japanese Youth Exchange	Regulatory	G	5	0	1	Not Needed
Total Planned Days – Organisational Change 1			35	30	2	
Organisational Change 2						
Industrial Units	Risk Based	A	15	15	23	Final
Corporate Asset Strategy	Risk Based	A	15	15		4
Community Asset Transfers (CAT)	VFM	A	15	15	15	Final
Total Planned Days – Organisational Change 2			45	45	38	
People and Resources						
Payroll	System Based	A	20	20	1	WIP
Compulsory & Early Voluntary Redundancy	Risk Based	A	15	15	3	WIP
Corporate Grants	Risk Based	A	15	10	1	WIP
Main Accounting – Accounts Payable (AP) / P2P	System Based	G	20	0	-	Defer
Main Accounting – General Ledger (GL)	System Based	G	15	15	13	Draft
Collaborative Planning (CP)	Risk Based	G	15	15	7	Ongoing
E-Teach (Supply Staff) – Payroll and Recruitment	Advisory	R	5	5		Ongoing
Single Status – Equal Pay Claims	Advisory	G	5	5	3	Ongoing
Finance Modernisation Programme – AR	Advisory	G	5	5		Ongoing

Internal Audit Progress Report

Audit	Audit Type	IA Risk Rating	Original Plan Days	Revised Plan Days	Actual Days	Status / Proposed Quarter
Accounts Governance Group	Advisory	G	5	5		Ongoing
Total Planned Days – People & Resources			120	95	28	
Planning and Environment						
Greenfield Valley Heritage Park	Risk Based	R	20	20	37	Final
Building Control (*Combined)	System Based	R	20	20	*	WIP
Planning Enforcement (*Combined)	System Based	A	20	20	16*	WIP
Total Planned Days – Planning & Environment			60	60	53	
Social Services						
Multi Agency SLA's Agreements with Combined Services	Risk Based	A	15	0	-	Defer
Flying Start – Childcare Placements	Risk Based	A	10	10	13	Draft
PARIS finance module	Advisory	A	5	0	-	Defer
Family Information Services	Risk Based	A	15	15	1	WIP
Children Out of County Care and Education	Risk Based	A	20	0	2	Defer
Care Leavers	Risk Based	A	15	15	19	WIP
Direct Payments	Follow Up		0	5	9	Final
Total Planned Days – Social Services			80	45	44	
Streetscene and Transportation						
Enforcement	Risk Based	R	30	30	9	WIP
Fleet Management	Risk Based	R	20	20		4
Alltami Stores	System Based	A	15	10	3	WIP
Fleet Management	Advisory	A	5	5		Ongoing
Integrated Transport	Advisory	A	5	5	1	Ongoing
Maintenance of the Public Realm	Risk Based	A	10	0	-	Defer
Total Planned Days – Streetscene & Transportation			85	70	13	
External						
Pensions Administration	System Based	A	15	15	1	4

Audit	Audit Type	IA Risk Rating	Original Plan Days	Revised Plan Days	Actual Days	Status / Proposed Quarter
Pensions Investments	System Based	A	15	15		4
Clwyd Theatre Cymru	System Based	A	10	10		4
North West Residual Waste Partnership	Risk Based	G	5	5		4
Total Planned Days - External			45	45	1	
Notes:						
# External technical support may be required for this audit						
* Audit has been combined with another and one audit report will be produced						

	Original Plan Days	Revised Plan Days	Actual Days
Investigations, Provisions and Developments			
Provision for Investigations and Pro-active Fraud	200	200	109
Provision for Ad-hoc Requests from Management – Addition to Plan	65	65	75
<i>Ysgol Ty Ffynnon</i> <i>Final</i>	-	-	14
<i>Joint CPRs & Procurement Strategy Working Group</i> <i>Final</i>	-	-	6
<i>Certifying Officers Database Working Group</i> <i>Final</i>	-	-	1
<i>Single Status Governance Group</i> <i>Ongoing</i>	-	-	1
<i>Consultancy Project Group</i> <i>Ongoing</i>	-	-	2
<i>Provider Overpayments</i> <i>Final</i>	-	-	18
<i>Task & Finish Group – Provider Payments</i> <i>Ongoing</i>	-	-	1
<i>Use of Clients Money</i> <i>Final</i>	-	-	4
<i>Social Services Supporting Living</i> <i>Ongoing</i>	-	-	1
<i>Accounting for Highways Infrastructure</i> <i>Draft</i>	-	-	27
Follow Up Reviews	15	10	0
Audit Development	30	0	0
IDEA	10	0	0
Overall Plan Total	1190	980	509

Glossary	
Risk Based Audits	Work based on strategic and operational risks identified by the organisation in the Improvement Plan and Service Plans. Risks are linked to the organisation's objectives and represent the possibility that the objectives will not be achieved.
System Based Audits	Work in which every aspect and stage of the audited subject is considered, within the agreed scope of the audit. It includes review of both the design and operation of controls.
Advisory	Participation in various projects and developments in order to ensure that controls are in place.
VFM (Value For Money)	Audits examining the efficiency, effectiveness and economy of the area under review.
Follow Up	Audits to follow up actions from previous reviews.
Addition to Plan	Audits added to the plan at the request of management, time used from the provision for requests.



AUDIT COMMITTEE

Date of Meeting	25 th January 2017
Report Subject	Strategic Risks – mid year review
Portfolio Holder	Leader of the Council
Report Author	Chief Executive

EXECUTIVE SUMMARY

This risk management update provides a position statement on the strategic risks contained within the Council's 2016/17 Improvement Plan.

The Improvement Plan 2016/17 was adopted by the Council in June 2016; this report provides a mid-term assessment of the strategic risks contained within the Plan.

The 51 strategic risks within the Improvement Plan have been successfully managed with the majority being assessed at the mid-year position as moderate 35 (68%) or minor/insignificant 10 (20%). The percentage of major (red) risks has decreased from 25% to 12% and the percentage of insignificant/minor risks has increased from 10% to 20%. There is one risk which has increased in significance; but overall the trends show successful management of risks during the year.

RECOMMENDATIONS

1	To note the status of the 2016/17 mid-year year summary of the strategic risks of the Improvement priorities of the Council; endorsing the successful management of the risks.
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REPORT DETAILS

1.00	STRATEGIC RISKS																		
1.01	<p><u>Improvement Priorities – Strategic Risks</u></p> <p>The Council adopted the Improvement Plan for 2016/17 in June 2016. The adoption of the plan and its priorities provides the opportunity to monitor the strategic risks aligned to those priorities and sub priorities; this is done on a quarterly basis by each of the Overview and Scrutiny Committees and reported to Audit Committee at the mid-year point. This mid-year report is to assure the Committee that the risk levels are moving in a positive direction and have been successfully managed.</p>																		
1.02	<p>The Audit Committee’s role is to ensure that the process and approach for managing risks is robust. As part of this process the Overview and Scrutiny committees have received quarterly progress reports against the Improvement Plan for 2016/17. These have included a template for each risk capturing:</p> <ul style="list-style-type: none">• the nature of each risk;• the gross, net and target RAG status for each risk;• current actions already in place to mitigate the risk;• further activity to mitigate the risk;• risk trend (via arrows).																		
1.03	<p>A summary of the status of all risks captured in the Improvement Plan is attached at Appendix 1. An analysis has been undertaken of the current net status of the 51 risks measured at the mid-year position. The results are shown in Table 1 and show the positive change from the initial assessment to the mid-year position.</p> <p>Table 1: Comparative assessment</p> <table><tr><th>Net risk status</th><th>Initial Assessment</th><th>Mid-year Position</th></tr><tr><td>Insignificant: (green)</td><td>0 (0%)</td><td>3 (6%)</td></tr><tr><td>Minor: (yellow)</td><td>5 (10%)</td><td>7 (14%)</td></tr><tr><td>Moderate: (amber)</td><td>33 (65%)</td><td>35 (68%)</td></tr><tr><td>Major : (red)</td><td>13 (25%)</td><td>6 (12%)</td></tr><tr><td>Severe: (black)</td><td>0</td><td>0</td></tr></table> <p>A more detailed report is attached at Appendix 2 which provides further detail on risk effects and mitigating actions.</p> <p>The six current areas of major (red) risk are:</p> <p>Priority: Living Well Risk: Fragility and sustainability of the care home sector.</p> <p>The regional fee setting group met on 18th October taking into account recent census data and data from local authority questionnaires over care hours and market intelligence.</p>	Net risk status	Initial Assessment	Mid-year Position	Insignificant: (green)	0 (0%)	3 (6%)	Minor: (yellow)	5 (10%)	7 (14%)	Moderate: (amber)	33 (65%)	35 (68%)	Major : (red)	13 (25%)	6 (12%)	Severe: (black)	0	0
Net risk status	Initial Assessment	Mid-year Position																	
Insignificant: (green)	0 (0%)	3 (6%)																	
Minor: (yellow)	5 (10%)	7 (14%)																	
Moderate: (amber)	33 (65%)	35 (68%)																	
Major : (red)	13 (25%)	6 (12%)																	
Severe: (black)	0	0																	

A Project Manager has been appointed to create a programme of work and priorities to support the care crisis.

Priority: Economy and Enterprise

Risk: Devolved powers in Wales do not match those in England.

The risk assessment remains unchanged however, there has been extensive work to make the case for increased devolution of powers as part of the North Wales Growth Vision.

Priority: Skills and Learning

Risk: Number of school places not matching the changing demographics.

Reducing unfilled school places via school organisation change is an on-going process which has a long timeline. School change projects can take 3 - 5 years from inception to delivery, before reductions of unfilled places can be realised. This continues to be an on-going process linked to the school modernisation programme. To supplement this the Council will continue to work closely with schools to consider innovative ways for reduction in capacity on a school by school basis (i.e. alternative use of school facilities by other groups) with the objective of meeting national targets of around 10% unfilled places in all school sectors. The recent school organisation change determinations will result in a reduction in unfilled places across both primary and secondary schools. As a snapshot, the Holywell Learning Campus project has reduced unfilled places in this area by circa 450 places.

Priority: Skills and Learning

Risk: Limited funding to address the backlog of known repair and maintenance work in Education & Youth Assets.

Continuation of the School Modernisation programme is the strategic way to address the repair and maintenance backlog. Additionally the programme continuation will also:

- support a reduction of unfilled places;
- provide a more efficient school estate and concentrate resources on teaching by removal of unwanted fixed costs in infrastructure and leadership; and
- ensure that the condition and suitability of the school estate is improved.

Additionally, business cases for capital improvement, repairs, and maintenance projects in schools are being considered as part of the Council Fund Capital Programme.

Priority: Environment

Risk: Funding will not be secured for priority flood alleviation schemes.

The grant situation and availability of funding continues to be monitored. A business case to access capital monies to potentially address flood risk schemes is under consideration as part of the Council Fund Capital Programme.

Priority: Modern and Efficient Council

	<p>Risk: The scale of the financial challenge</p> <p>The provisional settlement for 2017/18 was a cash flat position for Flintshire. In terms of the Medium Term Financial Strategy, this was a positive movement of £2.8m towards closing the gap of £14.4m.</p> <p>Stage 1 and 2 of the 2017/18 budget are now complete and work is in progress for the final closing strategy to meet the remaining gap of £2m, although options available to the Council are limited.</p>
1.04	<p>An analysis of risk trends from the initial risk assessment period in April 2016 to the mid-year position in September 2016 indicate that seven major (red) risks have reduced in significance:</p> <p>Priority: Housing Risk: The supply of affordable housing will continue to be insufficient to meet community needs.</p> <p>The Council continues to develop robust arrangements for delivery of new affordable housing in Flintshire through a number of different supply streams. The Council's Strategic Housing and Regeneration Programme (SHARP) is currently on site at Custom House, Connah's Quay and The Walks, Flint with a total of 114 new Council and affordable homes. NEW Homes Housing Company continues to deliver new affordable housing throughout the County and the Board have approved the development of 62 units on The Walks, Flint. The development of these units will be funded through a loan scheme from Flintshire County Council to NEW Homes.</p> <p>Priority: Housing Risk: Customer expectations for the timeliness of adaptations undertaken through disabled facilities grants will not be met due to competing demands on resources.</p> <p>Improvements to the adaptation process are currently being made including reducing bureaucracy of the programme, developing a framework for suppliers to speed up procurement, a new IT system to facilitate case management and, improving the purchasing of frequently used equipment. These measures are expected to bring down the timescale for adaptations that enter the system after they are in place.</p> <p>Priority: Economy and Enterprise Risk: The Northern Powerhouse and Local Enterprise Partnership (LEP) could present risks to the growth of the Flintshire economy if there is not devolution of powers and freedoms to match those being developed in England.</p> <p>The case for increased devolution of powers as part of the development of the North Wales Growth Vision has been made. There have also been positive discussions with Welsh Government in relation to the future role of the Economic Ambition Board and the emerging approach to regional working as an alternative to Local Government reorganisation.</p>

	<p>Priority: Economy and Enterprise Risk: Infrastructure investment does not keep pace with needs and business is lost to the economy.</p> <p>Flintshire has worked with partners across North Wales and the North West of England in developing ambitious visions for economic growth for both North Wales and the Cheshire Warrington area. Both visions set out the economic benefits that can be realised in the region and, the infrastructure needed to deliver them. These have been submitted to the UK Government for consideration. Further work is underway to identify barriers to developing the key strategic development sites in Flintshire.</p> <p>Priority: Modern and Efficient Council Risk: The willingness of the workforce and Trade Unions to embrace change.</p> <p>Organisational change programmes are broadly within planned timescales, reflecting the willingness of the workforce and Trade Unions to embrace change however, the transfer of library and leisure services has received support from both the workforce and Trade Union. 90% of the workforce voted in favour of the change.</p> <p>Priority: Modern and Efficient Council Risk: Limitations on public funding to subsidise alternative models.</p> <p>The amber rating is due to the transitional arrangements currently in place. The transitional period is nearly complete and reports were submitted to Cabinet in December 2016. Following this the risk status has changed.</p> <p>Priority: Modern and Efficient Council Risk: The capacity and capability of the organisation to implement necessary changes.</p> <p>Organisational change programmes are broadly on time and on budget.</p>
1.05	<p>One risk has increased in significance at the mid-year point.</p> <p>Priority: Modern and Efficient Council Risk: The pace of procurement collaborations and our limited control over their development.</p> <p>The National Procurement Service (NPS) has increased the pace of procurement collaboration delivery with 30+ framework agreements in place and further projects identified.</p> <p>Actual benefits to the Council from the NPS framework agreements are varied; further in-depth monitoring of these is being undertaken.</p>

2.00	RESOURCE IMPLICATIONS
2.01	There are no direct resource implications related to this report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	Consultations with Chief Officers, senior managers and both Internal and external audit (Wales Audit Office) have been undertaken whilst addressing various aspects of this report.

4.00	RISK MANAGEMENT
4.01	The Council's strategic improvement priority risks are being effectively managed through the adopted risk management approach.

5.00	APPENDICES
5.01	Appendix 1: Strategic mid-year 2016/17 risk register Appendix 2: Strategic mid-year 2016/17 risk report

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Improvement Plan 2016/17 Contact Officer: Karen Armstrong, Corporate Business and Communications Executive Officer Telephone: 01352 702740 E-mail: Karen.armstrong@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	<p>(1) Improvement Plan: the document which sets out the annual priorities of the Council. It is a requirement of the Local Government (Wales) Measure 2009 to set Improvement Objectives and publish an Improvement Plan.</p> <p>(2) Wales Audit Office: works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.</p> <p>(3) Risk Management - the process of identifying risks, evaluating their potential consequences (<u>impact</u>) and managing them. The aim is to reduce the frequency (<u>likelihood</u>) of risk events occurring (wherever this is possible) and minimise the severity of their consequences (<u>impact</u>) if they occur. Threats are managed by a process of controlling, transferring or retaining the risk. Opportunities are managed by identifying strategies to maximise the opportunity or reward for the organisation.</p>

(4) CAMMS risk report – An explanation of risk report headings

Risk Title – Gives a description of the risk.

Lead Officer – The person responsible for managing the risk.

Supporting Officer – The person responsible for updating the risk.

Initial Risk Rating – The level of the risk at the start of the financial year (quarter 1). The five categories of risk are identified as follows; insignificant (green), minor (yellow), moderate (amber), major (red) and severe (black).

Current Risk Rating – The level of the risk at this quarter.

Trend Arrow – This shows if the significance of the risk has increased (upward arrow), decreased (downward arrow) or remained the same between the initial risk rating and the current risk rating (stable arrow).

Risk Status – This will either show as 'open' or 'closed'. If a risk is open then it is still a relevant risk, if the risk is closed then it is no longer a relevant risk. A new risk may be generated where a plan or strategy moves into a new phase.

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Integrated Risk Manager

A CAMMS SOLUTION

Risk Register Half Year 2016/17

Flintshire County Council




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

Print Date: 21-Dec-2016




Strategic Risks




1 Housing




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP1.1.1R1	Homelessness will remain a growing area of demand due to the current economic climate.	Strategic Risk	Katie Clubb - Community Support Services Manager	Pam Davies - Housing Options Team Leader				Open

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST99	The supply of affordable housing will continue to be insufficient to meet community needs.	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Denise Naylor - Customer Services Manager, Melville Evans - Strategic Housing and Regeneration Programme (SHARP) Programme Manager				Open


Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST100	The increased work programme to deliver the Welsh Housing Quality Standard (WHQS) will not be met due to the scale of the programme.	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Tony Jones - Capital Works Team Manager				Open


Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST102	Council funding for adaptations and home loans will not be sufficient to meet demand.	Strategic Risk	Niall Waller - Enterprise and Regeneration Manager	Gavin Griffith - Housing Regeneration & Strategy Manager				Open

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST103	Financial assistance available to repair homes is not taken up by residents.	Strategic Risk	Niall Waller - Enterprise and Regeneration Manager	Gavin Griffith - Housing Regeneration & Strategy Manager				Open

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST104	Customer expectations for the timeliness of adaptations undertaken through disabled facilities grants will not be met due to competing demands on resources.	Strategic Risk	Niall Waller - Enterprise and Regeneration Manager	Gavin Griffith - Housing Regeneration & Strategy Manager				Open

2 Living Well

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST105	Fragility and sustainability of the care home sector.	Strategic Risk	Neil Ayling - Chief Officer - Social Services	Jane M Davies - Senior Manager, Safeguarding & Commissioning	Red	Red		Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST107	The quality of care home services will not meet required standards.	Strategic Risk	Neil Ayling - Chief Officer - Social Services	Lin Hawtin - Commissioning Manager	Amber	Amber		Open

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST108	Children and vulnerable families are not fully supported where multi-agency services and partners do not move toward an early intervention and prevention approach	Strategic Risk	Craig Macleod - Senior Manager, Children's Services & Workforce	Ray Dickson - Children's Fieldwork Services Manager	Amber	Amber	↔	Open

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST109	Demand and aspirations for independent living will not be met.	Strategic Risk	Neil Ayling - Chief Officer - Social Services	Susie Lunt - Senior Manager, Integrated Services	Amber	Amber	↔	Open

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST110	Funding between Health and the Council does not transfer smoothly e.g. Continuing Health Care (CHC), Intermediate Care Funds (ICF), and Primary Care Funds.	Strategic Risk	Neil Ayling - Chief Officer - Social Services	Susie Lunt - Senior Manager, Integrated Services	Amber	Green	↓	Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST111	Service provision is not co-ordinated/integrated.	Strategic Risk	Neil Ayling - Chief Officer - Social Services	Susie Lunt - Senior Manager, Integrated Services	Amber	Amber	↔	Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST112	Safeguarding arrangements do not meet the requirements of the Social Service and Well-being (SSWB) Act.	Strategic Risk	Neil Ayling - Chief Officer - Social Services	Jane M Davies - Senior Manager, Safeguarding & Commissioning	 Yellow	 Yellow		Open

3 Economy and Enterprise

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST113	The Northern Powerhouse and Local Enterprise Partnership (LEP) could pose risks to the growth of the Flintshire economy if there is not devolution of powers and freedoms to match those being developed in England.	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Niall Waller - Enterprise and Regeneration Manager, Rachael Byrne - Enterprise Manager	Red	Amber	↓	Open

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST114	Infrastructure investment does not keep pace with needs and business is lost to the economy.	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Niall Waller - Enterprise and Regeneration Manager	Red	Amber	↓	Open

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST115	Support for businesses in Flintshire does not meet needs and fails to encourage investment.	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Niall Waller - Enterprise and Regeneration Manager, Rachael Byrne - Enterprise Manager				Open

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST116	Devolved powers in Wales do not match those in England.	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Niall Waller - Enterprise and Regeneration Manager				Open


4 Skills and Learning


Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST117	Local employers and learning providers do not work closely enough to identify and meet the skills based needs of the future	Strategic Risk	Jeanette Rock - Principal Education Officer Inclusion	Claire Homard - Principal Education Officer Primary	Amber	Amber	↔	Open


Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST118	Training places will not match current or future employer aspirations and needs	Strategic Risk	Jeanette Rock - Principal Education Officer Inclusion	Claire Homard - Principal Education Officer Primary	Amber	Amber	↔	Open

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST119	Timescales of European Social Fund (ESF) programmes will not meet local targets and requirements.	Strategic Risk	Jeanette Rock - Principal Education Officer Inclusion	Claire Homard - Principal Education Officer Primary	Amber	Amber	↔	Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST120	Schools do not receive and/or make best use of the support they need from the Council and Gwasanaeth Effeithiolrwydd (GwE)	Strategic Risk	Claire Homard - Principal Education Officer Primary	Jeanette Rock - Principal Education Officer Inclusion	Amber	Amber	↔	Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST121	Numbers of school places not matching the changing demographics.	Strategic Risk	Damian Hughes - Senior Manager, School Planning & Provision	Claire Homard - Principal Education Officer Primary	Red	Red		Open

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST122	Limited funding to address the backlog of known repair and maintenance works in Education & Youth assets	Strategic Risk	Damian Hughes - Senior Manager, School Planning & Provision	Claire Homard - Principal Education Officer Primary	Red	Red		Open


Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST123	Leadership capacity does not match school needs	Strategic Risk	Claire Homard - Principal Education Officer Primary	Jeanette Rock - Principal Education Officer Inclusion	Amber	Amber		Open


5 Safe Communities


Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST124	Lack of sustainable funding to deliver nationally determined community safety priorities.	Strategic Risk	Sian Jones - Public Protection Manager - Community					Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST125	Retention of experienced and skilled staff due to the short term grant funding regime.	Strategic Risk	Sian Jones - Public Protection Manager - Community					Open




6 Poverty

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST126	Demand for advice and support services will not be met.	Strategic Risk	Katie Clubb - Community Support Services Manager	Pam Davies - Housing Options Team Leader	Yellow	Yellow		Open


Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST127	Debt levels will rise if tenants are unable to afford to pay their rent.	Strategic Risk	Katie Clubb - Community Support Services Manager	Paul Neave - Manager - Advice and Homelessness Service	Amber	Amber		Open


Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST128	The local economy will suffer if residents have less income to spend.	Strategic Risk	Katie Clubb - Community Support Services Manager	Paul Neave - Manager - Advice and Homelessness Service	Amber	Amber		Open


Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST129	Residents do not take up the energy efficiency measures available.	Strategic Risk	Niall Waller - Enterprise and Regeneration Manager	Gavin Griffith - Housing Regeneration & Strategy Manager				Open


Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST130	Available funding for energy efficiency measures may fall short of public demand.	Strategic Risk	Niall Waller - Enterprise and Regeneration Manager	Gavin Griffith - Housing Regeneration & Strategy Manager				Open




7 Environment




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST131	Sufficient funding to ensure our highways infrastructure remains safe and capable of supporting economic growth.	Strategic Risk	Stephen Jones - Chief Officer - Streetscene and Transportation	Barry Wilkinson - Highways Networks Manager	Amber	Amber		Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST132	Sustainable transport options do not remain attractive to users.	Strategic Risk	Stephen Jones - Chief Officer - Streetscene and Transportation	Katie Wilby - Transportation and Logistics Manager	Amber	Amber		Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST133	Sufficient funding will not be found to continue to provide subsidised bus services.	Strategic Risk	Stephen Jones - Chief Officer - Streetscene and Transportation	Katie Wilby - Transportation and Logistics Manager	Amber	Amber		Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST134	Reduction of the Single Environment Grant.	Strategic Risk	Andrew Farrow - Chief Officer - Planning and Environment		Amber	Amber		Open

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST135	Recycling programmes are not supported by the public and employees.	Strategic Risk	Stephen Jones - Chief Officer - Streetscene and Transportation	Harvey Mitchell - Waste and Ancillary Services Manager				Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST136	Limitations on suitable Council sites with sufficient area for larger scale renewables schemes and suitable connections to the electric grid.	Strategic Risk	Andrew Farrow - Chief Officer - Planning and Environment					Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST137	Funding will not be secured for priority flood alleviation schemes.	Strategic Risk	Andrew Farrow - Chief Officer - Planning and Environment					Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST138	Customer expectations around the delivery of flood alleviation schemes are not effectively managed.	Strategic Risk	Andrew Farrow - Chief Officer - Planning and Environment					Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST139	Environmental crime programmes are not supported by the public and employees.	Strategic Risk	Andrew Farrow - Chief Officer - Planning and Environment					Open




8 Modern and Efficient Council




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST140	The capacity and appetite of the community and social sectors.	Strategic Risk	Ian Bancroft - Chief Officer - Organisational Change 1	Dawn Holt - Alternative Delivery Models and Transforming Social Services Programme Manager				Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST141	The willingness of the workforce and Trade Unions to embrace change.	Strategic Risk	Ian Bancroft - Chief Officer - Organisational Change 1	Dawn Holt - Alternative Delivery Models and Transforming Social Services Programme Manager				Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST142	Market conditions which the new alternative delivery models face.	Strategic Risk	Ian Bancroft - Chief Officer - Organisational Change 1	Dawn Holt - Alternative Delivery Models and Transforming Social Services Programme Manager				Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST143	Limitations on public funding to subsidise alternative models.	Strategic Risk	Ian Bancroft - Chief Officer - Organisational Change 1	Dawn Holt - Alternative Delivery Models and Transforming Social Services Programme Manager				Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST144	Procurement regulations stifling our ability to develop local community and third sector markets	Strategic Risk	Arwel Staples - Strategic Procurement Manager					Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST145	Newly established Social Enterprises fail in their early stages of development	Strategic Risk	Ian Bancroft - Chief Officer - Organisational Change 1	Dawn Holt - Alternative Delivery Models and Transforming Social Services Programme Manager, Mike Dodd - Social Enterprise Development Lead Officer				Open

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST146	Newly established Community Asset Transfers fail in their early stages of development	Strategic Risk	Neal Cockerton - Chief Officer - Organisational Change 2	Dawn Holt - Alternative Delivery Models and Transforming Social Services Programme Manager				Open

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST147	The scale of the financial challenge.	Strategic Risk	Gary Ferguson - Corporate Finance Manager					Open

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST148	The capacity and capability of the organisation to implement necessary changes.	Strategic Risk	Sharon Carney - Lead Business Partner					Open

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST149	The pace of procurement collaborations and our limited control over their development.	Strategic Risk	Gareth Owens - Chief Officer - Governance	Arwel Staples - Strategic Procurement Manager				Open

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST150	Public attitude to accessing services on-line.	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Rebecca Jones - Customer Services Team Leader				Open



Integrated Risk Manager

A CAMMS SOLUTION

Strategic Half Year 2016/17 Risk Report

Flintshire County Council




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Print Date: 21-Dec-2016

Strategic Risks

1 Housing

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP1.1.1R1	Homelessness will remain a growing area of demand due to the current economic climate.	Strategic Risk	Katie Clubb - Community Support Services Manager	Pam Davies - Housing Options Team Leader				Open
<p>Potential Effects: An increase in demand by potentially homeless clients would have an impact on capacity within the service. The lack of available housing to meet this demand would result in an increase for temporary housing.</p> <p>Lead Supporting Officer Comments: The service has completed a forecasting model which highlights the areas of greatest risk and includes an action plan to mitigate against them. The action plan includes activities to increase the availability and reduce barriers to finding suitable and affordable accommodation.</p> <p>Last Updated: 31-Oct-2016</p>								

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST99	The supply of affordable housing will continue to be insufficient to meet community needs.	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Denise Naylor - Customer Services Manager, Melville Evans - Strategic Housing and Regeneration Programme (SHARP) Programme Manager				Open
<p>Potential Effects: Impact would increase pressure on housing solutions and homelessness services.</p>								


Lead Supporting Officer Comments: The Council continues to work to develop robust arrangements for the delivery of new affordable housing in Flintshire through a number of different supply streams. The Council's Strategic Housing and Regeneration Programme (SHARP) is currently on site at Custom House, Connah's Quay and The Walks, Flint with a total of 114 new Council and affordable homes. The Council properties at Custom House will be handed over to new tenants at the beginning of December 2016. A further 40 new Council properties at Leeswood, Mold and Connah's Quay are scheduled to start on site this calendar year. These will be funded by the Housing Revenue Account (HRA) through Prudential Borrowing.

A number of other sites under the Council's ownership have also been identified for potential new housing and feasibility work is currently being undertaken to bring these forward.

The Council, through its NEW Homes Housing Company continues to deliver new affordable housing throughout the County. NEW Homes Board recently approved the development of 62 units on The Walks, Flint. The development of these units will be funded through a loan from Flintshire County Council to NEW Homes.

Section 106 properties are in the process of being transferred to NEW Homes management at Northop Hall, Abermorddu and Saltney, with further properties proposed to be delivered in partnership with private developers. In line with the terms of the Section 106 Agreement, local residents living in these settlements will be prioritised for these properties. In addition, NEW Homes also manages 31 properties on behalf of private landlords. NEW Homes works closely with private landlords to ensure they are meeting the Welsh Government's Rent Smart Wales requirements which are aimed to promote the development of a dynamic and high quality private rented sector in Flintshire.

Last Updated: 16-Dec-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST100	The increased work programme to deliver the Welsh Housing Quality Standard (WHQS) will not be met due to the scale of the programme.	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Tony Jones - Capital Works Team Manager	Amber	Amber		Open

Potential Effects: Contractors under performing against targets may have an adverse effect on budgets

Lead Supporting Officer Comments: The risk has lowered as year 1 of the revised programme was delivered in full and year 2 of the programme is underway and ahead of schedule. All work streams are progressing well with many exceeding installation targets at quarter 1 and quarter 2. A revised structure to ensure capacity at Team Leader level has also been approved and recruitment is currently in progress.

Last Updated: 06-Dec-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST102	Council funding for adaptations and home loans will not be sufficient to meet demand.	Strategic Risk	Niall Waller - Enterprise and Regeneration Manager	Gavin Griffith - Housing Regeneration & Strategy Manager	Amber	Amber	↔	Open

Potential Effects: Adaptations are a statutory duty for the Council. Demand in excess of current budgets would create a financial pressure on the Capital Programme.

Lead Supporting Officer Comments: Demand for adaptations for home improvement loans is on track and within current budget provision.

Last Updated: 19-Dec-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST103	Financial assistance available to repair homes is not taken up by residents.	Strategic Risk	Niall Waller - Enterprise and Regeneration Manager	Gavin Griffith - Housing Regeneration & Strategy Manager	Amber	Yellow	↓	Open

Potential Effects: Available resources will not be fully utilized and the programme may not realise its full impact in bringing quality homes into Flintshire.

Lead Supporting Officer Comments: At present the budget for repair to homes is forecast to be fully utilised for this year.

Last Updated: 14-Oct-2016


Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST104	Customer expectations for the timeliness of adaptations undertaken through disabled facilities grants will not be met due to competing demands on resources.	Strategic Risk	Niall Waller - Enterprise and Regeneration Manager	Gavin Griffith - Housing Regeneration & Strategy Manager	Red	Amber	↓	Open

Potential Effects: The Council has a statutory duty to deliver Disabled Facilities Grants (DFGs) and failure to do so in a timely manner risks challenge and reputational impact.

Lead Supporting Officer Comments: Improvements to the adaptation process are currently being made including reducing bureaucracy of the programme, developing a framework for suppliers to speed up procurement, a new IT system to facilitate case management and improving the purchasing of frequently used equipment. These measures are expected to bring down the timescale for adaptations that enter the system after they are in place.

Last Updated: 05-Dec-2016

2 Living Well


Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST105	Fragility and sustainability of the care home sector.	Strategic Risk	Neil Ayling - Chief Officer - Social Services	Jane M Davies - Senior Manager, Safeguarding & Commissioning	Red	Red		Open

Potential Effects: Reduced quality of care, increased difficulties with recruitment and retention of staff, and reduced capacity in the care home sector.

Lead Supporting Officer Comments: Data from the national census has been received. The regional fee setting group met on 18th October, taking into census data, data from local authority questionnaires regarding hours and existing market intelligence.

A Project Manager has been appointed to deliver a programme of work and priorities to support the care crisis.


Last Updated: 06-Dec-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST107	The quality of care home services will not meet required standards.	Strategic Risk	Neil Ayling - Chief Officer - Social Services	Lin Hawtin - Commissioning Manager	Amber	Amber		Open

Potential Effects: Negative impact on reputation of the Council.

Lead Supporting Officer Comments: The pilot joint monitoring tools for nursing care will commence with 3 homes in January 2017. The evaluation of the "Community Circles" project was positive; this may link into regional work on community integration. Progress for providers is being rolled out with residential homes in Flintshire; each contract officer has been allocated a number of services to work with. One page profiles and the welcome pack are being implemented during December 2016, followed by other person centred tools in the new year. In April 2017 we will be asking homes to assess themselves against the Flintshire standards. 3 Nursing homes have requested that they be included in this project.


Last Updated: 19-Dec-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST108	Children and vulnerable families are not fully supported where multi-agency services and partners do not move toward an early intervention and prevention approach	Strategic Risk	Craig Macleod - Senior Manager, Children's Services & Workforce	Ray Dickson - Children's Fieldwork Services Manager	Amber	Amber		Open

Potential Effects: High re-referral rates, LAC health assessments not completed on time, IAA requirements not met

Lead Supporting Officer Comments: Project arrangements for developing an Early Intervention Hub are in place with a Project Sponsor, Strategic Advisor and project administrator in place. Specific work streams have been developed and lead officers identified to take them forward. Within Social Services there is a high demand for targeted support and early intervention services. Management decisions are being made on how finite resources can be best deployed based on individual circumstances and presenting/associated risk. This area of the service will be reviewed by the service in quarter 3 to identify opportunities to take different approaches to manage and respond to demand.

Last Updated: 06-Dec-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST109	Demand and aspirations for independent living will not be met.	Strategic Risk	Neil Ayling - Chief Officer - Social Services	Susie Lunt - Senior Manager, Integrated Services	Amber	Amber		Open

Potential Effects: Insufficient capacity within existing extra care provision




Lead Supporting Officer Comments: Flint:

The construction of the Flint Extra Care scheme – to be named Llys Raddington – commenced in July 2016. Ty Glas, a subsidiary of Pennaf, are managing the scheme development, with Anwyl undertaking construction. Llys Raddington will open in early 2018 with 73 1 & 2 bedroom apartments. Partnership working groups will continue to agree, oversee and monitor the interior design, service model and public relations activities as the construction develops.

Holywell:

Social Services teams continue to work with Wales & West Housing to confirm a viable site for the Holywell Extra Care scheme. Detailed design and planning activities to follow.

Last Updated: 28-Nov-2016




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST110	Funding between Health and the Council does not transfer smoothly e.g. Continuing Health Care (CHC), Intermediate Care Funds (ICF), and Primary Care Funds.	Strategic Risk	Neil Ayling - Chief Officer - Social Services	Susie Lunt - Senior Manager, Integrated Services				Open

Potential Effects: Increased costs to the Council

Lead Supporting Officer Comments: Betsi Cadwaladr University Health Board (BCUHB) have appointed a Continuing Health Care (CHC) Lead Officer, and we are in the process of updating the standard operating procedures for CHC. The Lead Officer now attends Partnership Friday on a monthly basis to deal with CHC issues.

With regard to Intermediate Care Funds (ICF), meetings with BCUHB are regularly held to agree ongoing and new funding arrangements. Under these controls the Council are able to mitigate the level of risk to green.

Last Updated: 19-Dec-2016


Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST111	Service provision is not co-ordinated/integrated.	Strategic Risk	Neil Ayling - Chief Officer - Social Services	Susie Lunt - Senior Manager, Integrated Services				Open

Potential Effects: Ineffective joint services

Lead Supporting Officer Comments: Part 9 of the Social Services and Wellbeing Act (Wales) sets out new requirements for pooled budgets. Betsi Cadwaladr University Health Board (BCUHB) and Local Authorities are required to develop pooled budget arrangements for long term care by 2018. Discussions are taking place regionally and locally in relation to how best to take this forward. The level of risk relates to the Council's ability to achieve this in what is a challenging timescale.

Last Updated: 19-Dec-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
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ST112	Safeguarding arrangements do not meet the requirements of the Social Service and Well-being (SSWB) Act.	Strategic Risk	Neil Ayling - Chief Officer - Social Services	Jane M Davies - Senior Manager, Safeguarding & Commissioning	Yellow	Yellow		Open
<p>Potential Effects: Criticism from Regulator</p> <p>Lead Supporting Officer Comments: A specific module on safeguarding in line with the act is being delivered to staff in Social Services. Work is being undertaken to develop a programme for the staff group in the wider Council. Corporate Training are making act compliant e-learning available to all staff by the end December 2016.</p> <p>Last Updated: 19-Dec-2016</p>								

3 Economy and Enterprise

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST113	The Northern Powerhouse and Local Enterprise Partnership (LEP) could pose risks to the growth of the Flintshire economy if there is not devolution of powers and freedoms to match those being developed in England.	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Niall Waller - Enterprise and Regeneration Manager, Rachael Byrne - Enterprise Manager	Red	Amber	↓	Open

Potential Effects: If a significant growth deal package is agreed for Cheshire / Warrington area then it will bring the local partners the ability to manage the economy locally with new investment as well as devolved powers that allow a responsive approach to meeting local needs. This has the potential to make the area more attractive to new business investment and to enable the maximum benefits from economic growth to reach local people.

Lead Supporting Officer Comments: There has been extensive work to make the case for increased devolution of powers as part of the development of the North Wales Growth Vision. There have been positive discussions with Welsh Government in relation to the future role of the Economic Ambition Board and the emerging approach to regional working as a alternative to Local Government Reorganisation may help with this process.

Last Updated: 07-Dec-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST114	Infrastructure investment does not keep pace with needs and business is lost to the economy.	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Niall Waller - Enterprise and Regeneration Manager	Red	Amber	↓	Open

Potential Effects: The potential impact would include businesses choosing not to locate in Flintshire, existing businesses finding it harder to justify remaining in the area and a worsening quality of life where, for example, traffic congestion increases.


Lead Supporting Officer Comments: Flintshire has worked with partners across North Wales and the North West of England in developing ambitious visions for economic growth for both North Wales and the Cheshire Warrington area. Both visions set out the economic benefits that can be realised in the region and the infrastructure needed to deliver them. These have been submitted to the UK Government for consideration. Further work is also underway to identify barriers to developing the key strategic development sites in Flintshire.

Last Updated: 19-Dec-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST115	Support for businesses in Flintshire does not meet needs and fails to encourage investment.	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Niall Waller - Enterprise and Regeneration Manager, Rachael Byrne - Enterprise Manager	Amber	Amber	↔	Open
<p>Potential Effects: i) Lower level of investment ii) Lower level of employment iii) Failure to realise wider benefits to the county from business investment</p> <p>Lead Supporting Officer Comments: The Council has been working closely with potential investors and the rate of conversion remains high. Flintshire Business Week 2016 was very successful with a number of well attended events and remains a very popular and cost effective way of engaging with and supporting the business community, enabling them to network and trade together.</p> <p>Last Updated: 06-Dec-2016</p>								

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST116	Devolved powers in Wales do not match those in England.	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Niall Waller - Enterprise and Regeneration Manager	Red	Red	↔	Open
<p>Potential Effects: Areas with a greater range of devolved powers have the potential to manage their economy in a more responsive manner and are able to take decisions quickly across a wide range of service areas. This gives them a considerable advantage in creating the conditions for successful business growth and neighbouring areas are likely to struggle to compete for new business investment.</p> <p>Lead Supporting Officer Comments: The risk assessment remains unchanged in this quarter but there has been extensive work to make the case for increased devolution of powers as part of the North Wales Growth Vision.</p> <p>Last Updated: 14-Oct-2016</p>								

4 Skills and Learning


Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST117	Local employers and learning providers do not work closely enough to identify and meet the skills based needs of the future	Strategic Risk	Jeanette Rock - Principal Education Officer Inclusion	Claire Homard - Principal Education Officer Primary	Amber	Amber		Open

Potential Effects: Flintshire residents are not appropriately skilled to meet the labour market requirements.

Lead Supporting Officer Comments: Labour Market Intelligence is feeding into the forums to provide further evidence of employee skill needs for the future. The Construction Industry Training Board (CITB) have just started a pilot project which creates direct links between local schools and construction companies to develop awareness of the range of future employment opportunities and the associated skills required.

Last Updated: 29-Nov-2016


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Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST118	Training places will not match current or future employer aspirations and needs	Strategic Risk	Jeanette Rock - Principal Education Officer Inclusion	Claire Homard - Principal Education Officer Primary	Amber	Amber		Open

Potential Effects: Flintshire residents will not have access to a suitable range of qualifications which will facilitate successful recruitment within the local area.

Lead Supporting Officer Comments: Labour Market Intelligence generated by the North Wales Economic Ambition Board is circulated to providers to raise awareness of training requirements. Discussions around the information are taking place through the existing forums.


Last Updated: 29-Nov-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST119	Timescales of European Social Fund (ESF) programmes will not meet local targets and requirements.	Strategic Risk	Jeanette Rock - Principal Education Officer Inclusion	Claire Homard - Principal Education Officer Primary	Amber	Amber		Open

Potential Effects: Reduced time to make best use of the ESF funding resulting in low project impact on young people who are at risk of disengagement and becoming NEET (Not in Education, Employment or Training).

Lead Supporting Officer Comments: Recruitment has taken place and all TRAC posts are now filled giving a complete establishment of staff.


Last Updated: 06-Dec-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST120	Schools do not receive and/or make best use of the support they need from the Council and Gwasanaeth Effeithiolrwydd (GwE)	Strategic Risk	Claire Homard - Principal Education Officer Primary	Jeanette Rock - Principal Education Officer Inclusion	Amber	Amber		Open

Potential Effects: Schools are less well informed about developments and what their actions to ensure continued improvement should be. Progress in improving outcomes for learners is reduced.

Lead Supporting Officer Comments: Fortnightly meetings between the Senior Manager for School Improvement and the Senior Challenge Adviser for the Flintshire Hub ensure that schools of concern are regularly discussed and appropriate support provided.

Last Updated: 19-Dec-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST121	Numbers of school places not matching the changing demographics.	Strategic Risk	Damian Hughes - Senior Manager, School Planning & Provision	Claire Homard - Principal Education Officer Primary	Red	Red		Open

Potential Effects: Higher teaching ratios, unfilled places, backlog maintenance pressures

Lead Supporting Officer Comments: Reducing unfilled places via School Organisation Change is an on-going process which has a long timeline (School change projects can take 3-5 years from inception to delivery) before reductions of unfilled places can be realised and continues to be an on-going process linked to the School Modernisation Programme.

To supplement this the Council will continue to work closely with schools to consider innovative ways for reduction in capacity on a school by school basis (i.e. alternative use of school facilities by other groups) with the objective of meeting national targets of around 10% unfilled in all school sectors.

The recent School Organisation Change determinations, will result in a reduction in unfilled places across both primary and secondary sectors. This will be required post statistical school returns in September.

As a snapshot, the Holywell Learning Campus project has reduced unfilled places in this area by circa 450 places

Last Updated: 28-Nov-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST122	Limited funding to address the backlog of known repair and maintenance works in Education & Youth assets	Strategic Risk	Damian Hughes - Senior Manager, School Planning & Provision	Claire Homard - Principal Education Officer Primary	Red	Red	↔	Open

Potential Effects: Schools unable to operate effectively, potential school down time, negative impact on curriculum delivery

Lead Supporting Officer Comments: No change since Quarter 1.

Continuation of School Modernisation programme is the only conceivable way of addressing the repair and maintenance backlog. Additionally the programme continuation will also support:

- (i) A reduction of unfilled places
- (ii) Provide a more efficient school estate and concentrate resources on teaching by removal of unwanted fixed costs in infrastructure and leadership
- (iii) Ensure that the condition and suitability of the school estate is improved.

Additionally, capital business cases for improvement and repairs and maintenance projects in schools will be submitted via the Council's business case process for consideration.

Last Updated: 19-Dec-2016

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Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST123	Leadership capacity does not match school needs	Strategic Risk	Claire Homard - Principal Education Officer Primary	Jeanette Rock - Principal Education Officer Inclusion	Amber	Amber	↔	Open

Potential Effects: Flintshire learners do not leave with suitable qualifications to enable them to progress into further education or employment. Overall school standards decrease with an increase in schools entering into an Estyn category and requiring significant levels of intervention to improve.

Lead Supporting Officer Comments: All schools in Flintshire currently have appropriate leadership arrangements in place. Out of 64 primary schools there are two Acting Head positions - one in relation to potential school reorganisation and one in relation to the temporary secondment of the substantive Head to the Regional School Improvement Service. In the secondary sector where there are 12 schools, two have interim Headteacher posts to cover vacancies, which will be advertised to secure substantive appointments.


Last Updated: 19-Dec-2016

5 Safe Communities

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST124	Lack of sustainable funding to deliver nationally determined community safety priorities.	Strategic Risk	Sian Jones - Public Protection Manager - Community		Amber	Yellow	↓	Open
<p>Potential Effects: Unable to deliver services</p> <p>Lead Supporting Officer Comments: No issues to report. Funding levels for external grants in 2016/17 have all been confirmed.</p> <p>Last Updated: 29-Nov-2016</p>								

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST125	Retention of experienced and skilled staff due to the short term grant funding regime.	Strategic Risk	Sian Jones - Public Protection Manager - Community		Amber	Amber	↔	Open
<p>Potential Effects: Staff shortages may impact on service delivery.</p> <p>Lead Supporting Officer Comments: We have received confirmation of grant funding until 31st March 2017, however Welsh Government are unable to commit to funding levels beyond that date.</p> <p>Last Updated: 29-Nov-2016</p>								


6 Poverty

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST126	Demand for advice and support services will not be met.	Strategic Risk	Katie Clubb - Community Support Services Manager	Pam Davies - Housing Options Team Leader	Yellow	Yellow		Open

Potential Effects: Service providers with insufficient resources to meet demand will quickly build up long waiting lists and residents will not be able to access timely advice that prevents problems from escalating to ones that require more costly specialist interventions.

Lead Supporting Officer Comments: From October 2016, the Council's Welfare Rights Team will be based in the Citizen Advice Flintshire Mold office. Collaboration with Citizen Advice Flintshire will maximise the efficient use of service resources, increasing the number of households who are helped to access their correct entitlement of social security benefits. In addition, the Advice and Housing Support Gateways continue to help providers to manage demand from households experiencing social welfare problems as a result of the ongoing transformation of the United Kingdom social security system.

Last Updated: 06-Dec-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST127	Debt levels will rise if tenants are unable to afford to pay their rent.	Strategic Risk	Katie Clubb - Community Support Services Manager	Paul Neave - Manager - Advice and Homelessness Service	Amber	Amber		Open

Potential Effects: In 2018, the reductions to the financial support provided by welfare benefits to help low-income tenants pay their housing costs and the expansion of the Universal Credit Full Service across Flintshire will increase the number of households accruing rent arrears. In addition, some households, e.g., single people aged under 35, will find that from April 2018; their social housing property is no longer an affordable housing option.

Lead Supporting Officer Comments: Due to the continued, slow introduction of Universal Credit within Flintshire, the number of claimants who are also tenants remains low. The personal budgeting service delivered by Citizen Advice Flintshire is coping with the present demand from Universal Credit claimants who are struggling to pay their rent.

It is not projected that there will be a significant increase in the number of Universal Credit claimants during this current financial year.

The Council continues to work closely with the Universal Credit Service Centre to identify and resolve issues that arise with requests for a claimant's housing costs to be paid directly to social/private landlords.

Last Updated: 06-Dec-2016


Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST128	The local economy will suffer if residents have less income to spend.	Strategic Risk	Katie Clubb - Community Support Services Manager	Paul Neave - Manager - Advice and Homelessness Service	Amber	Amber	↔	Open


Potential Effects: The welfare reforms will reduce income levels in Flintshire by an average of £500 per working age adult pa by 2018. This will have a wider knock-on effect for the Flintshire economy given households (particularly lower-income households) will have less money to spend on local goods and services.

Lead Supporting Officer Comments: During quarter 2, Flintshire residents received specialist advice and support to access on-going social security benefits worth £451,982 and one-off lump sum payments totalling £100,805, increasing the spending power of these households within the local economy.


Last Updated: 06-Dec-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
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ST129	Residents do not take up the energy efficiency measures available.	Strategic Risk	Niall Waller - Enterprise and Regeneration Manager	Gavin Griffith - Housing Regeneration & Strategy Manager	Amber	Amber		Open
<p>Potential Effects: i) Available resources not used to their full potential ii) Household energy bills higher than needed iii) Fuel poverty remains higher than needed</p> <p>Lead Supporting Officer Comments: There has been a strong level of demand for energy efficiency measures and in particular for the external wall insulation offered in Deeside.</p> <p>Last Updated: 14-Oct-2016</p>								

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST130	Available funding for energy efficiency measures may fall short of public demand.	Strategic Risk	Niall Waller - Enterprise and Regeneration Manager	Gavin Griffith - Housing Regeneration & Strategy Manager	Amber	Amber		Open
<p>Potential Effects: i) Public frustration, and reduced funding may impact on the Council's reputation. ii) Opportunities to reduce household costs and fuel poverty may not be fully realised.</p> <p>Lead Supporting Officer Comments: There remains more demand for energy efficiency measures than the current level of funding allows, in particular for solar panels and external wall insulation. Expectations are being managed as far as possible and other sources of funding to increase the level of provision are being actively considered.</p> <p>Last Updated: 16-Dec-2016</p>								


7 Environment

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST131	Sufficient funding to ensure our highways infrastructure remains safe and capable of supporting economic growth.	Strategic Risk	Stephen Jones - Chief Officer - Streetscene and Transportation	Barry Wilkinson - Highways Networks Manager	Amber	Amber		Open

Potential Effects: A lack of sufficient funding would result in a worsening condition of the highway infrastructure across Flintshire.

Lead Supporting Officer Comments: In quarter 2 significant schemes have been measured on a internal matrix for the purposes of rank ordering, and collated for tendering purposes to ensure cost effective delivery. Contracts are in place, and preventative and corrective maintenance schemes of the highest ranked sites within the network will be completed before the end of the financial year.


Last Updated: 19-Dec-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST132	Sustainable transport options do not remain attractive to users.	Strategic Risk	Stephen Jones - Chief Officer - Streetscene and Transportation	Katie Wilby - Transportation and Logistics Manager	Amber	Amber		Open

Potential Effects: Increase in individual car usage. Increase in deterioration of the highway. Not meet the requirements of the Active Travel Wales bill.

Lead Supporting Officer Comments:

Last Updated: 30-Nov-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST133	Sufficient funding will not be found to continue to provide subsidised bus services.	Strategic Risk	Stephen Jones - Chief Officer - Streetscene and Transportation	Katie Wilby - Transportation and Logistics Manager	Amber	Amber		Open

Potential Effects: Decrease in bus services to residents, particularly in rural areas.

Lead Supporting Officer Comments:

Last Updated: 30-Nov-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST134	Reduction of the Single Environment Grant.	Strategic Risk	Andrew Farrow - Chief Officer - Planning and Environment		Amber	Amber	↔	Open

Potential Effects: Potential reduction in future service provision

Lead Supporting Officer Comments: In quarter 2 this still remains a risk as we await the final Welsh Government Revenue Grant Settlement and the impact that may have on grant levels. Latest information suggests a 6% overall reduction for 2017/18.

The matter has been raised with the Council's leadership and with Welsh Local Government Association.

Last Updated: 19-Dec-2016


Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST135	Recycling programmes are not supported by the public and employees.	Strategic Risk	Stephen Jones - Chief Officer - Streetscene and Transportation	Harvey Mitchell - Waste and Ancillary Services Manager	Amber	Amber	↔	Open


Potential Effects: Decreasing income from resale of recyclates. Increased infraction charges. Carbon reduction targets not met.


Lead Supporting Officer Comments:




Last Updated: 20-Sep-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
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ST136	Limitations on suitable Council sites with sufficient area for larger scale renewables schemes and suitable connections to the electric grid.	Strategic Risk	Andrew Farrow - Chief Officer - Planning and Environment		Amber	Amber		Open
<p>Potential Effects: Unable to generate power through FCC controlled renewables sources. Continue to pay market prices for energy.</p> <p>Lead Supporting Officer Comments: In quarter 2 the initial appraisal was undertaken with Green Growth Wales team.</p> <p>Last Updated: 30-Nov-2016</p>								

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST137	Funding will not be secured for priority flood alleviation schemes.	Strategic Risk	Andrew Farrow - Chief Officer - Planning and Environment		Red	Red		Open
<p>Potential Effects: Flood schemes will not be delivered</p> <p>Lead Supporting Officer Comments: In Quarter 2 the grant and availability is continuing to be monitored. A capital bid to potentially address flood risk schemes is also being established.</p> <p>Last Updated: 29-Nov-2016</p>								

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST138	Customer expectations around the delivery of flood alleviation schemes are not effectively managed.	Strategic Risk	Andrew Farrow - Chief Officer - Planning and Environment		Amber	Amber		Open
<p>Potential Effects: Flood schemes will not be delivered</p> <p>Lead Supporting Officer Comments: In quarter 2 improved information was provided prior to commencement of projects helping to address expectations.</p> <p>Last Updated: 29-Nov-2016</p>								

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST139	Environmental crime programmes are not supported by the public and employees.	Strategic Risk	Andrew Farrow - Chief Officer - Planning and Environment					Open
<p>Potential Effects: Continued problems with littering, graffiti and loss of environmental quality</p> <p>Lead Supporting Officer Comments: In quarter 2 the success of projects has continued to be monitored and actions taken which have resulted in a reduced risk.</p> <p>Last Updated: 30-Nov-2016</p>								

8 Modern and Efficient Council

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST140	The capacity and appetite of the community and social sectors.	Strategic Risk	Ian Bancroft - Chief Officer - Organisational Change 1	Dawn Holt - Alternative Delivery Models and Transforming Social Services Programme Manager	Amber	Amber	↔	Open

Potential Effects: No increase in the number and strength in community and social sectors which in turn will limit the capacity for communities to assist in community asset transfer and other programmes.

Lead Supporting Officer Comments: Q2 - Building on the Community Asset Transfers from 2015/16 nine applications are now being progressed. In addition five ADM's are in progress, see section 8.1.1.4.




Last Updated: 30-Nov-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST141	The willingness of the workforce and Trade Unions to embrace change.	Strategic Risk	Ian Bancroft - Chief Officer - Organisational Change 1	Dawn Holt - Alternative Delivery Models and Transforming Social Services Programme Manager	Red	Green	↓	Open

Potential Effects: Organisational change objectives cannot be met.

Lead Supporting Officer Comments: Q2 - Organisational change programmes are broadly within planned timescales, reflecting the willingness of the workforce and Trade Unions to embrace change.

Last Updated: 30-Nov-2016




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST142	Market conditions which the new alternative delivery models face.	Strategic Risk	Ian Bancroft - Chief Officer - Organisational Change 1	Dawn Holt - Alternative Delivery Models and Transforming Social Services Programme Manager				Open

Potential Effects: New Alternative Delivery Models will see a decrease in income and ultimately be un-sustainable.

Lead Supporting Officer Comments: Completed Alternative Delivery Model (ADM) business plans contain some initial considerations of market conditions. More detailed planning market analysis work is being completed in the transition phase for those business plans approved by Cabinet. Final Community Asset Transfer (CAT) plans are on the whole progressing.

Last Updated: 29-Nov-2016

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Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST143	Limitations on public funding to subsidise alternative models.	Strategic Risk	Ian Bancroft - Chief Officer - Organisational Change 1	Dawn Holt - Alternative Delivery Models and Transforming Social Services Programme Manager				Open


Potential Effects: Alternative Delivery Models become unsustainable as it cannot meet costs with reduced funding from the Council..

Lead Supporting Officer Comments: Q2 - The amber rating is due to the transitional arrangements currently in place. The transitional period is nearing end and reports are due to go to Cabinet in December. Following this the risk level will change.


Last Updated: 30-Nov-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
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ST144	Procurement regulations stifling our ability to develop local community and third sector markets	Strategic Risk	Arwel Staples - Strategic Procurement Manager		Yellow	Yellow		Open
<p>Potential Effects: Unlikely increase in spend with Small and Medium Enterprises (SMEs) and third sector suppliers</p> <p>Lead Supporting Officer Comments: A new corporate procurement strategy has been developed. The strategy has now been approved and one of the key outcomes is local supplier development, increased use of community benefits, and increased spend with Social Enterprises.</p> <p>Last Updated: 30-Nov-2016</p>								

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST145	Newly established Social Enterprises fail in their early stages of development	Strategic Risk	Ian Bancroft - Chief Officer - Organisational Change 1	Dawn Holt - Alternative Delivery Models and Transforming Social Services Programme Manager, Mike Dodd - Social Enterprise Development Lead Officer	Amber	Amber		Open
<p>Potential Effects: New social enterprises are not sustainable and go into liquidation</p> <p>Lead Supporting Officer Comments: Q2 - The Social Enterprise Sector working group has met twice and is planning how it will provide leadership and support to the sector.</p> <p>Last Updated: 29-Nov-2016</p>								

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
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ST146	Newly established Community Asset Transfers fail in their early stages of development	Strategic Risk	Neal Cockerton - Chief Officer - Organisational Change 2	Dawn Holt - Alternative Delivery Models and Transforming Social Services Programme Manager	Amber	Green		Open
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Potential Effects: New social enterprises are not sustainable and go into liquidation

Lead Supporting Officer Comments: Business development work is on going. Monitoring of new Community Asset Transfers starts this year with reports received from Community groups and monitoring meetings arranged.

The Social Enterprise Sector working group is now active.

Last Updated: 30-Nov-2016


Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST147	The scale of the financial challenge.	Strategic Risk	Gary Ferguson - Corporate Finance Manager		Red	Red		Open

Potential Effects: The Council does not have sufficient funding to meet it's priorities and obligations.

Lead Supporting Officer Comments: Q2) The Provisional Settlement for 2017/18 has since been received and is more favourable than the figure assumed within the forecast.

Work is continuing regarding stage 2 of the 2017/18 budget and the forecast will be updated once this work is complete.


Last Updated: 29-Nov-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST148	The capacity and capability of the organisation to implement necessary changes.	Strategic Risk	Sharon Carney - Lead Business Partner		Red	Amber		Open

Potential Effects: Organisational change objectives cannot be met.

Lead Supporting Officer Comments: Organisational change programmes are broadly on time and on budget.

Last Updated: 29-Nov-2016


Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST149	The pace of procurement collaborations and our limited control over their development.	Strategic Risk	Gareth Owens - Chief Officer - Governance	Arwel Staples - Strategic Procurement Manager	Yellow	Amber		Open

Potential Effects: Procurement efficiencies will not be realised.

Lead Supporting Officer Comments: The National Procurement Service (NPS) has increased the pace of procurement collaboration delivery with 30+ framework agreements in place and further projects identified. The work programme delivery is being closely monitored.

However actual benefits to the Council from the NPS framework agreements is varied, therefore further monitoring of actual benefits is required going forward.

Last Updated: 20-Oct-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST150	Public attitude to accessing services on-line.	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Rebecca Jones - Customer Services Team Leader	Yellow	Yellow		Open

Potential Effects: Targeted efficiencies to be achieved through people switching to accessing services will not be met.

Lead Supporting Officer Comments: Q2) There continues to be an increase in the number of people choosing digital to transact with the Council; the number of digital transactions and website usage grows every quarter.

Customer Services regularly monitor customer feedback around digital to ensure the services delivered digitally are fit for purpose. Frontline support continues to be offered via Flintshire Connects Advisors, encouraging and enabling customers to self-service now and in the future. Additionally, the rollout of payment kiosks at Flintshire Connects, with no concerns from the public demonstrates a level of acceptance that customers expect to self-service when accessing certain services.

Last Updated: 29-Nov-2016



AUDIT COMMITTEE

Date of Meeting	Wednesday 25 January 2017
Report Subject	Code of Corporate Governance and Annual Governance Statement
Portfolio Holder	Leader of the Council
Report Author	Chief Executive

EXECUTIVE SUMMARY

The Code of Corporate Governance should be reviewed and updated annually to ensure it is up to date and meets the regulatory requirements.

The role of the Audit Committee is to (1) review the effectiveness of corporate governance and (2) make reports and recommendations to the County Council on the adequacy and effectiveness of these arrangements.

Effective governance is supported by the Annual Governance Statement (AGS). The process for preparing the next AGS, to be ready by June, is well underway.

RECOMMENDATIONS

1.	The Committee to endorse the updated Code of Corporate Governance for adoption.
2.	The Committee to support the process for the preparation of the Annual Governance Statement.

REPORT DETAILS

1.00	EXPLAINING THE REVIEW OF THE CODE OF CORPORATE GOVERNANCE AND ANNUAL GOVERNANCE STATEMENT
1.01	The Corporate Governance Working Group (CGWG) has two main roles:- the annual review of the Code of Corporate Governance; and the preparation of the Annual Governance Statement (AGS).

	<p>Under both roles the Group prepares the draft documentation for consideration by the Chief Executive, Monitoring Officer and Section 151 Officer prior to consideration by the Audit Committee. The membership of this officer working group is shown in Appendix 1.</p>
1.02	<p>The Council's Code of Corporate Governance forms part of the Constitution and applies to all parts of the Council's business. Members and employees of the Council in carrying out its business must conduct themselves in accordance with the high standards expected.</p> <p>The Code draws from work and guidance by the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) and their joint document entitled 'Delivering Good Governance in Local Government: Guidance Notes for Welsh Authorities 2016'.</p>
1.03	<p>The relationship between the CIPFA /SOLACE guidance, the Code of Corporate Governance, the Annual Governance Statement, Improvement Plan and the Audit Committee's responsibilities for these and risk management, is shown in the diagram below.</p>
1.04	<p>The CIPFA/SOLACE Guidance note for Welsh Authorities was received in December having been revised to take account of Welsh legislation and Wales only policies in particular the Well-being of Future Generations (Wales) Act 2015.</p> <p>The CIPFA/SOLACE Framework is intended to assist authorities in ensuring that:</p> <ul style="list-style-type: none"> resources are directed in accordance with agreed policy and according to priorities; there is sound and inclusive decision making; and there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

	<p>The newly outlined principles and sub-principles of the Framework are significantly different from the previous ones. As a result the Code of Corporate Governance this year looks different to previous versions. The format has been simplified and modernised with an increased use of hyperlinks.</p> <p>The updating and formatting review of the code was initially carried out by the Corporate Governance Working Group followed by consultation with the Chief Executive, Monitoring Officer and Section 151 Officer.</p> <p>The revised code can be seen at Appendix 2.</p>
1.05	<p>The principles for this year's code (taken from the Framework) are as follows:</p> <p>A Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the law</p> <p>B - Ensuring openness and comprehensive stakeholder engagement</p> <p>C – Defining outcomes in terms of sustainable economic, social and environmental benefits</p> <p>D – Determining the interventions necessary to optimise the achievement of the intended outcomes</p> <p>E – Developing the entity's capacity, including the capability of its leadership and the individuals within it</p> <p>F - Managing risks and performance through robust internal control and strong public financial management</p> <p>G - Implementing good practices in transparency, reporting and audit to deliver effective accountability.</p> <p>The main changes for this year are in relation to principles C, D and G which have been expanded upon and made more explicit taking into account national legislation.</p>
1.06	<p>The revised Code is being taken to the Constitution Committee on the afternoon of 1 February 2017. Any comments and amendments from this meeting will be reported to the Constitution Committee when they consider the changes.</p>
	<p>Annual Governance Statement</p>
1.07	<p>For each financial year the Council is required to produce an Annual Governance Statement (AGS) as part of its final accounts. The AGS explains how the Council has complied with its Code of Corporate Governance and how it also meets the requirements of the Accounts and Audit (Wales) Regulations 2014.</p>
1.08	<p>The process of preparing the AGS for the financial year 2015/16 has already started. As in previous years there is a need for Member involvement which includes the request for this committee to endorse the process. In addition,</p>

	as in previous years, questionnaires have been sent to the Chairs of Overview and Scrutiny Committees for them to complete in addition to the questionnaires completed by Chief Officers.
1.08	In previous years a draft AGS has been brought informally to the Committee immediately prior to the June meeting so that any amendments can be incorporated before it is formally reviewed. This year the draft AGS will be brought to the first meeting of the Audit Committee following the local elections.
1.09	Attached as Appendix 3 is the process for the preparation of this year's Annual Governance Statement.

2.0	RESOURCE IMPLICATIONS
2.01	None as a direct result of this report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	With the Corporate Governance Working Group, Chief Executive, Monitoring Officer, section 151 Officer and senior officers where appropriate.

4.00	RISK MANAGEMENT
4.01	<p>The main risk is in not updating the Code, meaning it does not reflect the systems in place or meet the requirements.</p> <p>Similarly, in order to comply with requirements, the AGS needs to be prepared each year with input from members and officers, including an annual review of the effectiveness of governance.</p> <p>Both these risks are addressed through the adopted processes and approach each year, which reflect new or additional best practice and guidance.</p>

5.00	APPENDICES
5.01	<p>Appendix 1: Compilation of Officer Working Group</p> <p>Appendix 2: Code of Corporate Governance</p> <p>Appendix 3: Annual Governance Statement 2016/17 preparation</p>

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Contact Officer: Karen Armstrong, Corporate Business and Communications Executive Officer Telephone: 01352 702740 E-mail: karen.armstrong@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	<p>(1) Corporate Governance: the system by which local authorities direct and control their functions and relate to their communities. It is founded on the basic principles of openness and inclusivity, integrity and accountability together with the overarching concept of leadership. It is an inter-related system that brings together the underlying set of legislative requirements, governance principles and management processes.</p>

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Corporate Governance Working Group Membership

Karen Armstrong (Chair)	Corporate Business and Communications Executive Officer
Chris Phillips	Performance Team Leader
Lisa Brownbill	Interim Internal Audit Manager
Sue Ridings	Accountant
Robert Robins	Democratic Services Manager

November 2016

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Appendix 2

CIPFA/SOLACE Delivering Good Governance in Local Government Framework

Flintshire County Council – Code of Corporate Governance 2016

Section	Core Principles	Page
A	Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	2
B	Ensuring openness and comprehensive stakeholder engagement	5
C	Defining outcomes in terms of sustainable economic, social and environmental benefits	8
D	Determining the interventions necessary to optimise the achievements of the intended outcomes	11
E	Developing the entity's capacity, including the capability of its leadership and the individuals within it	14
F	Managing risks and performance through robust internal control and strong financial management	18
G	Implementing good practices in transparency, reporting and audit to deliver effective accountability	24
	Assurance Statement	27

A. Core principle: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

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

Behaving with integrity

1. Ensuring members and employees behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the Organisation.
2. Ensuring members take the lead in establishing specific values for the organisation and its employees and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles)
3. Leading by example and using these standard operating principles or values as a framework for decision making and other actions.
4. Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies/processes such as which are reviewed on a regular basis to ensure that they are operating effectively.

- The Council's Constitution contains the general principles for the Council's governance arrangements and the Monitoring Officer monitors and reviews its operation to ensure that the aims and principles are given full effect and kept relevant. Sections 19-23 of the Constitution have the Codes of Conduct and Protocols which Members and Officers (employees) have agreed to comply with. The Council requires members, whether they are elected or co-opted, to sign and to be bound by our Code of Conduct. Collectively, these codes and protocols set standards of behaviour as follows. This information can be found in the [Constitution](#):
 - *Code of Conduct for Members* (1,2,3,& 4)
 - *The Flintshire Standard which contains a Local Resolution Procedure for complaints about member behaviour* (1,2,3 & 4)
 - *Protocol for members in their dealings with contractors, developers and other third parties.* (1,3 & 4)
 - *Protocol on Member/ Officer relations* (1,2,3 & 4)
 - *Officers' Code of Conduct* (1,3 & 4)
- The Council operates an effective elections protocol, ensuring high standards are upheld during election periods. (1)
- Employees are also bound by a policy of 'politically restricted posts'. This policy ensures that all qualifying employees comply with any statutory restrictions on their political activities. (1)
- The Council has an appraisal system for employees which is based on the Council's [Behavioural Competency Framework](#) (3) and links to the Council's objectives set out in the annual [Improvement Plan](#). There are also [Diversity and Equality](#) and [Dignity at Work](#) policies. (1,2,3 & 4)
- The Council has an [Anti-fraud and Corruption Strategy](#), [Fraud Response Plan](#) and a [Whistleblowing Policy](#) which are reviewed and updated periodically. (1,2, 3, & 4)

Demonstrating strong commitment to ethical values

5. Seeking to establish, monitor and maintain the organisation's ethical standards and performance
 6. Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's operation
 7. Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values
 8. Ensuring the external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation
- The Council's reputation and standing are important, and the Council's commitment to the rule of law and ethical values is expressed in: 'Gorau Tarian Cyfiawnder' (The Best Shield is Justice) which is the motto on the Council's coat of arms. The Council observes the seven principles of public life (Nolan principles) which are selflessness, integrity, objectivity, accountability, openness, honesty and leadership [Striking the Balance - Upholding the Seven Principles of Public Life in Regulation](#)
 - The Council's commitment to these principles is shown in the codes and policies below which is found in the [constitution](#):
 - *Code of Conduct for Members* (5,6)
 - *The Flintshire Standard* which contains a *Local Resolution Procedure for complaints about member behaviour* (5,6)
 - *Protocol for members in their dealings with contractors, developers and other third parties.* (5,6)
 - *Protocol on Member/ Officer relations* (5,6)
 - *Officers' Code of Conduct* (5,6)
 - The Constitution contains comprehensive Contract and Financial Procedure Rules governing the procurement process to be adopted in conducting the Council's business, they are available on the website. [The Contract Procedure Rules](#) were reviewed in 2016 and [Financial Procedure Rules](#) are reviewed every two years. (7)
 - The Council's [Procurement Strategy](#) enables the delivery of cost effective goods and services and ensures that the contribution of the Council's procurement activity on the local economy, especially social enterprise is improved. (7)
 - The Contract Procedure Rules ensure that obligations under the [Wellbeing of Future Generations \(Wales\) Act 2015](#) as well as the Public Sector Equality Duty under the [Equality Act 2010](#) are complied with. (8)

Respecting the rule of law

9. Ensuring members and employees demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations.
10. Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements.
11. Striving to optimise the use the Council's full powers available for the benefit of its citizens, its communities and other stakeholders.
12. Dealing with breaches of legal and regulatory provisions effectively.
13. Ensuring corruption and misuse of power are dealt with effectively.

- The Council's Chief Officer (Governance) is the Monitoring Officer and Senior Information Risk Officer (SIRO) (9,10,11,12,13)
- The Internal Audit function within the Governance Portfolio reports regularly to the Audit Committee. Membership of the Audit committee includes an independent lay member. (9,11,12,13)
- The Council has a Standards Committee comprising nine members, five of whom are independent of the Council, three are county councillors and the other represents community councils. The committee promotes and maintains high standards of conduct by councillors and co-opted members. (9,10,11,12,13)
- The Council's relationship with the Wales Audit Office and other regulatory bodies remains strong. (11)
- The Council has a robust Overview & Scrutiny function which consists of six committees which each have 15 elected members and dedicated officer support. (9,10,11) The committees are:
 - Community & Enterprise;
 - Corporate Resources;
 - Education & Youth, which has five statutory co-optees;
 - Environment;
 - Organisational Change; and
 - Social & Healthcare
- If the Council fail to address or resolve customer complaints to the complainant's satisfaction, they have recourse to the Public Services Ombudsman for Wales, whose contact details are published on the Council's website. (9,10,12,13)
- The Council is answerable to other regulatory/statutory bodies, examples include Information Commissioner's Office and the Equality and Human Rights Commission, plus the four Welsh Commissioners for Welsh Language, Future Generations, Children and Older People. (9, 11,12)

B. Core principle: Ensuring openness and comprehensive stakeholder engagement

Ensuring openness and comprehensive stakeholder engagement

Openness

14. Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness.
15. Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping decisions confidential should be provided.
16. Provide clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear.
17. Using formal and informal consultation and engagement to determine the most appropriate and effective interventions / courses of action.

- The Council uses the website, its intranet and its partner and partnership networks to continually demonstrate its commitment to openness. (14)
- Most reports are considered in public and in the cases where this is not the case, the Committee has resolved to exclude the press and public after the Monitoring Officer or Deputy Monitoring Officer have decided there is a proper legal basis for doing so. The Council's Overview and Scrutiny Committees produce an [annual report](#) on their work which is considered by the Council. (15)
- The report author provides a summary of the main features of the report, which identifies how the recommendations have been arrived at. The executive summary assists in terms of presenting the report. Meetings of the full Council and the Planning & Development Control Committee are now web-cast and minutes of other meetings are drafted to provide the reader with the 'sense' of the meeting, leading to the decisions made which are reflected in the resolutions recorded. (16)
- Consultation and engagement with customers and communities takes place on a number of different levels: representative democracy through elected members, structured engagement through for example the County Forum meetings (with Town and Community Councils), formal needs assessments through strategic partnerships, surveys and feedback mechanisms such as workshops and roadshows. The methods used are selected according to requirements, audience and coverage. The feedback received helps to shape and develop how the Council does things and assists decision makers in understanding the impacts on communities. (17)
- The Council has [Core Principles for Public Engagement and Consultation](#), a [Compliments, Concerns and Complaints](#) feedback arrangement and a [Customer Services Strategy](#) (17)
- The Council's consultation and engagement practices are varied in both scale and method depending upon the nature of the subject area.

They can range from a voluntary household survey on a variety of council issues to a detailed statutory engagement process such as school reviews. (17)

Engaging comprehensively with institutional stakeholders

18. Effectively engaging with stakeholders to ensure that the purpose, objective and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably.
19. Developing formal and informal partnerships to allow for resources to be used more effectively and outcomes achieved more effectively.
20. Ensuring that partnerships are based on trust, a shared commitments to change, a culture that promotes and accepts challenge among partners; and that the added value of partnership working is explicit.

- The Council has channels of communication with all sections of the community and other stakeholders and puts in place proper monitoring arrangements to ensure they operate effectively (18)
The Council has many ways of communicating with its citizens and stakeholders, including: -
 - The e-magazine 'Your Council'
 - Website
 - Social Media
 - Publications and leaflets
 - Events
 - Established links and regular meetings with local interest groups/forums
 - Invitations to members of the public to submit issues they consider should be considered by Overview and Scrutiny Committees
 - Consultation on the budget process with local stakeholders (residents and businesses) to help shape its budget proposals and encourage community involvement.
- The Council has formal and informal collaborative arrangements with other institutional stakeholders to allow for resources to be used more effectively and outcomes achieved more effectively. The statutorily based [Public Services Board](#) is one of many collaboration partnerships across agencies; other collaborations revolve around regional services e.g. education (GwE) and Social Services Commissioning Hub. Other strategic partnerships include the Voluntary Sector Compact, People are Safe Board, Health, Wellbeing and Independence Board, the Part 9 Board, Regional Safeguarding Board and the North Wales Economic Ambition Board. (19)
- Whenever a new partnership is created, care is taken to ensure that its legal status is clear, that it has appropriate terms of reference and that representatives are aware of the extent to which they can bind the Council. The Cabinet has set and agreed a protocol for the governance of partnership working including the full involvement of appropriate Overview and Scrutiny Committees and the Audit Committee. [Partnership self-assessments](#) include assessing the behaviour, performance, value for money and procedures of partnership arrangements. (20)

Engaging Stakeholder effectively, including individual citizens and service users

21. Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes.
22. Ensuring communication methods are effective and that members and employees are clear about their roles with regard to community engagement.
23. Encouraging, collecting and evaluating the views and experiences of citizens, service users and organisations of different backgrounds including reference to future needs.
24. Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account.
25. Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity.
26. Taking account of the interests of future generations of tax payers and services users.

- The Council has a consultation and engagement framework and guidelines/policy document plus adoption of a set of core consultation and engagement principles based on nationally identified best practice. (21,23,24)
- Communication methods are continually being reviewed to adapt to changing technologies and their impact. Members and employees have clear roles of accountability; members through their representative democracy and employees through more structured assessments, surveys and other ongoing impact and evidence gathering conversations such as those in Social Services. (22)
- The Council takes into account the impact and consequences of decisions on all members of the community through integrated assessment planning; especially with regard to budget planning and alternative delivery models. (25)
- The Council makes prudent judgements about the use of resources in line with the Wellbeing of Future Generations Act. (26)

C. Core principle: Defining outcomes in terms of sustainable economic, social and environmental benefits

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

Defining outcomes

27. Having a clear vision, which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation's overall strategy, planning and other decisions.
28. Specifying the intended impact on, or changes for, stakeholders including individual citizens and service users. It could be immediately or over the course of a year or longer.
29. Delivering defined outcomes on a sustainable basis within the resources that will be available.
30. Identifying and managing risks to the achievement of outcomes.
31. Managing expectations effectively with regard to determining priorities and making the best use of the resources available.

- The County Council's [Improvement Plan 2012 – 2017](#) is available on the Council's website. (27, 28)
- The Council sets a number of priorities for itself as an individual partner. Priorities for the 2016/17 Improvement Plan are: Housing, Environment, Living Well, Poverty, Modern and Efficient Council, Economy & Enterprise, Skills and Learning and Safe Communities. These priorities are reviewed in terms of impact of particular changes. (28)
- The Council has a resilient approach to Business Planning for sustainable services including efficiency planning to meet reductions in national funding and increases in local demands and pressures. The Council's [Medium Term Financial Strategy](#) – summary 2016/17 describes the Council's approach to maintaining valued services within the financial constraints. (29)
- Risk management is integral to the Council's delivery of objectives, statutory duties, project and change programmes and partnership delivery. It is considered during development and monitoring of all the Council's priorities, projects and Portfolio Business Plans. Strategic risks within the Council's Improvement Plan are monitored quarterly and reported to Cabinet, Overview and Scrutiny Committees. The Audit Committee receives a half yearly report on these risks. Programme Boards monitor all Business Plan risks. ([Risk Management Policy and Strategy](#)) (30)
- The Council's [Medium Term Financial Strategy](#) and [Capital Strategy and Asset Management Plan 2016 – 2020](#) outline the resources that are available to deliver outcomes. (29)
- The Council's Portfolio Business Plan Programme measures efficiencies, reviews impact (acceptability and deliverability) with more in-depth impact assessments being undertaken where appropriate. (31)

- In addition the Council is supported by a number of corporate strategies which provide a clear framework for the management of Council resources and support council change and transition. These strategies are: the Medium Term Financial Strategy, the Capital Strategy and Asset Management Plan, the Digital Strategy, the Customer Strategy and People Strategy. (31)

Sustainable economic, social and environmental benefits

32. Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision.
33. Taking a longer-term view with regard to decision making, taking account of risk and acting transparently whether there are potential conflicts between the Council's intended outcomes and short-term factors such as the political cycle or financial constraints.
34. Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs.
35. Ensuring fair access to services.

- The Council is working towards the Well-being of Future Generations (WBFG) principles of sustainability which include economic, social, environmental and cultural impacts within all of its objectives and obligations. (32,33)
- The Council's budget setting policy and approach is one which seeks to protect and sustain for the longer term valuable public services.(32,33)
- The Council has an updated, standard report format and supporting guidance. Report authors are expected to complete any risks and impacts when a section of the report "Key Risks and Mitigation", which they have identified during the preparation process and the mitigation measures which they have proposed or have put in place to address these. This must include a paragraph in the main body of the report to confirm that an Equality and Welsh Language Impact Assessment (EWLIA) to comply with the Equality Act 2010 Public Sector Equality Duties and Welsh Language Standards has been carried out. If a EWLIA has not been completed, authors are required to state the reasons why one was not needed. (32)
Reports must also consider any implications under the [Wellbeing of Future Generations \(Wales\) Act 2015](#). This places a sustainable development and wellbeing duty on public bodies, together with the need to measure performance towards those wellbeing goals and objectives. (32,33 and 34)
- The annual Capital programme is linked to the [Capital Strategy and Asset Management Plan 2016 – 2020](#) and is available on the website. (32,33)
- The Council's Capital and Asset Management Strategy is in three parts, Statutory/Regulatory, Retained Assets and Investments. The Investment section is for new schemes arising from Portfolio Business Plans and the Improvement Plan based on sound business cases. (32)
- Equality and Welsh Language Impact Assessments are undertaken and published in relation to policy and business decisions as well as setting

the budget. These are being reviewed to integrate all requirements of the WBFG (34,35)

D. Core principle: Determining the interventions necessary to optimise the achievements of the intended outcomes

Determining the interventions necessary to optimise the achievement of the intended outcomes	
Page 125	Determining interventions <p>36. Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided.</p> <p>37. Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts.</p> <ul style="list-style-type: none"> Discussions between Members and employees on the information needs of members to support decision making can take place in a number of ways: formally at a committee meeting, Task & Finish group or workshop, or informally at a briefing. (36) Examples can be found within the Committee System- particularly when considering Business Plan efficiency proposals and quarterly performance reports. During discussions at committees, additional information can be requested. This is with agreement of the timescales. (36) Examples can be found in committee minutes. Report authors are required to indicate what consultation was required, undertaken and the results. Section B provides further details. Report guidance is within the template and the report guidance. (37) Guidance Notes.
	Planning interventions <p>38. Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets.</p> <p>39. Engaging with internal and external stakeholders in determining how services and other interventions can best be delivered.</p> <p>40. Considering and monitoring risks facing each partner when working collaboratively including shared risks.</p> <p>41. Ensuring arrangements are flexible/agile so that the mechanisms for delivering outputs can be adapted to changing circumstances.</p> <p>42. Establishing appropriate local performance indicators (as well as statutory or other national performance indicators) as part of the planning process in order to assess how the performance of services is to be measured.</p> <p>43. Ensuring capacity exists to generate the information required to review service quality regularly.</p> <p>44. Preparing budgets in accordance with organisational objectives, strategies and the medium term financial strategy.</p> <p>45. Informing medium and long term resources planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy.</p>
	<ul style="list-style-type: none"> The Council's Schedule of Meetings for the ensuing municipal year is considered at the Annual Meeting of Council which is held each May.

The Forward Work Programme for Council, Cabinet and Committees is considered at each meeting of the Cabinet. Each of the six Overview & Scrutiny committees reconsiders its forward work programme at each ordinary meeting. This ensures that it stays relevant to committee needs. (38,39)

- Business planning and objective planning and monitoring are contained within quarterly and Improvement Plan reporting. (39)
- The Council's consultation and [engagement framework and guidelines/policy document policy](#) provides guidance regarding internal and external stakeholder involvement. In addition co-production is being used as a methodology (especially in Social Services) to involve users in the commissioning of services. (39)
- The Council has a range of partnerships working at different levels. [Risk management](#) is an important and essential consideration for all partnerships that the Council lead on. This can be demonstrated by the partnership self-assessment that the Strategic Partnerships undertake on a bi-annual basis to determine risks/challenges for each of the partners and the partnership itself. (40)
- Reviews of shared risks are undertaken at the various partnership boards. (40)
- A regular reviews of plans is undertaken at strategic levels during quarterly monitoring. The Council's Programme Boards also review efficiency plans on a monthly basis. (41)
- In setting direction and prioritising resources the Council sets performance targets against each priority and monitors them through the use of National Key Performance Indicators (KPI's) set by the Welsh Government, and local indicators set by the Council. Performance indicators are the 'success measures' for the Council and viewed publicly by Government and regulators. (42)
- The CAMMS system (performance, risk and project management system) assists with the capacity requirements both at portfolio level and corporately to review service quality. The Council also engages with a range of benchmarking groups such as the Association for Public Service Excellence (APSE), CLAW etc. to review service quality and productivity. (42)
- An integral part of business planning is understanding and taking action against risks related to the business. The Council's risk management processes are embedded and include, operational, project, strategic, and collaborative partnerships risks. A corporate risk management model as described in the [Risk Management Strategy and Policy](#) supports these arrangements. The Council's strategic risks are included within the [Improvement Plan](#) which is embedded within the portfolio business planning processes. This is supplemented by external review and inspection. (43)
- Reports include detailed performance results and highlight areas where corrective action is necessary (43)
- Budgets are prepared in accordance with organisational objectives, strategies and the Medium Term Financial Strategy ([MTFS](#)) (44)

- The [MTFS](#) and annual budget setting process aims to ensure that planning decisions are informed by realistic estimates of expenditure and revenue (45)

Optimising achievement of intended outcomes

46. Ensuring the medium term financial strategy integrates and balances off service priorities, affordability and other resource constraints.
47. Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term.
48. Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage.
49. Ensuring the achievement of 'social value' or 'community benefits' through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is "the additional benefit to the community... over and above the direct purchasing of goods, services and outcomes"

- [The Medium Term Financial Strategy](#) and annual budget setting process integrates priorities with resource constraints. The Medium Term Financial Strategy (MTFS) is in two parts. The first forecasts the resources the Council is likely to have over the next three years. The second part [Meeting the Financial Challenge](#) sets out plans and solutions for managing with reducing resources over this three year period. (46,47)
- The annual budgeting process and Portfolio business plans take into account the medium and long term priorities from the MTFS aligned with the resources made available to the Council. (46,47,48)
- [The Procurement Strategy](#) and [Contract Procedure Rules](#) ensure that adequate emphasis is placed on 'community benefit'. (49)

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

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

Developing the entity's capacity

50. Reviewing operations, performance and, use of assets on a regular basis to ensure their continuing effectiveness.
51. Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the Council's resources are allocated so that outcomes are achieved effectively and efficiently.
52. Recognising the benefits of partnerships and collaborative working where added value can be achieved.
53. Developing and maintaining an effective workforce plan to enhance strategic allocation of resources.

- The annual Improvement Plan provides detailed information of the Council's plans and their desired impacts. (50,51)
- The Annual Performance Report provides a general performance and progress profile as to how the Council is improving the level of efficiency and effectiveness of its services in line with its Improvement Plan. (50,51)
- The Council's Capital Strategy and Asset Management Plan as agreed by County Council in January 2016 also provides a longer term (10 year) view which is to be reviewed on a periodic basis. (50,51)
- The Council engages with a range of benchmarking groups such as the Association of Public Service Excellence; Consortium of Local Authorities in Wales; CIPFA etc. to review service quality and productivity. (51)
- The Wales Audit Office review the Council's performance and value for money arrangements through their Improvement Assessment work and report their findings in various letters and their Annual Improvement Report. (51,52)
- The Council has developed employee capacity and assurance methodologies to support change management using such techniques as transition plan management and service resilience and efficiency statements. (51,52)
- The benefits of collaborative working with partners can be seen through the work of the Flintshire Public Services Board and its predecessor the Local Service Board. Flintshire is the lead on the North Wales Residual Waste Treatment Project, having recognised that the scale and cost was beyond the capacity of a single local authority acting alone. The value of partnership and collaborative working is recognised by the Council as something that helps sustain services and provides added value to programmes such as intervention and prevention, where one partner acting alone cannot effect the change that is needed. (53)
- The Council's [People Strategy](#) has been considered and endorsed by the Cabinet and the Corporate Resources Overview & Scrutiny

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

54. Developing protocols to ensure that elected and appointed leaders negotiate their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained.
55. Publishing a statement that specifies the types of decisions delegated to the executive and those reserved for the collective decision making of the Council.
56. Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads the Council in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority.
57. Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the Council to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks.
58. Ensuring employees have access to appropriate induction tailored to their role with ongoing training and development matching individual and organisational requirements is available and encouraged.
59. Ensuring members and employee have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to continuously update their knowledge.
60. Ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from both internal and external governance weaknesses.
61. Ensuring that there are structures in place to encourage public participation
62. Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections.
63. Holding employees to account through regular performance reviews which take account of training and development needs.
64. Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.

- The Council has adopted a Constitution, last reviewed May 2016, which includes a Delegation Scheme which identifies those decisions reserved to the County Council for decision, those local choice issues which are decided by the County Council, those decisions which will be taken by the Cabinet or its individual members, and those which are delegated to Chief Officers and senior officers. Local choice issues are reviewed at the Council's Annual Meeting. In this respect, the basic principle on which these rules are established is that the full Council sets the strategic direction through the adoption of policies and the budget, the Cabinet takes major decisions within the overall policy and budget framework and helps to develop new policies and officers take the day to day decisions within the policy and budget framework. The Delegation Scheme is subject to frequent review. (54,55)
- The Constitution sets out clearly the role of the Leader and Cabinet and in particular makes it clear that they are responsible for providing

effective strategic leadership to the Council and for ensuring that the Council successfully discharges its overall responsibilities for the activities of the organisation as a whole. It also ensures through Financial Procedure Rules and the Scheme of Delegated Powers that there is effective control over the day to day conduct of the Council's business by requiring Member approval for decisions outside defined parameters. (56)

- The Council's Constitution includes the names and a description of the portfolios held by the Leader and other Members of the Cabinet. Their respective roles have been agreed and documented. Role descriptions are in place for all chairs and vice-chairs of Overview and Scrutiny Committees, regulatory committees and Members of Overview and Scrutiny Committees are similarly documented.(57)
- Following the implementation of the new senior management structure in 2012, the Council is in a better position to respond successfully to changes in legal and policy demands. (57)
- Managers are responsible for ensuring all new employees have an induction. There is a generic induction checklist which is completed in addition to a service specific induction. The generic induction session is provided to groups of new employees and includes modules on customer care and governance. (58)
- Following County Council elections a Member induction programme is devised and delivered. The Council ensures that Members have the skills required to undertake their roles and that those skills are developed on a continuing basis to improve performance through: (58)
 - Development and training programmes, including those provided by professional organisations.
 - Member induction training.
 - A mentoring system for Members.
 - An annual Member Development Programme.
 - The Council's Member Development Strategy.
 - Training on the Members' Code of Conduct.
 - Specific training for Members on planning, licensing, audit and risk management.
- Section 11 and Appendix 1 of the Council's Constitution details the roles of the Head of Paid Services, Monitoring Officer and Chief Finance Officer (S151 Officer). Job descriptions are also in place for all senior officers of the Council and the senior management structure is kept under review to ensure its continued appropriateness. (59)
- The development of action plans as a response to issues raised by the Council's regulators, the emphasis which is placed on keeping Members informed and involved with new developments through workshops and the use of officer appraisals are all indicative of the Council's commitment to being a 'learning organisation' (60)
- The Council holds annual public consultation meetings on budget proposals, in addition to having a compliments and complaints scheme and statutory protocols for public engagement in Overview & Scrutiny (61)

- The Council welcomes peer reviews of both governance arrangements and service delivery to improve the effectiveness of leadership. (62)
- The Council ensures that career structures are in place for all employees and encourages participation and development through: (62,63)
 - development of a Corporate Performance Management framework
 - development of a People Strategy
 - periodic restructuring of the Council's senior management
 - annual competency based appraisals and continuous professional development
- The Council ensures that employees have the skills required to undertake their roles and that those skills are developed on a continuing basis to improve performance through: (63)
 - Employee appraisal as part of a performance management system which also identifies training and development needs and how these will be met.
 - Induction training.
 - The development of leadership and management behavioural competencies.
 - Development and training programmes, including those provided by professional organisations.
 - Management Development Programme
 - Senior Management Academy
- All HR policies and Health and Wellbeing Policies are available on the internal Infonet. These include Manager support toolkits; Occupational Health support; development/revision of policies e.g. Drug and Alcohol abuse / Domestic abuse. (64)

F. Core principle: Managing risks and performance through robust internal control and strong financial management

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

Managing risk

- 65. Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making.
- 66. Implementing robust and integrated risk management arrangements and ensuring that they are working effectively.
- 67. Ensuring that responsibilities for managing individual risks are clearly allocated.

- A refreshed approach to risk management, approved by the Audit Committee in June 2015, incorporates: (65)
 - Enhanced descriptions of risk including an explanation of the impact if the 'risk' were to be realised and become the 'issue' to be dealt with.
 - A more sophisticated risk matrix, moving from a 3 x 3 matrix to a 6 x 4 matrix for likelihood and impact; allowing more options to show how the risk is increasing or decreasing dependent on the success of mitigating actions and influence of external conditions.
 - Clearer guidance for escalating and reviewing/reporting risk; the more the significant the risk, the more frequently it is reviewed.
 - An improved format to capture both new and emerging risks and also allow for a risk to be 'closed' once it has been mitigated or realised as an issue being dealt with.
 - The reporting of 'risk' more prominently within Council reports
- Operational risks are captured and monitored through supporting plans and strategies within their operational areas and through project/programme boards as appropriate. Partnership and project risks are captured by and reported to the appropriate boards. (65,66)
- The Council identifies and evaluates its strategic risks in relation to the priorities within the Improvement Plan. These form the basis of the Council's strategic risk register. Accountability for risk ownership is clearly recorded within the CAMMS system for all strategic risks. Portfolio Business Plan risk owners are also clearly identified on the risk trackers. Strategic risks are reported on a quarterly basis to Cabinet and the relevant Overview and Scrutiny Committees as part of the Improvement Plan Monitoring Reports. Additionally, Audit Committee receives a report twice yearly which includes a strategic risk summary/overview and seeks assurance on actions taken to reduce risks. (66,67)

Managing performance

68. Monitoring service delivery effectively including planning, specification, execution and independent post implementation review.
69. Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook.
70. Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the Council's performance and that of any organisation for which it is responsible.
71. Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement.
72. Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements).

- Portfolio business efficiency plans focus on service reform through reduced operating costs, modernisation and improvement. Portfolio business plans and the associated efficiency tracking is being scheduled to be automated via the CAMMS Performance Management system. Post implementation review and learning is undertaken at project level and also on a more collective basis by the Chief Officer team. (68)
- Integrated impact assessments to review financial, social and environmental implications, risks and mitigations are being developed by the Council to bring a co-ordinated and considered model of transparency to aid decision-making. (69)
- The Council has six Overview & Scrutiny committees (Community & Enterprise; Corporate Resources; Education & Youth; Environment; Organisational Change and Social & Healthcare), which are politically balanced and comprise 15 elected members each. Each acts as a critical friend, providing constructive challenge in order to contribute to continuous service improvement. The terms of the committees were redrawn with effect from the 2015 Annual meeting of Council, following an extensive review of the committee structure. The role of Overview & Scrutiny is to:
 - hold the Cabinet to account,
 - assist in improving and developing Council policies,
 - monitor service delivery; and
 - contribute to improving the local community.

This role is discharged both through consultation by the Cabinet and Chief Officers and also through the 'calling in' of Cabinet decisions by the six functional Overview & Scrutiny Committees. Each of those Committees engages in performance monitoring and management through the consideration of appropriate items such as performance objectives and indicator outturns, risk identification and mitigation. The work programmes of Overview & Scrutiny are updated and published on a regular basis. The involvement of the Overview & Scrutiny committees in Improvement and Performance is a key function, with reports being made to each of the committees on at least a quarterly basis. (70,71)

The six Overview & Scrutiny committees are:

- Community & Enterprise;
 - Corporate Resources;
 - Education & Youth, which has five statutory co-optees;
 - Environment;
 - Organisational Change; and
 - Social & Healthcare
- The agendas and minutes of meetings are published on the Council's website and the Overview & Scrutiny Annual Report is published each autumn. (70,71)
 - The Councils budget monitoring process and reports ensure that there is consistency between specification stages and budgets and post implementation reporting in financial statements, formal budget monitoring reports are reported to Members monthly at both Cabinet and the Corporate Resources Overview & Scrutiny Committee.(72)

Robust internal control

73. Aligning the risk management strategy and policies on internal control with achieving the Council's objectives.
 74. Evaluating and monitoring the Council's risk management and internal control on a regular basis.
 75. Ensuring effective counter-fraud and anti-corruption arrangements are in place.
 76. Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor.
 77. Ensuring an audit committee or equivalent group or function which is independent of the executive provides a further source of effective assurance arrangements for managing risk and maintain an effective control environment and that its recommendations are listened to and acted upon.
- The Council's Risk Management Strategy and Policy plus other internal controls (financial, legal, workforce) align to the efficient and effective delivery of the Council's objectives in the Improvement Plan and those of the portfolio Business Plans and other portfolio strategic plans.(73)
 - The Risk Management Strategy and Policy is reviewed and endorsed by the Audit Committee; its outcomes and effectiveness being reviewed at least half yearly through the strategic risk reports. In addition Internal Audit undertakes regular specific reviews of the effectiveness of the Risk Management Strategy (74)
 - Compliance with the Code of Practice on Managing Risk of Fraud and Corruption (CIPFA 2014) is assessed at each revision, non-compliance is identified and actions are taken to ensure compliance in line with [Corporate Anti-Fraud and Corruption Strategy](#). (75)

- The Internal Audit service is provided in accordance with the Public Sector Internal Audit Standards (PSIAS) and in accordance with the CIPFA Statement on the Role of the Head of Internal Audit. Internal Audit 'generally conforms' with the PSIAS requirements according to a self-assessment in 2015/16, which means that the relevant structures, policies and procedures of the department, as well as the processes by which they are applied, comply with the requirements of the Standards and of the Code of Ethics in all material respects. (76)
- The Council has an Audit Committee consisting of seven politically balanced Members and a lay member. The Chair and Vice Chair are chosen by the Committee itself from amongst the opposition group(s), non-aligned Councillors, or lay member. It meets on a regular basis and is advised by the Council's Internal Audit Manager, and is normally attended by representatives of the Council's external auditors. All Members receive training and it is a requirement that only trained substitutes are allowed. The Audit Committee is further supported in the discharge of its functions by:-
 - Having appropriate arrangements in place for delivery of an adequate and effective Internal Audit function and ensuring adequate reporting arrangements to safeguard its independence.
 - An up to date risk based Internal Audit Plan.
 - Systematic risk assessments in all areas of the Council's activities; both at a strategic level supporting the Council's improvement priorities and at an operational Chief Officer level. (77)

Managing Data

78. Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to ensure the security of personal data used.
79. Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies.
80. Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring.

- The Data Management Framework and procedures are available to all employees via the Council's internal Infonet. (78)
- Data Protection is within the remit of the Information Governance Manager. Under the revised General Data Protection Regulation, there is a statutory Data Protection Officer position that must be independent and report directly to the Chief Executive. The implications of this are being looked into. (78)
- Data protection policies and procedures are available on the website: (78)
 - <http://www.flintshire.gov.uk/en/Resident/Data-Protection-and-Freedom-of-Information/Data-Protection.aspx>
 - <http://www.flintshire.gov.uk/en/Resident/Contact-Us/Privacy-Notice.aspx>

- There is a template for Data Processing Agreements and all Managers are required to send completed versions to the Information Governance Team to be held centrally. (78)
- The Council is signed up to the Wales Accord for Sharing Personal Information (WASPI). All Information Sharing Protocols (ISP's) must be approved in line with the WASPI requirements. A log of all ISP's is held internally but is also available on the WASPI website <http://www.waspi.org/> (79)
- To comply with Data validation procedures all new IT systems must be assessed against the IT Technical Specification, this includes Data Validation. Suppliers will respond as compliant, partial compliant or non-compliant. Individual Service Managers will then decide whether to proceed based on the Supplier's response. (78,79,80)
- The quality and accuracy of data is checked in a number of ways: performance data is produced through the CAMMS system (internal controls and rules are prescribed by the Council) and also quality checked to ensure 'sense' and readability. Additionally, external checks are made by other bodies such as Wales Audit Office and Local Government Data Unit to ensure compliance with guidance. (80)

Strong public financial management

81. Ensuring the Council's financial management supports both long term achievement of outcomes and short-term financial and operational performance.
82. Ensuring well-developed financial management is integrated at all organisational levels of planning and control, including management of financial risks and controls.

- The Council has a [Medium Term Financial Strategy](#) which is published on the web site. (81)
- The strategy is in two parts, the first part forecasts the resources the Council is likely to have over the next three years and part two sets out the plans and solutions to managing with reducing resources.(81)
- Business efficiency plans are one of three parts of the Council's Medium Term Financial Strategy focusing on service reform through reduced operating costs, modernisation and improvement. (82)
- The Council's process for setting its annual revenue budget and capital programme is set out in the Budget and Policy Framework Procedure Rules in Part 4 of the Constitution. When the Council sets its budget, elected members take account of the level of risk and uncertainty regarding its budgetary estimates in the context of the prevailing economy, public services' climate and the demand for services. (82)

- The Council operates a scheme of delegated budgets supported by the Corporate Finance team which consists of central and service based finance teams supporting budget managers. Revenue budget monitoring reports, including full year forecasts, are reported to the Cabinet and the Corporate Resources Overview and Scrutiny Committee on a monthly basis. Capital Programme monitoring reports are reported to the Cabinet and the Corporate Resources Overview and Scrutiny Committee on a quarterly basis. In both instances, these reports identify reasons for variances and set out any corrective action that is proposed. (82)
- The Council has adopted the Chartered Institute of Public Finance Accountants (CIPFA) Treasury Management in the Public Services: Code of Practice. Treasury Management is conducted in accordance with the Council's Treasury Management Policy and Strategy Statement and Treasury Management Practices which are both reviewed annually. All borrowing and long term financing is made in accordance with CIPFA's Prudential Code. Treasury Management update reports are made to the Audit Committee, Cabinet and Council on a quarterly basis. (82)
- Wales Audit Office have issued the Council's [Financial Resilience Report](#) (published end Nov. 2016) (82)

G. Core principle: Implementing good practices in transparency, reporting and audit to deliver effective accountability

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

Implementing good practice in transparency

83. Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.
84. Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny whilst not being too onerous for the Council to provide and for users to understand.

- The Council puts as much information as possible on the Council's website, in both English and Welsh. The report format has been revised to make reports simpler and shorter, with a glossary of technical terms now included. Report guidance for report authors has also been refreshed. The [Council's publication scheme](#) under the Freedom of Information Act 2000 is available on the website, so that public and stakeholders can see what information is readily accessible. (83,84)
- Easy read versions of strategies and public documents are made where possible for publication on the website. (83,84)

Implementing good practices in reporting

85. Reporting at least annually on performance, value for money and the stewardship of its resources.
 86. Ensuring members and senior management own the results.
 87. Ensuring robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (Annual Governance Statement).
 88. Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate.
 89. Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations.
- The Council publishes its [Annual Performance Report](#) and [Statement of Accounts](#) on the website. (85)
 - The Statement of the Authority's Responsibilities for the Statement of Accounts is signed by the Chair of the County Council and the Chief Finance Officer. (86)

- The Council produces this annual Code of Corporate Governance and a Governance Statement which are produced in accordance with CIPFA/Solace principles. (87)
- An Annual Governance Statement is presented to Audit Committee and Council for approval every year. Once approved the Statement is signed by the Leader of the Council and the Chief Executive. The statement explains how the Council has complied with the Code of Corporate Governance, and met the requirements of the Accounts and Audit (Wales) (Amendment) Regulations 2014. The Code of Corporate Governance and the Annual Governance Statement are published on the Council's website. (87)
- If applicable, an appropriate accounting framework would be applied to jointly managed or shared services. (88)
- An audited and signed Statement of Accounts is published on an annual basis to reflect a true and fair view of the Council's financial position, as judged by the Council's external auditor (currently Wales Audit Office). Contained within the Statement of Accounts is a statement of responsibilities which confirms: - (89)
 - Compliance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain.
 - The Council manages its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
 - Suitable accounting policies have been selected and consistently applied.
 - Judgements and estimates made are reasonable and prudent.
 - Reasonable steps have been taken to prevent and detect fraud and other irregularities.
 - Proper accounting records have been kept and are up to date.

Assurance and effective accountability

90. Ensuring that recommendations for corrective action made by external audit are acted upon.
91. Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to the Council's governance arrangements and recommendations are acted upon.
92. Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations.
93. Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement
94. Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met.

- External arrangements for regulation and assurance are provided by a number of statutorily appointed bodies principally the Wales Audit Office (WAO), Estyn and the Care and Social Services Inspectorate Wales (CSSIW). The Council has a well-established practice of dealing with findings from the external regulatory bodies through referral to committees, formal responses and tracking, and open publication of regulatory reports in committee papers (with availability on the website). An annual summary report is presented to the Audit Committee showing all regulatory reports, their findings, the Council's response and where they were reported to. (90) In addition to external regulation by statutorily

appointed bodies the Council welcomes peer challenge from local government and the public services family e.g. Welsh Local Government peer review of Finance. (92)

- The Internal Audit service is provided in accordance with the Public Sector Internal Audit Standards (PSIAS) and in accordance with the CIPFA Statement on the Role of the Head of Internal Audit. Internal Audit 'generally conforms' with the PSIAS requirements according to a self-assessment in 2016/17 which means that the relevant structures, policies and procedures of the department, as well as the processes by which they are applied, comply with the requirements of the Standards and of the Code of Ethics in all material respects. (91)
- Following the review of the Overview & Scrutiny committee structure in 2014/15, an Organisational Change Overview & Scrutiny Committee is now in place. With a move towards alternative delivery models (ADM) for service provision, together with Community Asset Transfers (CAT) of major facilities such as Connah's Quay Swimming Pool or Holywell Leisure Centre, the Committee provides the supportive capacity and capability to deal with such new approaches. The committee is involved in the developmental stage of major work areas - something which has not been done previously. Members were reminded of the new approach to working style in the report to the Organisational Change Overview & Scrutiny Committee in November 2015 – [*The role of the committee in supporting Organisational change*](#). (93/94)

Assurance Statements

I am satisfied that there are effective governance arrangements in place, including a sound system of internal control, throughout the year ended 31st March 2016 and that this is ongoing.

Signed	Position	Date
	Chief Executive	
	Section 151 Officer	
	Chief Officer - Governance	

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Process for Preparation of AGS 2016/17

Date	Steps
October/November 2016	<ul style="list-style-type: none"> • Receipt of new CIPFA/SOLACE guidance • Review of questionnaires
December 2016	<ul style="list-style-type: none"> • Send out questionnaire to all Chief Officers for self assessment and obtaining information/evidence. • Send out questionnaire to Overview & Scrutiny Chairs
25 January 2017	<ul style="list-style-type: none"> • Report to Audit Committee for endorsement of process • Receipt of Chief Officer and member questionnaires
February/March 2017	<ul style="list-style-type: none"> • Where appropriate internal challenge by the Working Group of the Chief Officer questionnaires • Gathering of further information/evidence by the Working Group
March/April 2017	Working Group prepare draft AGS in the light of information/evidence provided and results of internal challenge.
May 2017	<p>Draft AGS considered by the Chief Executive, Monitoring Officer and Section 151 Officer, and COT.</p> <p>Working Group amend draft AGS as a result of consideration by Chief Executive, Monitoring Officer and Section 151 Officer.</p>
June 2017	Audit Committee Members consideration of draft AGS
June 2017	<p>Report to Audit Committee with draft AGS</p> <ul style="list-style-type: none"> • Accepted subject to amendments; or • Further amendments needed
August 2017	<p>Make amendments as necessary.</p> <p>Provide information and assist Wales Audit Office in its consideration of AGS</p>
September 2017	<p>If necessary, to Audit Committee for acceptance after amendments.</p> <p>AGS reported to County Council</p>

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AUDIT COMMITTEE

Date of Meeting	Wednesday 25 th January 2017
Report Subject	Wales Audit Office (WAO) - Annual Audit Letter 2015/16
Report Author	Corporate Finance Manager

EXECUTIVE SUMMARY

The Wales Audit Office (WAO) have issued their 'Annual Audit Letter' – Appendix 1. The letter summarises the key messages arising from the Auditor General for Wales' statutory responsibilities under the Public Audit (Wales) Act 2004, and reporting responsibilities under the Code of Audit Practice for the financial year 2015/16.

RECOMMENDATIONS

1	Members note the WAO's Annual Audit Letter for 2015/16.
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REPORT DETAILS

1.00	EXPLAINING THE ANNUAL AUDIT LETTER
1.01	Attached at Appendix 1 to this report is the WAO's Annual Audit Letter.
1.02	The letter was issued by the required date of 30 th November and is published for Members information.
1.03	The letter summarises the key messages arising from the Auditor General for Wales' statutory responsibilities under the Public Audit (Wales) Act 2004 and the reporting responsibilities under the Code of Audit Practice. In the main it relates to the WAO's work in auditing the Council's 2015/16 Statement of Accounts reported in detail to the Committee in September 2016.
1.04	In previous years an accounts action plan to address the issues highlighted

	by the WAO during the financial audit has been reported to the Committee. Whilst there were issues raised in the WAO's report, the issues were service specific and have been referred to the relevant committees for tracking. The issues were not accounting issues and therefore we can confidently report that there is no need to produce an accounts action plan this year.
1.05	WAO and Council Officers have now had the joint Post Project Learning meeting referred to in the WAOs letter, which identified areas where both organisations could learn from this year's experiences, and make improvements for the future. Regular meetings to take any of the more minor issues forward and to start preparations for future challenges are planned.

2.00	RESOURCE IMPLICATIONS
2.01	No resource implications as a result of this report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None required.

4.00	RISK MANAGEMENT
4.01	No specific risks as a direct result of this report requiring mitigation.

5.00	APPENDICES
5.01	Appendix 1 – WAO Annual Audit Letter

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Contact Officer: Liz Thomas – Technical Finance Manager Telephone: 01352 702289 E-mail: liz.thomas@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
	Financial Audit: The annual external audit of the Council's Statement of Accounts. Financial Year: the period of 12 months commencing on 1 April Material: A concept used to inform judgements regarding the accuracy of

	<p>the Council's Statement of Accounts. The basis could be quantitative with an assigned value or qualitative and affected by issues that are legal, regulatory, or politically sensitive.</p> <p>Statement of Accounts / Final Accounts / Financial Accounts or Statements: The Council's annual finance report providing details of the Council's financial performance and position at the end of the financial year. The format is prescribed to enable external comparison with other public and private entities.</p> <p>Wales Audit Office: works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.</p>
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Councillor Aaron Shotton – Leader
Colin Everett – Chief Executive
Flintshire County Council
County Hall
Mold
Flintshire
CH7 6NB

Reference: 644A2016

Date issued: 29 November 2016

Dear Aaron and Colin

Annual Audit Letter – Flintshire County Council 2015-16

This letter summarises the key messages arising from my statutory responsibilities under the Public Audit (Wales) Act 2004 and my reporting responsibilities under the Code of Audit Practice.

The Council complied with its responsibilities relating to financial reporting and use of resources

It is the Council's responsibility to:

- put systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;
- maintain proper accounting records;
- prepare a Statement of Accounts in accordance with relevant requirements; and
- establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Public Audit (Wales) Act 2004 requires me to:

- provide an audit opinion on the accounting statements;
- review the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- issue a certificate confirming that I have completed the audit of the accounts.

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This Code is based on International Financial Reporting Standards.

I issued an unqualified audit opinion on the financial statements confirming they present a true and fair view of the Council's financial position and transactions on 29 September 2016. My report is contained within the Statement of Accounts. The key matters arising from the accounts audit were:

- It was pleasing to note that the Council had been proactive in addressing the issues identified during the 2014-15 audit. The improvements were overseen by a newly established Accounts Governance Group. We would encourage this Group to continue to support the Finance team in future challenges such as changes in accounting for Highway Network assets and the requirement for financial statements to be produced earlier in future years.
- The valuation method adopted in revaluing the Council's housing stock was flawed and resulted in restatement.
- The Council needs to accelerate its investigations into the potential liabilities arising from a number of former waste disposal sites to ensure that it can appropriately recognise any financial liabilities as an accounting provision in its financial statements and address any funding issues from a budgetary perspective.

These were reported in detail to members of the Council in my Audit of Financial Statements report on 26 September 2016.

In the near future, we will be holding a joint Post Project Learning exercise with Council finance officers to identify areas where we can both learn from this year, and make improvements for the future. We will hold regular meetings to take any issues forward and to start preparations for future challenges as referred to above.

It is also worth noting, the Council lead on the preparation of the accounts for the North Wales Residual Waste Joint Committee. On 29 September 2016, I confirmed that the information contained in its annual return was in accordance with proper practices.

I issued a certificate confirming that both the audits of the accounts have been completed on 29 September 2016.

I am satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources

My consideration of the Council's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts as well as placing reliance on the work completed under the Local Government (Wales) Measure 2009. The Auditor General will highlight areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made when he publishes his Annual Improvement Report.

We will also shortly be issuing a report on the council's financial resilience which will consider whether the council's financial savings planning arrangements support financial resilience.

My work to date on certification of grant claims and returns has not identified significant issues that would impact on the 2015-16 accounts or key financial systems.

My ongoing work on the certification of grants claims and returns has not identified any significant issues to date in relation to the accounts or the Council's key financial systems. A more detailed report on my grant certification work will follow in the spring 2017 once this year's programme of certification work is complete.

The financial audit fee for 2015-16 is currently expected to be in line with the agreed fee set out in the Annual Audit Plan.

Yours sincerely



John Herniman
Engagement Director
For and on behalf of the Auditor General for Wales

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AUDIT COMMITTEE

Date of Meeting	Wednesday 25 January 2017
Report Subject	Treasury Management Strategy 2017/18 Treasury Management Mid-Year Review 2016/17 Treasury Management Quarter 3 Update 2016/17
Report Author	Corporate Finance Manager

EXECUTIVE SUMMARY

The report presents the draft Treasury Management Strategy 2017/18 for review and seeks the Committee's recommendation for approval to Cabinet.

The report provides an update on matters relating to the Council's Treasury Management Policy, Strategy and Practices 2016/17:

- Draft Mid-Year review 1st April – 30th September 2016, presented for Committee's comments and recommendation for approval to Cabinet
- 3rd quarter update 1st October – 31st December 2016, presented for the Committee's information.

RECOMMENDATIONS

1	Members review the draft Treasury Management Strategy 2017/18 and identify any matters to be drawn to the attention of Cabinet on 14 th February 2017.
2	Members review the draft Treasury Management Mid-Year Report 2016/17 and identify any matters to be drawn to the attention of Cabinet on 14 th February 2017.
3	Members note the Treasury Management 2016/17 quarterly update.

REPORT DETAILS

1.00	EXPLAINING THE APPENDICIES
	<u>BACKGROUND</u>
1.01	The Local Government Act 2003 requires all local authorities to have due regard to both the Chartered Institute of Public Finance and Accountancy's Treasury Management in Public Services: Code of Practice (The CIPFA Code of Practice) and Welsh Government guidance on Local Authority Investments.
1.02	<p>The Council has adopted The CIPFA Code of Practice which requires:-</p> <ul style="list-style-type: none"> • The Council to create and maintain a Treasury Management Policy Statement which states the Council's policies, objectives and approach to risk management of its treasury management activities. • The Council to create and maintain suitable Treasury Management Practices (TMPs) and accompanying schedules, stating how those policies and objectives will be achieved and prescribing how those activities will be managed and controlled. • The Council to receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs. • Responsibility for Treasury Management to be clearly defined. The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Cabinet, and for the execution and administration of treasury management decisions to the Corporate Finance Manager, who will act in accordance with the organisation's policy statement and TMPs and, CIPFA's <i>Standard of Professional Practice on Treasury Management</i>. • A body to be responsible for the scrutiny of Treasury Management Policy, Strategy and Practices. The Council has nominated the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management function. The Audit Committee has previously agreed to include treasury management as a standing item on each quarterly agenda to receive an update.

1.03	The Welsh Government guidance on Local Authority investments requires that the Council prepares an Investment strategy before the start of each financial year which sets out the Council's policies for the prudent management of its investments, giving priority, firstly to the security of those investments (protecting the capital sum from loss), and secondly liquidity (keeping money readily available for expenditure). The generation of investment income is distinct from these prudential objectives, however provided that proper levels of security and liquidity are achieved, it may (but only then) be reasonable to seek the highest yield consistent with those priorities.
1.04	<p>The guidance stipulates that the investment strategy must also include the following:</p> <ul style="list-style-type: none"> • Specified Investments • Non-specified Investments • Credit Risk Assessment • Investment Consultants • Investment Training • Investment of money borrowed in advance of need.
	<u>CONSIDERATIONS</u>
	2017/18 Treasury Management Strategy and Practices
	<u>Treasury Management Strategy 2017/18</u>
1.05	<p>The 2017/18 Treasury Management Strategy is attached as Appendix 1 for review and discussion. The Strategy is updated and reported annually to Members in accordance with the CIPFA Code of Practice and Welsh Government guidance.</p> <p>The Treasury Management Strategy details the approach that the Council will take for investing and borrowing over the next year, including the budgetary implications of the planned investment and borrowing strategy and a number of treasury management indicators that the CIPFA Code requires.</p>
1.06	<p>The 2017/18 Strategy has not changed significantly from that of the 2016/17 Strategy. Matters that merit the attention of Members along with any changes made are summarised below:-</p> <ul style="list-style-type: none"> • Section 2 – Economic context, provided by Arlingclose, the Council's treasury management advisor, and highlights that the major external influence on strategy is the UK's exit from the European Union. Financial markets are weighed down with uncertainty, and this is likely to remain the case for some time. The fall in sterling and near doubling in oil prices have combined to drive inflation expectations higher, though the Bank of England is likely to look through this when setting interest rates so to avoid derailing the economy. Arlingclose expect the UK Bank Rate to remain at 0.25% during 2017/18, though lower and even negative rates are not being ruled out completely. The Strategy assumes that the average rate for investments in 2017/18 will be around 0.3%, and that the average rate for any new borrowing will be around 2.2%.

	<ul style="list-style-type: none"> • Section 4 – Local context. This section summarises the anticipated treasury position in 2017/18. Activity in 2017/18 as in 2016/17 will focus more on borrowing and less on investing than in recent years; as the Council's requirement to borrow is forecast to grow due to a planned increase in capital expenditure, whilst there less surplus cash to invest as services plan to spend reserves. • Section 5 – Investment Strategy. This section is largely a continuation of the 2016/17 strategy, the aim being to diversify into more secure asset classes where possible, especially should any medium to longer term investments be made. The main changes made to the Investment Strategy is to reduce the limits of amounts that can be invested with a single counterparty, reflecting the reduction in total investments, to mitigate the risk from counterparty default. • Section 6 - Borrowing Strategy. Again, this section is largely a continuation of the 2016/17 strategy. The Council has been forecasting a long term borrowing requirement for some time. The required amount needs to be confirmed before a commitment to long term borrowing is made, and the use of short term borrowing will be used to assist during this period. The use of forward starting loans will also be considered. That is a future loan and associated interest rate may be agreed during the year, but the cash wouldn't be paid until it is required at some future date, which is pre agreed as part of the loan transaction. This would enable certainty of cost to be achieved, by fixing the interest rate, without suffering a cost of carry in the intervening period.
	<u>Treasury Management Practices and Schedules 2016-19</u>
1.07	<p>The Treasury Management Practices (TMPs) and accompanying schedules to cover the 3 year period from 2016/17 to 2018/19 were approved in February 2016. It was agreed that once approved this operational document will only be reported to Members during its lifetime in the event of any significant changes.</p> <p>Some minor changes have been made to bring the practices and schedules in line with the draft 2017/18 strategy.</p>
	<u>Treasury Management 2016/17 Updates</u>
1.08	<p>The draft Treasury Management Mid-Year Report for 2016/17 is attached as Appendix 2 for review. This will be reported to Cabinet and Council in February 2017.</p> <p>The Mid-Year Report reviews the activities and performance of the treasury management operations during the period 1st April to 30th September 2016.</p>

1.09	<p>In summary, the key points of the Mid-Year Report are:</p> <ul style="list-style-type: none"> • The UK economy showed reasonably strong growth in quarter 2 (calendar year). However, the outlook changed significantly with the result of the EU referendum on 23rd June. The perceived risks and political turmoil prompted a sharp decline in household, business and investor sentiment. • This prompted the Monetary Policy Committee to initiate substantial monetary policy easing at its August meeting, including a cut in the Bank Rate to 0.25%, further Quantitative Easing, and cheap funding for banks (Term Funding Scheme). The returns on investments for some products declined to new record lows. • Other expected consequences of BREXIT included a rise in unemployment and inflation, dampening economic growth, real wage growth and real investment returns. However, after an initial sharp drop, equity markets bounced back, while other economic data held up better than expected, perhaps suggesting a less severe slowdown than initially feared. • Arlingclose's rate outlook has progressed from 'lower for longer', to 'even lower for even longer', to 'even lower for the indeterminable future'. The Bank Rate is expected to remain at 0.25%. Global interest rate expectations have been pared back considerably. • The Council undertook no new borrowing in the period; total long term borrowing remained £251.3m at an average rate of 5.01%. • The average investment balance for the period was £36.4m and the average rate of return was 0.51%, • The treasury function operated within the limits detailed in the Treasury Management Strategy 2016/17.
	<p><u>Treasury Management 2016/17 Quarter 3 Update</u></p>
1.10	<p>A statement setting out the Council's investments at 31st December 2016 is attached as Appendix 3. The investment balance at this time was £15.1m across 12 counterparties with an average interest rate of 0.33%.</p> <p>Achieving the aim of the 2016/17 investment strategy, to diversify into more secure investments, has in practice, been difficult. This is due to two reasons which are linked. Firstly, the need to maintain liquidity when overall investment levels are falling, that is the requirement to have cash available to meet payments as they fall due. Whilst the situation has been expected forecasting the exact timing is challenging. Secondly, the reduction in availability of more secure investments in the current economic climate that fit with the Council's cash flow forecast. To mitigate associated risks investments have been spread across a range of counterparties.</p> <p>The aim of the strategy during the rest of the year and into 2017/18 remains to diversify into more secure investments as far as practical.</p>

1.11	<p>A statement analysing the Council's long-borrowing portfolio as at 31st December 2016 is attached as Appendix 4. There was no change in the third quarter, with total long-term borrowing remaining at £251.3m with a weighted average interest rate of 5.01%.</p> <p>During the quarter debt rescheduling was considered as part of 2017/18 budget setting. Current market conditions have led to very low gilt yields which result in premiums being payable should the Council seek early repayment of debt which continue to be cost prohibitive.</p> <p>As part of 2017/18 budget setting Officers reviewed the Council's current policy on Minimum Revenue Provision (MRP) with full Council approving a change to the policy at its meeting on 6th December. This has the impact of bringing forward the Council's borrowing requirements which was fully explained and considered as part of the decision to change the policy.</p> <p>Officers continue to monitor borrowing requirements closely with the expectation of borrowing in the near future.</p>
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2.00	RESOURCE IMPLICATIONS
2.01	Financial implications are addressed in the report and appendices; no other resource implications directly as a result of this report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	Arlingclose Ltd, being the Council's treasury management advisors.

4.00	RISK MANAGEMENT
4.01	Risk Management directly addressed within appendices including identification of risks and measures to mitigate likelihood and impact of risks identified.

5.00	APPENDICES
5.01	<ol style="list-style-type: none"> 1. Draft Treasury Management Strategy 2017/18 2. Draft Treasury Management Mid-Year Report 2016/17 3. Investment Portfolio as at 31 December 2016 4. Borrowing Portfolio as at 31 December 2016

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Contact Officer: Liz Thomas – Technical Finance Manager Telephone: 01352 702289 E-mail: liz.thomas@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>Authorised Limit: A statutory limit that sets the maximum level of external debt for the Council.</p> <p>Balances and Reserves: Accumulated sums that are held, either for specific future costs or commitments (known as earmarked) or generally held to meet unforeseen or emergency expenditure.</p> <p>Bank Rate: The official interest rate set by the Bank of England's Monetary Policy Committee and what is generally termed at the "base rate".</p> <p>Basis Point: A unit of measure used in finance to describe the percentage change in the value or rate of a financial instrument. One basis point is equivalent to 0.01% (1/100th of a percent). In most cases, it refers to changes in interest rates and bond yields. For example, if interest rates rise by 25 basis points, it means that rates have risen by 0.25% percentage points.</p> <p>Bond: A certificate of debt issued by a company, government, or other institution. The bond holder receives interest at a rate stated at the time of issue of the bond. The price of a bond may vary during its life.</p> <p>Capital Expenditure: Expenditure on the acquisition, creation or enhancement of capital assets.</p> <p>Capital Financing Requirement (CFR): The Council's underlying need to borrow for capital purposes representing the cumulative capital expenditure of the local authority that has not been financed.</p> <p>Certificates of Deposits (CD's): A savings certificate entitling the bearer to receive interest. A CD bears a maturity date, a specified fixed interest rate and can be issued in any denomination. CDs are generally issued by commercial banks. The term of a CD generally ranges from one month to five years.</p> <p>Cost of Carry: The "cost of carry" is the difference between what is paid to borrow compared to the interest which could be earned. For example, if one takes out borrowing at 5% and invests the money at 1.5%, there is a cost of carry of 3.5%.</p> <p>Consumer Price Index (CPI): The UK's main measure of inflation (along with Retail Price Index or 'RPI') The Monetary Policy Committee of the Bank of England set the Bank Rate in order to try and keep CPI at or close to the target set by the Government. The calculation of CPI includes many items of normal household expenditure but excludes some items such as mortgage interest payments and Council Tax.</p> <p>Credit Rating: Formal opinion by a registered rating agency of a counterparty's future ability to meet its financial liabilities; these are opinions only and not guarantees.</p>

Corporate Bonds: Corporate bonds are bonds issued by companies. The term is often used to cover all bonds other than those issued by governments in their own currencies and includes issues by companies, supranational organisations and government agencies.

Counterparty List: List of approved financial institutions with which the Council can place investments.

Debt Management Office (DMO): The DMO is an Executive Agency of Her Majesty's Treasury and provides direct access for local authorities into a government deposit facility known as the Debt Management Account Deposit Facility (DMADF). All deposits are guaranteed by HM Government and therefore have the equivalent of a sovereign credit rating.

Federal Reserve: The US central bank, the equivalent of the Bank of England. (Often referred to as "the Fed").

Financial Instruments: Financial instruments are tradable assets of any kind. They can be cash, evidence of an ownership interest in an entity, or a contractual right to receive or deliver cash or another financial instrument.

Gilts: Gilts are bonds issued by the UK Government. They take their name from 'gilt-edged'. They are deemed to be very secure as the investor expects to receive the full face value of the bond to be repaid on maturity.

LIBID: The London Interbank Bid Rate (LIBID) is the rate bid by banks on Eurocurrency deposits (i.e. the rate at which a bank is willing to borrow from other banks).

LIBOR: The London Interbank Offered Rate (LIBOR) is the rate of interest that banks charge to lend money to each other. The British Bankers' Association (BBA) work with a small group of large banks to set the LIBOR rate each day. The wholesale markets allow banks who need money to borrow from those with surplus amounts. The banks with surplus amounts of money are keen to lend so that they can generate interest which it would not otherwise receive.

LOBO: Stands for Lender Option Borrower Option. The underlying loan facility is typically very long-term - for example 40 to 60 years - and the interest rate is fixed. However, in the LOBO facility the lender has the option to call on the facilities at pre-determined future dates. On these call dates, the lender can propose or impose a new fixed rate for the remaining term of the facility and the borrower has the 'option' to either accept the new imposed fixed rate or repay the loan facility.

IFRS: International Financial Reporting Standards.

Maturity: The date when an investment or borrowing is repaid.

Maturity Structure / Profile: A table or graph showing the amount (or percentage) of debt or investments maturing over a time period.

Monetary Policy Committee (MPC): A committee of the Bank of England, which meets to decide the Bank Rate. Its primary target is to keep CPI

inflation within 1% of a central target of 2%. Its secondary target is to support the Government in maintaining high and stable levels of growth and employment.

Money Market Funds (MMF): Pooled funds which invest in a range of short term assets providing high credit quality and high liquidity.

Minimum Revenue Provision (MRP): An annual provision that the Council is statutorily required to set aside and charge to the Revenue Account for the repayment of debt associated with expenditure incurred on capital assets.

Non Specified Investment: Investments which fall outside the WG Guidance for Specified investments (below).

Operational Boundary: This linked directly to the Council's estimates of the CFR and estimates of other day to day cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

Premiums and Discounts: In the context of local authority borrowing,
(a) the premium is the penalty arising when a loan is redeemed prior to its maturity date and
(b) the discount is the gain arising when a loan is redeemed prior to its maturity date.

Prudential Code: Developed by CIPFA and introduced in April 2004 as a professional code of practice to support local authority capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice.

Prudential Indicators: Indicators determined by the local authority to define its capital expenditure and asset management framework. They are designed to support and record local decision making in a manner that is publicly accountable; they are not intended to be comparative performance indicators.

Public Works Loans Board (PWLb): The PWLB is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. The PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.

Quantitative Easing (QE): QE is a form of monetary policy where a Central Bank creates new money electronically to buy financial assets, like government bonds. This cash injection lowers the cost of borrowing and boosts asset prices to support spending.

Revenue Expenditure: Expenditure to meet the continuing cost of delivery of services including salaries and wages, the purchase of materials and capital financing charges.

	<p>Retail Price Index (RPI): A monthly index demonstrating the movement in the cost of living as it tracks the prices of goods and services including mortgage interest and rent.</p> <p>Term Deposits: Deposits of cash with terms attached relating to maturity and rate of return (Interest).</p> <p>Specified Investments: Term used in the Welsh Assembly Guidance for Local Authority Investments. Investments that offer high security and high liquidity, in sterling and for no more than one year. UK government, local authorities and bodies that have a high credit rating.</p> <p>Supported Borrowing: Borrowing for which the costs are supported by the government or third party.</p> <p>Supranational Bonds: Instruments issued by supranational organisations created by governments through international treaties (often called multilateral development banks). The bonds carry an AAA rating in their own right. Examples of supranational organisations are the European Investment Bank, the International Bank for Reconstruction and Development.</p> <p>Treasury Bills (T-Bills): Treasury Bills are short term Government debt instruments and, just like temporary loans used by local authorities, are a means to manage cash flow. They are issued by the Debt Management Office and are an eligible sovereign instrument, meaning that they have an AAA-rating.</p> <p>Treasury Management Code: CIPFA's Code of Practice for Treasury Management in the Public Services, initially brought in 2003, subsequently updated in 2009 and 2011.</p> <p>Treasury Management Practices (TMP): Treasury Management Practices set out the manner in which the Council will seek to achieve its policies and objectives and prescribe how it will manage and control these activities.</p> <p>Temporary Borrowing: Borrowing to cover peaks and troughs of cash flow, not to fund capital spending.</p> <p>Unsupported Borrowing: Borrowing which is self-financed by the local authority. This is also sometimes referred to as Prudential Borrowing.</p> <p>Yield: The measure of the return on an investment instrument.</p>
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FLINTSHIRE COUNTY COUNCIL

**DRAFT
TREASURY MANAGEMENT
STRATEGY**

2017/18

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Treasury Management Strategy Report 2017/18

The Council is recommended to:

- **approve the Treasury Management Strategy for 2017/18**
- **approve the Treasury Management Indicators for 2017/18**

1.0 Introduction

In April 2012 the Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year.

In addition, the Welsh Government (WG) issued revised guidance on local authority investments in March 2010 that requires the Council to approve an investment strategy before the start of each financial year.

This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the WG Guidance.

The successful identification, monitoring and control of risk are central to the Council's treasury management strategy as the Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates.

In accordance with WG Guidance, the Council will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly.

2.0 Economic Context (including Interest Rate Forecast – as provided by Arlingclose Ltd, November 2016).

Economic background: The major external influence on the Authority's treasury management strategy for 2017/18 will be the UK's progress in negotiating a smooth exit from the European Union. Financial markets, wrong-footed by the referendum outcome, have since been weighed down by uncertainty over whether leaving the Union also means leaving the single market. Negotiations are expected to start once the UK formally triggers exit in early 2017 and last for at least two years. Uncertainty over future economic prospects will therefore remain throughout 2017/18.

The fall and continuing weakness in sterling and the near doubling in the price of oil in 2016 have combined to drive inflation expectations higher. The Bank of England is forecasting that Consumer Price Inflation will breach its 2% target in 2017, the first time since late 2013, but the Bank is expected to look through inflation overshoots over the course of 2017 when setting interest rates so as to avoid derailing the economy.

Initial post-referendum economic data showed that the feared collapse in business and consumer confidence had not immediately led to lower GDP growth. However, the prospect of a leaving the single market has dented business confidence and resulted in a delay in new business investment and, unless counteracted by higher public spending or retail sales, will weaken economic growth in 2017/18.

Looking overseas, the US economy and its labour market showing steady improvement, with Federal Reserve increasing interest rates in December 2016 by 0.25%. The Eurozone meanwhile has continued to struggle with very low inflation and lack of momentum in growth, and the European Central Bank has left the door open for further quantitative easing.

The impact of political risk on financial markets remains significant over the next year. With challenges such as immigration, the rise of populist, anti-establishment parties and negative interest rates resulting in savers being paid nothing for their frugal efforts or even penalised for them, the outcomes of Italy's referendum on its constitution (December 2016), the French presidential and general elections (April – June 2017) and the German federal elections (August – October 2017) have the potential for upsets.

Credit outlook: Markets have expressed concern over the financial viability of a number of European banks recently. Sluggish economies and continuing fines for pre-crisis behaviour have weighed on bank profits, and any future slowdown will exacerbate concerns in this regard.

Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Authority; returns from cash deposits however continue to fall.

Interest rate forecast: The Authority's treasury adviser Arlingclose's central case is for UK Bank Rate to remain at 0.25% during 2017/18. The Bank of England has, however, highlighted that excessive levels of inflation will not be tolerated for sustained periods. Given this view and the current inflation outlook, further falls in the Bank Rate look less likely. Negative Bank Rate is currently perceived by some policymakers to be counterproductive but, although a low probability, cannot be entirely ruled out in the medium term, particularly if the UK enters recession as a result of concerns over leaving the European Union.

Gilt yields have risen sharply, but remain at low levels. The Arlingclose central case is for yields to decline when the government triggers Article 50. Long-term economic fundamentals remain weak, and the quantitative easing (QE) stimulus provided by central banks globally has only delayed the fallout from the build-up of public and private sector debt. The Bank of England has defended QE as a monetary policy tool, and further QE in support of the UK economy in 2017/18 remains a distinct possibility, to keep long-term interest rates low.

Table 1: Interest rate forecast

	Bank Rate	3 month LIBID	12 month LIBID	20 year Gilt rate	50 year Gilt rate
Q1 2017	0.25	0.25	0.60	1.70	1.60
Q2 2017	0.25	0.25	0.50	1.50	1.40
Q3 2017	0.25	0.25	0.50	1.40	1.30
Q4 2017	0.25	0.30	0.50	1.40	1.30
Q1 2018	0.25	0.30	0.50	1.40	1.30
Q2 2018	0.25	0.30	0.50	1.40	1.30
Q3 2018	0.25	0.30	0.50	1.40	1.30
Q4 2018	0.25	0.30	0.60	1.45	1.35
Q1 2019	0.25	0.30	0.70	1.50	1.40
Q2 2019	0.25	0.30	0.85	1.55	1.45
Q3 2019	0.25	0.30	0.90	1.60	1.50
Q4 2019	0.25	0.30	0.90	1.65	1.55

For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 0.3%, and that new long-term loans will be borrowed at a weighted average rate of 2.2%.

3.0 Current Treasury Portfolio

The Council's treasury portfolio as at 31st December 2016 was as follows:

Table 2: Current Treasury Portfolio

	Principal £m	Interest rate %
Investments:		
Call accounts	-	-
Money market funds	7.1	0.27
Short-term deposits	8.0	0.38
Long-term deposits	-	-
Total Investments	15.1	0.33
Borrowing:		
Short-term loans	-	-
Long-term PWLB loans (fixed)	222.36	5.26
Long-term PWLB loans (variable)	10.00	0.46
Long-term market loans (LOBOs)	18.95	4.53
Total Borrowing	251.31	5.01
Net Borrowing	236.21	

4.0 Local Context

Forecast changes in the sums in section 3 are shown in the balance sheet analysis in the table below.

Table 3: Balance Sheet Summary and Forecast

	31.3.16 Actual £m	31.3.17 Estimate £m	31.3.18 Estimate £m	31.3.19 Estimate £m	31.3.20 Estimate £m
Council Fund Capital Financing Requirement (Borrowing only)	169	183	186	192	193
Housing Revenue Account Capital Financing Requirement (Borrowing only)	105	115	126	133	138
Capital Financing Requirement (Borrowing only)	274	298	312	325	331
Less: Current borrowing	-251	-251	-250	-250	-250
Funding Required	23	47	62	75	81
Less: Usable reserves	-51	-34	-28	-26	-25
Less: Working capital	-5	2	4	4	7
Investments / New borrowing (called the Liability Benchmark)	33	-15	-38	-53	-63

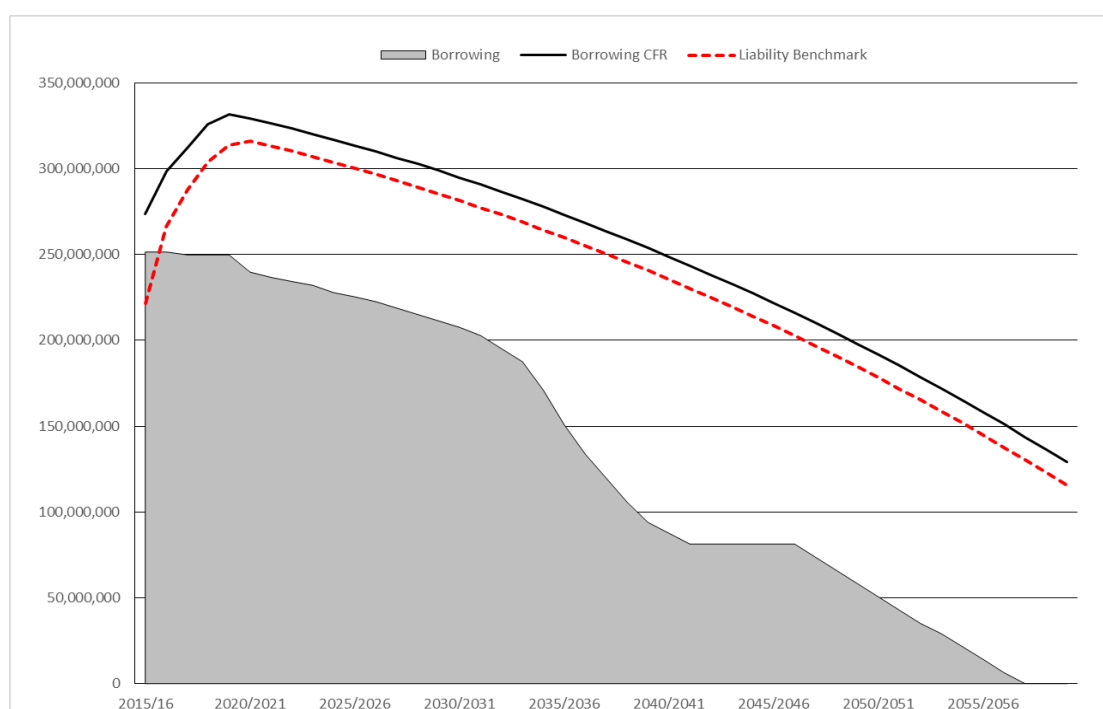
The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing below the CFR, sometimes known as internal borrowing. Internal borrowing is currently cheaper and incurs lower credit risk than external long term borrowing.

Table 3 shows the Authority's CFR increases during 2016/17, this is linked with the capital programme due to the 21st century schools building programme and the HRA capital programme which includes building new social housing and improving the existing stock to Welsh Housing Quality Standard (WHQS). The level of reserves the Authority has is expected to fall in 2016/17 as funding earmarked for specific purposes falls due for payment. The combination of the increase in capital expenditure and a reduction in reserves, results in:

- a reduction in investments in 2016/17 with further reductions expected in 2017/18
- a sustained requirement for new borrowing between 2016/17 and 2019/20

The graph in table 4 shows the Council's anticipated liability benchmark over the next 50 years, being the net requirement for borrowing after considering resources available from reserves and working capital. The rise in the liability benchmark corresponds with the need to borrow to fund the increase in capital expenditure described above. The strategy in 2017/18, the same as in 2016/17, and over the medium term, is to ensure that any new borrowing undertaken does not exceed the liability benchmark and cause the council to borrow more than it needs.

Table 4: Liability Benchmark - Flintshire County Council (December 2016)



Budget implications

The budget for investment income in 2017/18 is £45k, based on an average investment portfolio of £15m at an average interest rate of 0.3%. The total budget for loan interest paid in 2017/18 is £13.2m, based on a debt portfolio of £287.8m at an average interest rate of 4.47%. If levels of investments, borrowing and interest rates differ from those forecast, performance against budget will be correspondingly different.

5.0 Investment Strategy

The Council holds surplus funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has ranged between £15.1 and £67.1 million.

Both the CIPFA Code and the WG Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Negative Interest Rates

If the UK enters into a recession in 2017/18, there is a very small chance that the Bank of England could set its Bank Rate at or below zero, which could feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. Although cash levels are decreasing, the Council could not avoid the need to occasionally invest funds in the short term for cash flow (liquidity) purposes, and therefore will be exposed to negative rates. This means that when an investment is returned at maturity, it will be less than originally invested as interest will be charged by the Counterparty rather than being paid. In this event, the aim will be to minimise investments and invest at the lowest negative rate.

Strategy

Given the increasing risk and falling returns from short-term unsecured bank investments, the Council aims to diversify into more secure and/or higher yielding asset classes during 2017/18 so far as cash liquidity requirements allow. This is especially the case if any medium to longer-term investments are made. The majority of the Authorities surplus cash is currently invested in short-term unsecured bank deposits and money market funds.

Investment criteria and limits

The Council may invest its surplus funds with any of the counterparties in the following table, subject to the monetary and time limits shown.

Table 5: Investment criteria and limits

(This table should be read in conjunction with the notes that follow it)

Minimum Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Government			£ Unlimited 50 years		
AAA	£2m 5 years	£2m 5 years	£2m 25 years	£2m 5 years	£2m 10 years
AA+					
AA					
AA-					
A+	£2m 2 years	£2m 2 years	£2m 5 years	£2m 2 years	£2m 5 years
A	£2m 1 year	£2m 1 year		£2m 1 year	
A-	£2m 6 months	£2m 6 months		£2m 6 months	
Pooled Funds	£3m per fund				

BBB-	The Council is restricted to overnight deposits at its' own current account bank with a limit of £5m where the banks lowest credit rating is BBB+, BBB or BBB- (or equivalent)		
Unrated Local Authorities		£3m 2 years	
Unrated Other	The Council may invest in any other unrated organisation, subject to: <ul style="list-style-type: none"> • an external credit assessment and specific advice from the Authority's treasury management adviser (£1m each / 1 year limit) • a further policy framework for investing with any other organisations being developed (£100k each / 5 year limit) 		

Credit Rating

Investment limits are set by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account

Banks Unsecured

Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. Unsecured investment with banks rated BBB are restricted to overnight deposits at the Authority's current account bank.

Banks Secured

Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government

Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Corporates

Loans, bonds and commercial papers issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.

Registered Providers

Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Welsh Government or Homes and Communities Agency and, as providers of public services, they retain the likelihood of receiving government support if needed.

Pooled Funds

Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

Other Organisations

The Authority may also invest cash with other organisations, for example by making loans to small businesses. Because of the higher perceived risk of unrated businesses, such investments may provide considerably higher rates of return. They will however only be made following a favourable external credit assessment and on the specific advice of the Authority's treasury management adviser.

Foreign countries

Investments in foreign countries will be limited to those that hold an AAA or AA+ / Aa1 sovereign credit rating from all three major credit rating agencies, and to a maximum of £5 million per foreign country. Investments in countries whose lowest sovereign rating is not AAA will be limited to one year's duration. No country limit will apply to investments in the UK, irrespective of the sovereign credit rating.

Risk assessment and credit ratings

The Council uses long-term credit ratings from the three main rating agencies Fitch Ratings Ltd, Moody's Investors Service Inc. and Standard & Poor's Financial Services LLC to assess the risk of investment default. The lowest available credit rating will be used to determine credit quality.

Long-term ratings are expressed on a scale from AAA (the highest quality) through to D (indicating default). Ratings of BBB- and above are described as investment grade, while ratings of BB+ and below are described as speculative grade. The Council's credit rating criteria are set to ensure that it is unlikely that the Council will hold speculative grade investments, despite the possibility of repeated downgrades.

Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it is likely to fall below the above criteria, then no further investments will be made in that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks.

Other information on the security of investments

The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the above criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of "high credit quality" are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

Specified investments

The WG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
 - the UK Government,
 - a UK local authority, parish council or community council, or
 - a body or investment scheme of “high credit quality”.

The Council defines ‘high credit quality’ organisations as those having a credit rating of A- or higher that are, domiciled in the UK, or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of [A-] or higher.

Non-Specified Investments

Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments in foreign currencies. Non-specified investments will therefore be limited to long term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement; those that are defined as capital expenditure, such as money market funds and other pooled funds; and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in the table below.

Table 6: Non-Specified Investment Limits

	Cash Limit
Total long-term investments	£5m
Total shares in pooled funds	£20m
Total investments without credit ratings or rated below A- (not including pooled funds)	£5m
Total non-specified investments	£30m

Liquidity management

The Council uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council’s medium term financial plan and cash flow forecast.

Planned investment strategy for 2017/18

Treasury management staff will continue to seek out investments that meet the criteria detailed within this strategy whilst having full regard for the Council’s cash flow requirements.

The cash flow forecast will be used to divide surplus funds into three categories:

- Short-term – cash required to meet known cash outflows in the next month, plus a contingency to cover unexpected cash flows over the same period.
- Medium-term – cash required to manage the annual seasonal cash flow cycle, including amounts to cover forecast shortages, planned uses of reserves, and a longer-term contingency.
- Long-term – cash not required to meet cash flows, and used primarily to generate investment income.

Short-term funds are required to meet cash flows occurring in the next month or so, and the preservation of capital and liquidity is therefore of paramount importance. Generating investment returns is of limited concern here, although it should not be ignored. Instant access money market funds and bank deposit accounts will be the main methods used to manage short-term cash.

Medium-term funds which may be required in the next one to twelve months will be managed concentrating on security, with less importance attached to liquidity but a slightly higher emphasis on yield. The majority of investments in this period will be in the form of fixed term deposits with banks and building societies. A wide spread of counterparties and maturity dates will be maintained to maximise the diversification of credit and interest rate risks.

Cash that is not required to meet any liquidity need can be invested for the longer term with a greater emphasis on achieving returns that will support spending on local authority services. Security remains important, as any losses from defaults will impact on the total return, but fluctuations in price and even occasional losses can be managed over the long term within a diversified portfolio. Liquidity is of lesser concern, although it should still be possible to sell investments, with due notice, if large spending commitments arise unexpectedly. A wider range of instruments, including structured deposits, certificates of deposit, gilts and corporate bonds will be used to diversify the portfolio.

6.0 Borrowing Strategy

The Council currently holds £251.31m of long-term loans, as part of its strategy for funding previous years' capital programmes and HRA buy-out. The balance sheet forecast in section 4 shows that the Council expects to undertake new borrowing during 2017/18.

The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which the funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

The Council's capital expenditure plans will be monitored throughout 2017/18 to inform and confirm the Council's long term borrowing need (figures in section 4 are an estimate). This is to ensure that the Council does not commit to long

term borrowing too early and borrow unnecessarily which will be costly. The use of short-term borrowing will assist with such. This will be balanced against securing low long term interest rates currently being forecast.

Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term instead.

By doing so, the Council is able to reduce net borrowing costs (despite forgone investment income) and reduce overall treasury risk, credit risk as a result of bail-in legislation in particular. The benefit of internal/short term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when the long term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2017/18 with a view to keeping future interest costs low, even if this causes additional costs in the short-term.

Whilst such a strategy is most likely to be beneficial in the short term as official interest rates are expected to remain low, it is unlikely to be sustained in the medium-term. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing costs are forecast to rise.

Alternatively, the Authority may arrange forward starting loans during 2017/18, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Council may borrow for short periods of time (normally for up to one month) to cover unexpected cash flow shortages.

Sources of borrowing

The approved sources of long-term and short-term borrowing will be:

- Public Works Loan Board (PWLB) and any successor body
- UK local authorities
- any institution approved for investments above
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except the Clwyd Pension Fund)
- capital market bond investors
- Local Capital Finance Company (see below) and other special purpose companies created to enable joint local authority bond issues.

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- operating and finance leases
- hire purchase
- Private Finance Initiative
- sale and leaseback

Municipal Bond Agency (Local Capital Finance Company)

The LGA Bond Agency is a Local Capital Finance Company established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities.

This will be a more complicated source of finance than the PWLB for three reasons: borrowing authorities may be required to provide bond investors with a joint and several guarantee over the very small risk that other local authority borrowers default on their loans; there will be a lead time of several months between committing to borrow and knowing the interest rate payable; and up to 5% of the loan proceeds will be withheld from the Authority and used to bolster the Agency's capital strength instead. Any decision to borrow from the Agency will therefore be the subject of a separate report to Cabinet.

LOBOs

The Authority holds £18.95m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. All of these LOBOS have options during 2017/18, and although the Authority understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Authority will take the option to repay LOBO loans at no cost if it has the opportunity to do so.

Short-term and Variable Rate loans

These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators in section 9.

Debt Rescheduling

The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

Planned borrowing strategy for 2017/18

The Corporate Finance Manager will:

- Manage the Council's debt maturity profile, i.e. to leave no one future year with a high level of repayments that could cause problems in re-borrowing with the limits stated in this Strategy Statement. Appendix A analyses the debt portfolio of the Council, as at 31st December, 2016.
- Effect any borrowing that maybe required in 2017/18 at the cheapest cost commensurate with future risk based on interest rate forecasts.
- Monitor and review the level of variable interest rate loans in order to take greater advantage of interest rate movements, within the limits stated in this Strategy.
- Continue to monitor options for debt-restructuring and debt re-payment.

The Corporate Finance Manager will monitor the interest rate market and adopt a pragmatic approach to any changing circumstances, reporting any decisions and actions taken under delegated powers to Cabinet via the Audit Committee.

The Council has previously raised the majority of its long-term borrowing from the Public Works Loan Board, but it continues to investigate other sources of finance, such as bond issues and bank loans, that may be available at more favourable rates.

Loans that present additional risk to the authority, such as lender's option borrower's option (LOBO) loans and variable rate loans will be restricted to the limit on the net exposure to variable interest rates in the treasury management indicators in section 9.

7.0 Policy on Use of Financial Derivatives

In the absence of any explicit legal power to do so, the Authority will not use standalone financial derivatives (such as swaps, forwards, futures and options). Derivatives embedded into loans and investments, including pooled funds and forward starting transactions, may be used, and the risks that they present will be managed in line with the overall treasury risk management strategy.

8.0 Policy on Apportioning Interest to HRA

The Council has adopted a single pool of loans which in part funds the capital expenditure of both Council Fund and HRA activities. The interest payable and other costs/income arising from long term loans (e.g. premiums and discounts on early redemption) is apportioned between the revenue accounts using the average Capital Financing Requirement (which measures the underlying need to borrow to fund capital expenditure) during the year.

Given that the HRA has minimal level of reserves compared to the total level of reserves held by the Council, any interest received on investments will be credited to the Council Fund revenue account.

9.0 Treasury Management Indicators

The Council measures and manages its exposures to treasury management risks using the following indicators. The Council is asked to approve the following indicators:

Interest rate exposures

This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as an amount of net principal borrowed will be:

	2017/18	2018/19	2019/20
Upper limit on fixed interest rate exposures	£345m	£355m	£360m
Upper limit on variable interest rate exposures	£60m	£60m	£60m

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

Maturity structure of borrowing

This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Lower	Upper
Under 12 months	0%	10%
12 months and within 24 months	0%	10%
24 months and within five years	0%	30%
Five years and within 10 years	0%	50%
10 years and above	0%	100%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal sums invested for periods longer than 364 days

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long term principal sum invested to final maturities beyond the period end will be:

	2017/18	2018/19	2019/20
Limit on total principal invested beyond year end	£5m	£5m	£5m

Any long term investments carried forward from previous years will be included in each years limit.

Borrowing limits

The Council is being asked to approve these Prudential Indicators as part of the Capital Programme report. However they are repeated here for completeness.

	2017/18	2018/19	2019/20
Operational boundary – borrowing	£325m	£335m	£340m
Operational boundary – other long-term liabilities	<u>£20m</u>	<u>£20m</u>	<u>£20m</u>
Operational boundary – TOTAL	£345m	£355m	£360m
Authorised limit – borrowing	£345m	£355m	£360m
Authorised limit – other long-term liabilities	<u>£35m</u>	<u>£35m</u>	<u>£35m</u>
Authorised limit – TOTAL	£380m	£390m	£395m

10.0 Other Matters

The WG Investment Guidance requires the Council to note the following three matters each year as part of the investment strategy:

Treasury Management Advisers

The Council's treasury management adviser, Arlingclose continues to provide advice and information on the Council's investment and borrowing activities, although responsibility for final decision making remains with the Council and its officers. The services received include:

- advice and guidance on relevant policies, strategies and reports,
- advice on investment decisions,
- notification of credit ratings and changes,
- other information on credit quality,
- advice on debt management decisions,
- accounting advice,
- reports on treasury performance,
- forecasts of interest rates, and
- training courses.

The quality of this service is controlled by Financial Procedure Rules

Investment training

The needs of the Council's treasury management staff for training in investment management are assessed as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA and other appropriate organisations.

Investment of Money Borrowed in Advance of Need

The Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Authority's overall management of its treasury risks.

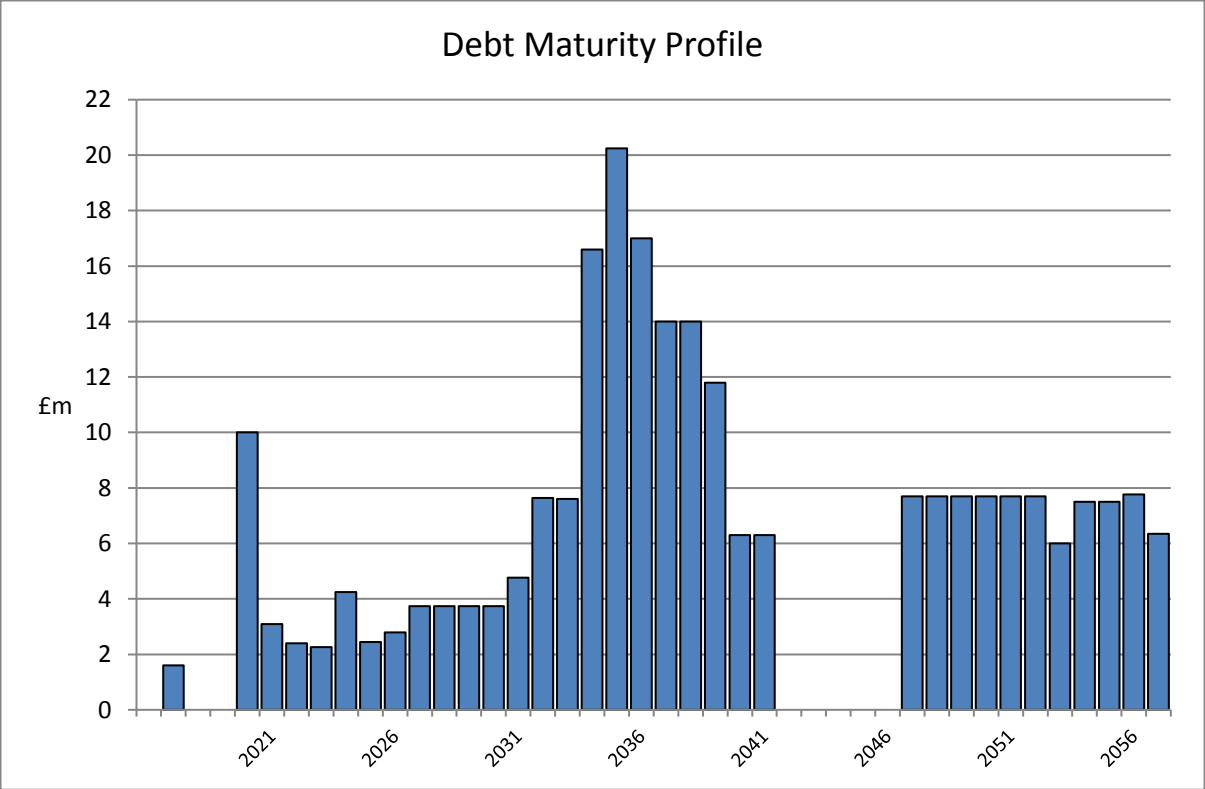
The total amount borrowed will not exceed the authorised borrowing limit of £380 million. The maximum period between borrowing and expenditure is expected to be two years, although the Authority is not required to link particular loans with particular items of expenditure.

Other Options Considered

The WG Investment Guidance and the CIPFA Code of Practice do not prescribe any particular treasury management strategy for local authorities to adopt. The Corporate Finance Manager believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed in the following table.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter periods.	Interest income will be lower	Reduced risk of losses from credit related defaults
Invest in a wider range of counterparties and/or for longer periods.	Interest income will be higher	Increased risk of losses from credit related defaults
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs will be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long term costs will be less certain
Reduce level of borrowing if debt rescheduling costs weren't prohibitive	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs will be less certain

APPENDIX A – DEBT MATURITY PROFILE





FLINTSHIRE COUNTY COUNCIL

TREASURY MANAGEMENT

DRAFT MID YEAR REPORT 2016/17

1.00 PURPOSE OF REPORT

- 1.01 To provide members with a mid-year update on matters relating to the Council's Treasury Management function.

2.00 BACKGROUND

- 2.01 Treasury management comprises the management of the Council's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
- 2.02 The Council's primary objectives for the investment of its surplus funds are to protect the principal sums invested from loss, and to ensure adequate liquidity so that funds are available for expenditure when needed. The generation of investment income to support the provision of local authority services is an important, but secondary, objective.
- 2.03 The Council's policy is to appoint external consultants to provide advice on its treasury management function. In September 2016 Arlingclose Ltd were reappointed as the Council's advisors for a period of 3 years, following a competitive tendering exercise.
- 2.04 The Council has adopted the 2012 edition of the CIPFA Treasury Management in the Public Services: Code of Practice, which requires the Council to approve a treasury management strategy before the start of each financial year, a mid-year report, and an annual report after the end of each financial year.
- 2.05 In addition, the Welsh Government (WG) Guidance on Local Government Investments recommends that local authorities amend their investment strategies in light of changing internal or external circumstances.
- 2.06 This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the WG Guidance.
- 2.07 The Council approved the 2016/17 Treasury Management Strategy at its meeting on 16th February 2016.

3.00 ECONOMIC & INTEREST RATE REVIEW APRIL – SEPTEMBER 2016.

Provided by Arlingclose Ltd the Council's Treasury Management advisors.

The preliminary estimate of Q2 2016 GDP showed reasonably strong growth as the economy grew 0.7% quarter-on-quarter, as compared to 0.4% in Q1 and year/year growth running at a healthy pace of 2.2%. However the UK economic outlook changed significantly on 23rd June 2016. The surprise result of the referendum on EU membership prompted forecasters to rip up previous projections and dust off worst-case scenarios. Growth forecasts had already been downgraded as 2016 progressed, as the very existence of the referendum dampened business investment, but the crystallisation of the risks and the subsequent political turmoil prompted a sharp decline in household, business and investor sentiment.

The repercussions of this plunge in sentiment on economic growth were judged by the Bank of England to be severe, prompting the Monetary Policy Committee to initiate substantial monetary policy easing at its August meeting to mitigate the worst of the downside risks. This included a cut in Bank Rate to 0.25%, further gilt and corporate bond purchases (QE) and cheap funding for banks (Term Funding Scheme) to maintain the supply of credit to the economy. The minutes of the August meeting also suggested that many members of the Committee supported a further cut in Bank Rate to near-zero levels (the Bank, however, does not appear keen to follow peers into negative rate territory) and more QE should the economic outlook worsen.

In response to the Bank of England's policy announcement, money market rates and bond yields declined to new record lows. Since the onset of the financial crisis over eight years ago, Arlingclose's rate outlook has progressed from 'lower for longer' to 'even lower for even longer' to, now, 'even lower for the indeterminable future'.

The new members of the UK government, particularly the Prime Minister and Chancellor, are likely to follow the example set by the Bank of England. After six years of fiscal consolidation, the Autumn Statement on 23rd November is likely to witness fiscal initiatives to support economic activity and confidence, most likely infrastructure investment. Tax cuts or something similar cannot be ruled out.

Whilst the economic growth consequences of BREXIT remain speculative, there is uniformity in expectations that uncertainty over the UK's future trade relations with the EU and the rest of the world will weigh on economic activity and business investment, dampen investment intentions and tighten credit availability, prompting lower activity levels and potentially a rise in unemployment. These effects will dampen economic growth through the second half of 2016 and in 2017.

Meanwhile, inflation is expected to pick up due to a rise in import prices, dampening real wage growth and real investment returns. The August Quarterly *Inflation Report* from the Bank of England forecasts a rise in CPI to 0.9% by the end of calendar 2016 and thereafter a rise closer to the Bank's 2% target over the coming year, as previous rises in commodity prices and the sharp depreciation in sterling begin to drive up imported material costs for companies.

The rise in inflation is highly unlikely to prompt monetary tightening by the Bank of England, with policymakers looking through import-led CPI spikes, concentrating instead on the negative effects of Brexit on economic activity and, ultimately, inflation.

Market reaction: Following the referendum result gilt yields fell sharply across the maturity spectrum on the view that Bank Rate would remain extremely low for the foreseeable future. The yield on the 10-year gilt fell from 1.37% on 23rd June to a low of 0.52% in August, a quarter of what it was at the start of 2016. The 10-year gilt yield has since risen to 0.69% at the end of September. The yield on 2- and 3-year gilts briefly dipped into negative territory intra-day on 10th August to -0.1% as prices were driven higher by the Bank of England's bond repurchase programme. However both yields have since recovered to 0.07% and 0.08% respectively. The fall in gilt yields was reflected in the fall in PWLB borrowing rates.

On the other hand, after an initial sharp drop, equity markets appeared to have shrugged off the result of the referendum and bounced back despite warnings from the IMF on the impact on growth from 'Brexit' as investors counted on QE-generated liquidity to drive risk assets.

The most noticeable fall in money market rates was for very short-dated periods (overnight to 1 month) where rates fell to between 0.1% and 0.2%

Outlook for the remainder of 2016/17:

The economic outlook for the UK has immeasurably altered following the popular vote to leave the EU. The long-term position of the UK economy will be largely dependent on the agreements the government is able to secure with the EU, particularly with regard to Single Market access.

The short to medium-term outlook has been more downbeat due to the uncertainty generated by the result and the forthcoming negotiations. Economic and political uncertainty will likely dampen or delay investment intentions, prompting lower activity levels and potentially a rise in unemployment. The downward trend in growth apparent on the run up to the referendum may continue through the second half of 2016, although some economic data has held up better than was initially

expected, perhaps suggesting a less severe slowdown than feared.

Arlingclose has changed its central case for the path of Bank Rate over the next three years. Arlingclose believes any currency-driven inflationary pressure will be looked through by Bank of England policymakers. Arlingclose's central case is for Bank Rate to remain at 0.25%, but there is a 40% possibility of a drop to close to zero, with a small chance of a reduction below zero.

Gilt yields are forecast to be broadly flat from current levels, albeit experiencing short-term volatility.

	Dec 16	Mar 17	Jun 17	Sept 17	Dec 17	Mar 18	Jun 18	Sept 18	Dec 18	Mar 19	Jun 19
Interest Rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%

Global interest rate expectations have been pared back considerably. There remains a possibility that the Federal Reserve will wait until after November's presidential election, and probably hike interest rates in December 2016 but only if economic conditions warrant.

In addition, Arlingclose believes that the Government and the Bank of England have both the tools and the willingness to use them to prevent market-wide problems leading to bank insolvencies. The cautious approach to credit advice means that the banks currently on the Authority's counterparty list have sufficient equity buffers to deal with any localised problems in the short term.

4.00 BORROWING REQUIREMENTS AND DEBT MANAGEMENT

4.01 PWLB (Public Works Loans Board) Certainty Rate Update.

In August 2016, the Authority submitted its application to WG along with the 2016-17 Capital Estimates Return to access this reduced rate for a further 12 months from 1st November 2016.

4.02 The total long term borrowing outstanding, brought forward into 2016/17 totalled £251.3 million.

4.03 Loans with the Public Works Loans Board are in the form of fixed rate (£222.35m) and variable rate (£10m). The remaining £18.95m is variable in the form of Lobo's (Lender's Option, Borrower's Option). The Council's average borrowing rate is currently 5.01%.

	Balance 01/04/2016 £m	Debt Maturing £m	New Debt £m	Balance 30/09/2016 £m
Long Term Borrowing	251.3	0.00	0.00	251.3
TOTAL BORROWING	251.3	0.00	0.00	251.3
Other Long Term Liabilities *	7.1	0.60	0.00	6.5
TOTAL EXTERNAL DEBT	258.4	0.60	0.00	257.8
Increase/ (Decrease) in Borrowing £m				-0.6

4.04 The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and financing.

4.05 No other new long term borrowing has been undertaken so far during 2016/17.

Affordability (interest costs charged on new loans) and the "cost of carry" (costs associated with new loans) remain important influences on the Council's borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing.

4.06 Loans at Variable Rates

The extent of variable rate borrowing the Council can potentially undertake is influenced by the level of Reserves and Balances. The interest rate on the Council's £10m variable rate loans averaged 0.52%.

The Council has determined that exposure to variable rates is warranted. It also assists with the affordability and budgetary perspective in the short-to-medium term. Any upward movement in interest rates and interest paid on variable rate debt would be offset by a corresponding increase in interest earned on the Council's variable rate investments. The interest rate risk associated with the Council's strategic exposure of £10m is regularly reviewed with our treasury advisor against clear reference points, this being a narrowing in the gap between short and longer term interest rates. If appropriate, the exposure to variable interest rates will be reduced by switching into fixed rate loans.

4.07 Internal Borrowing

Given the significant cuts to local government funding putting pressure on Council finances, the strategy will be to minimise debt interest payments without compromising the longer-term stability of the portfolio.

The differential between the cost of new longer-term debt and the return generated on the Council's temporary investment returns was significant at around 2.67%.

The use of internal resources in lieu of borrowing has therefore continued to be the most cost effective means of funding capital expenditure, with a projection for £15m to be utilised for this purpose by the end of 2016/17. This has lowered overall treasury risk by reducing both external debt and temporary investments.

The Council acknowledges that this position is not sustainable over the medium term and borrowing options and the timing of such borrowing continue to be assessed, with current expectations that the Council will need to borrow for capital purposes during the year as well as maximising the use of internal borrowing.

4.08 Lender's Option Borrower's Option Loans (LOBOs)

The Authority holds £18.95m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. The option to change the terms on £18.95m of the Council's LOBOs was not exercised by the lender. The Authority acknowledges there is an element of refinancing risk even though in the current interest rate environment lenders are unlikely to exercise their options.

4.09 Debt Rescheduling

The premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Authority's portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence.

The Corporate Finance Manager, in conjunction with the Council's treasury advisors will continue to review any potential opportunities for restructuring the Council's debt in order to take advantage of potential savings as interest rates change and to enhance the balance of the long term portfolio (amend the maturity profile and/or the balance of volatility).

5.0 INTERIM INVESTMENT AND PERFORMANCE REPORT

5.01 The Welsh Government's Investment Guidance gives priority to security and liquidity and the Authority's aim is to achieve a yield commensurate with these principles.

5.02 The maximum investments the Authority had on deposit at any one time totalled £51.1m. The average investment balance for the period was £36.4m and the average rate of return was 0.51%, generating investment income of £94k.

5.03 Investments have been made with UK banks and building societies up to periods

of 185 days (6 months), as well as utilising investment opportunities afforded by money market funds, instant access accounts, Debt Management Office, other Local Authorities and other financial instruments such as Certificates of Deposit (CD's).

- 5.04 The average debt balance held was £251.3m and the average rate paid was 5.01%, generating interest payable of £3.578m in line with budget forecasts (to date).

	Investments		Borrowing	
	Interest received £'000	Interest rate %	Interest paid £'000	Interest rate %
Actual	94	0.51	3.578	5.01
Budget	33	0.67	3.582	5.02
Difference	61	-	4	-

Year end projections are as follows:

	Investments		Borrowing	
	Interest received £'000	Interest rate %	Interest paid £'000	Interest rate %
Actual	110	0.35	12,703	5.01
Budget	65	0.67	12,930	5.02
Difference	45	-	227	-

5.05 Credit Risk (security)

Counterparty credit quality was assessed and monitored with reference to credit ratings (the Authority's minimum long-term counterparty rating for institutions defined as having "high credit quality" is A- across rating agencies Fitch, S&P and Moody's); credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.

Counterparty Update (provided by Arlingclose Ltd)

Various indicators of credit risk reacted negatively to the result of the referendum on the UK's membership of the European Union. UK bank credit default swaps saw a modest rise but bank share prices fell sharply, on average by 20%, with UK-focused banks experiencing the largest falls. Non-UK bank share prices were not immune although the fall in their share prices was less pronounced.

Fitch downgraded the UK's sovereign rating by one notch to AA from AA+, and Standard & Poor's downgraded its corresponding rating by two notches to AA from AAA. Fitch, S&P and Moody's have a negative outlook on the UK. S&P took similar

actions on rail company bonds guaranteed by the UK Government. S&P also downgraded the long-term ratings of the local authorities to which it assigns ratings as well as the long-term rating of the EU from AA+ to AA, the latter on the agency's view that it lowers the union's fiscal flexibility and weakens its political cohesion.

Moody's affirmed the ratings of nine UK banks and building societies but revised the outlook to negative for those that it perceived to be exposed to a more challenging operating environment arising from the 'leave' outcome.

There was no immediate change to Arlingclose's credit advice on UK banks and building societies as a result of the referendum result. Our advisor believes there is a risk that the uncertainty over the UK's future trading prospects will bring forward the timing of the next UK recession.

The European Banking Authority released the results of its 2016 round of stress tests on the single market's 51 largest banks after markets closed on Friday 29th July. The stress tests gave a rather limited insight into how large banks might fare under a particular economic scenario. When the tests were designed earlier this year, a 1.7% fall in GDP over three years must have seemed like an outside risk. Their base case of 5.4% growth now looks exceptionally optimistic and the stressed case could be closer to reality. No bank was said to have failed the tests. The Royal Bank of Scotland made headline news as one of the worst performers as its ratios fell by some of the largest amounts, but from a relatively high base. Barclays Bank and Deutsche Bank ended the test with Common Equity Tier 1 (CET1) ratios below the 8% threshold, and would be required to raise more capital should the stressed scenario be realised. The tests support our cautious approach on these banks.

In July Arlingclose completed a review of unrated building societies' annual financial statements. Cumberland, Harpenden and Vernon Building Society were removed from Arlingclose's advised list, following a deterioration in credit indicators. The maximum advised maturity was also lowered for eleven societies from 6 months to 100 days due to the uncertainty facing the UK property market following the EU referendum.

In June Moody's downgraded Finland from Aaa to Aa1 on its view that Finnish economic growth will remain weak over the coming years, reducing the country's ability to absorb economic shocks.

Fitch upgraded the long-term rating of ING Bank from A to A+ based on Fitch's view of the bank's solid and stable financial metrics and its expectation that that the improvement in earnings will be maintained.

Fitch also upgraded Svenska Handelsbanken's long-term rating from AA- to AA reflecting the agency's view that the bank's earnings and profitability will remain strong, driven by robust income generation, good cost efficiency and low loan

impairments.

5.06 *Liquidity*

In keeping with the WG's Guidance on Investments, the Council maintained a sufficient level of liquidity through the use of Money Market Funds and call accounts.

5.07 *Yield*

The Council sought to optimise returns commensurate with its objectives of security and liquidity. The Council's investment yield is outlined in 5.02.

6.00 **COMPLIANCE**

6.01 The Council can confirm that it has complied with its Prudential Indicators for the period April to September 2016. These were approved on 16th February 2016 as part of the Council's 2016/17 Treasury Management Strategy.

6.02 In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during the period April – September 2016. None of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

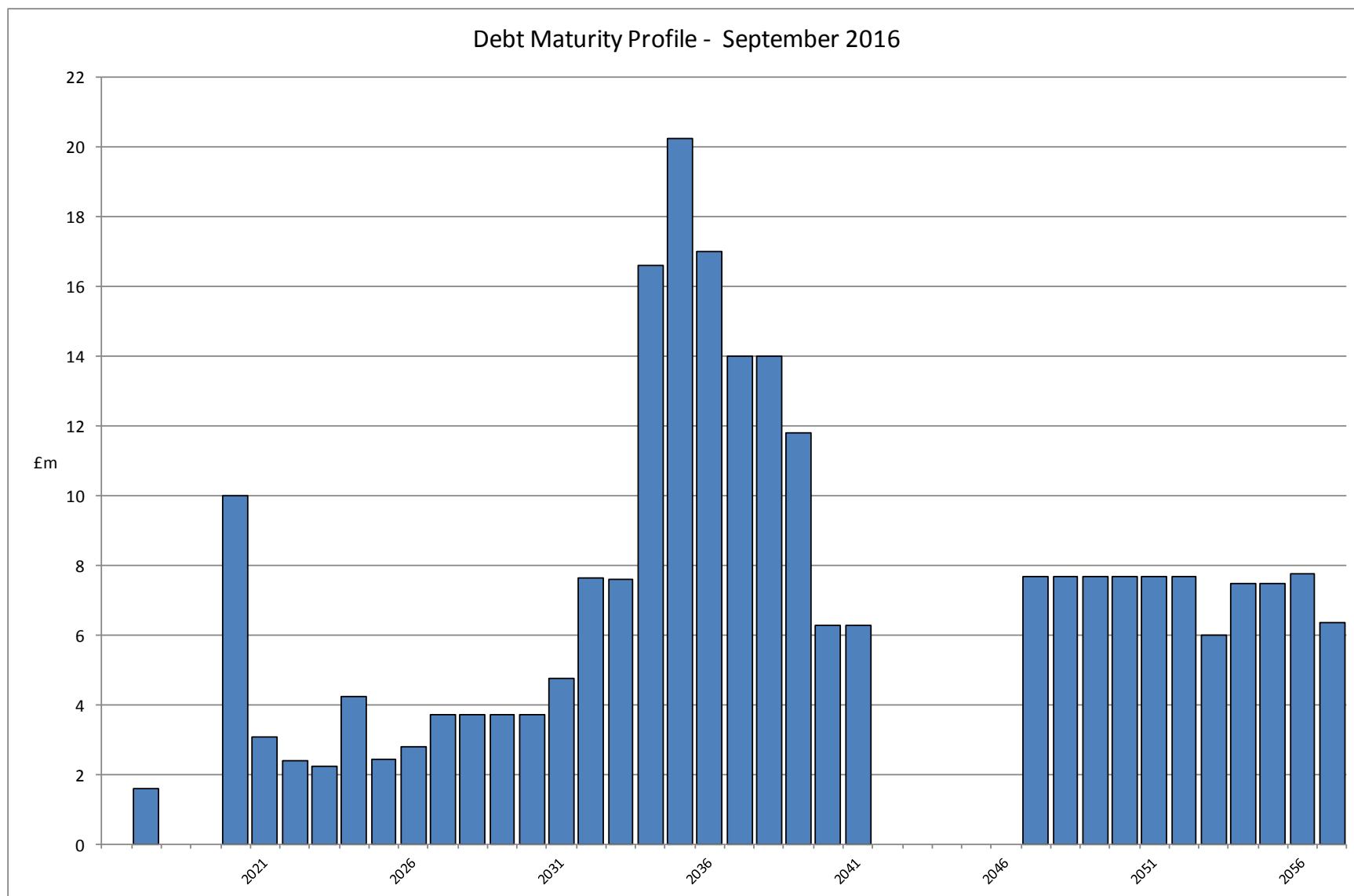
7.00 **OTHER ITEMS**

7.01 Other treasury management related activity that took place during April – September 2016 includes:

- The Treasury Management Annual Report 2015/16 was reported to Audit Committee on 13th July 2016. Cabinet and Council reviewed and approved the report in September.
- Quarterly Treasury Management updates were reported to the Audit Committee.
- The Council continues to be a member of the CIPFA Treasury Management Forum and the TM Network Advisory Group.
- In July Internal Audit issued their 2015-16 Audit Report on Treasury Management. Audit Opinion gave a 'Green' level of assurance, with just two recommendations.

8.00 CONCLUSION

- 8.01 In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during the first half of 2016/17.
- 8.02 As indicated in this report none of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.



FLINTSHIRE COUNTY COUNCIL - INVESTMENT PORTFOLIO

30th DECEMBER 2016

APPENDIX 3

Counterparty Name	Amount Invested £m	Start Date	Maturity Date	Interest Rate	Investment Interest £	Type of Investment	Period to Maturity
BNP PARIBAS SECURITIES SVCS	2.0	04/01/16	31/01/17	0.34%	7,322	MMF	1 month or less
BNP PARIBAS SECURITIES SVCS	2.0						
COVENTRY BUILDING SOCIETY	1.0	05/12/16	31/03/17	0.30%	953	UK BS	1 - 3 months
COVENTRY BUILDING SOCIETY	1.0						
FEDERATED INVESTORS	1.0	01/04/16	31/01/17	0.23%	1,922	MMF	1 month or less
FEDERATED INVESTORS	1.0						
FURNESS BUILDING SOCIETY	1.0	07/09/16	07/03/17	0.45%	2,232	UK BS	1 - 3 months
FURNESS BUILDING SOCIETY	1.0						
GOLDMAN SACHS INTERNATIONAL	1.0	03/10/16	11/01/17	0.38%	1,041	UK Bank	1 month or less
GOLDMAN SACHS INTERNATIONAL	1.0						
INSIGHT LIQUIDITY FUNDS LLP	1.0	05/12/16	31/01/17	0.23%	359	MMF	1 month or less
INSIGHT LIQUIDITY FUNDS LLP	1.0						
MORGAN STANLEY	0.6	03/06/16	31/01/17	0.20%	796	MMF	1 month or less
MORGAN STANLEY	0.6						
NATIONAL COUNTIES BUILDING SOCIETY	1.0	06/10/16	13/01/17	0.35%	949	UK BS	1 month or less
NATIONAL COUNTIES BUILDING SOCIETY	1.0						
PLYMOUTH CITY COUNCIL	2.0	07/11/16	07/02/17	0.28%	1,412	Local Auth	1 - 3 months
PLYMOUTH CITY COUNCIL	2.0						
SSGA LIQUIDITY FUND	1.0	01/08/16	31/01/17	0.22%	1,103	MMF	1 month or less
SSGA LIQUIDITY FUND	1.0						
STANDARD LIFE INVESTMENT LIQUIDITY FUND	1.5	01/04/15	31/01/17	0.30%	8,273	MMF	1 month or less
STANDARD LIFE INVESTMENT LIQUIDITY FUND	1.5						
THURROCK BOROUGH COUNCIL	2.0	01/11/16	31/03/17	0.48%	3,945	Local Auth	1 - 3 months
THURROCK BOROUGH COUNCIL	2.0						
TOTAL	15.1			0.33%	30,306		
PREVIOUS REPORTS TOTALS (30th JUNE 2016)	40.5			0.57%			

FLINTSHIRE COUNTY COUNCIL - INVESTMENTS SUMMARISED BY TYPE & MATURITY

30th December 2016

APPENDIX 3

Type of Investment	Total Amount Invested	% of Total Portfolio
	£m	
Debt Mangement Office (DMO)	0.0	0%
UK Bank	1.0	7%
UK Building Society (UK BS)	3.0	20%
Overseas	0.0	0%
Local Authorities	4.0	26%
CD's	0.0	0%
T-Bills	0.0	0%
Money Market Funds (MMF)	7.1	47%

Total (£)	15.1	
Total (%)		100%

Period to Investment Maturity			
1 month or less	1 - 3 months	3 months +	12 months +
£m	£m	£m	£m
1			
1	2		
	4		
7.1			

9.1	6.0	0.0	0.0
60%	40%	0%	0%

FLINTSHIRE COUNTY COUNCIL - LONG TERM BORROWING ANALYSIS

31st DEC 2016

APPENDIX 4

Loan Start Date	Principal Loan Outstanding £	Interest Rate %	Annual Interest £	Loan Maturity Date
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PWLB Fixed Rate Maturity Loans				
20/03/86	2,436,316	9.50	231,450	30/11/25
01/04/86	1,392,181	9.13	127,036	30/11/23
01/04/86	1,218,158	9.13	111,157	30/11/21
24/03/88	696,090	9.13	63,518	30/11/27
25/08/88	696,090	9.50	66,129	31/03/28
26/10/88	870,113	9.25	80,485	30/09/23
26/05/89	1,044,135	9.50	99,193	31/03/25
26/05/89	1,044,135	9.50	99,193	31/03/29
28/09/95	561,642	8.25	46,335	30/09/32
28/09/95	181,120	8.63	15,622	30/09/32
28/09/95	348,045	8.25	28,714	30/09/27
28/09/95	696,090	8.25	57,427	30/09/28
28/09/95	1,740,226	8.25	143,569	30/09/29
28/09/95	1,740,226	8.25	143,569	30/09/30
28/09/95	1,740,226	8.25	143,569	30/09/31
28/09/95	522,068	8.25	43,071	30/09/21
28/09/95	696,090	8.25	57,427	30/09/24
28/09/95	1,740,226	8.25	143,569	30/09/26
28/09/95	1,000,282	8.63	86,274	30/09/22
18/04/97	2,000,000	7.75	155,000	18/10/27
18/04/97	2,000,000	7.75	155,000	18/10/28
18/04/97	2,000,000	7.75	155,000	18/10/29
18/04/97	2,000,000	7.75	155,000	18/10/30
22/05/97	1,600,000	7.38	118,000	22/11/17
* 17/07/97	4,000,000	7.13	285,000	31/03/55
* 17/07/97	4,000,000	7.13	285,000	31/03/56
* 17/07/97	4,492,873	7.13	320,117	31/03/57
* 17/07/97	3,500,000	7.00	245,000	31/03/55
* 17/07/97	3,500,000	7.00	245,000	31/03/56
* 17/07/97	3,278,252	7.00	229,478	31/03/57
* 20/05/98	1,333,332	5.75	76,667	18/04/31
20/05/98	1,050,000	6.00	63,000	18/04/26
09/06/98	2,000,000	5.75	115,000	30/09/32
09/06/98	3,000,000	5.75	172,500	30/09/33
09/06/98	4,000,000	5.75	230,000	30/09/34
17/09/98	3,850,000	5.25	202,125	31/03/58
08/12/98	1,200,000	4.75	57,000	31/03/54
08/12/98	2,500,000	4.75	118,750	31/03/58
08/12/98	4,800,000	4.50	216,000	31/03/54
01/04/99	6,000,000	4.63	277,500	31/03/53
22/04/99	4,000,000	4.50	180,000	31/03/52
* 10/08/99	1,700,000	4.50	76,500	31/03/53
* 10/08/99	3,700,000	4.50	166,500	31/03/52
* 10/08/99	7,700,000	4.50	346,500	31/03/51
* 10/08/99	7,700,000	4.50	346,500	31/03/50
* 10/08/99	7,700,000	4.50	346,500	31/03/49
* 10/08/99	7,700,000	4.50	346,500	31/03/48
05/04/01	2,500,000	4.75	118,750	31/03/25
15/11/01	1,400,000	4.50	63,000	31/03/23
15/11/01	1,350,000	4.50	60,750	31/03/22
* 02/08/05	1,700,000	4.45	75,650	18/04/31
* 02/08/05	4,900,000	4.45	218,050	18/04/32
* 02/08/05	4,600,000	4.45	204,700	18/04/33
* 02/08/05	1,800,000	4.45	80,100	18/04/34
* 02/08/05	2,244,611	4.45	99,885	18/04/35
02/04/15	10,800,000	4.11	443,880	02/10/34
02/04/15	9,000,000	4.13	371,700	02/04/35
02/04/15	9,000,000	4.14	372,600	02/10/35
02/04/15	9,000,000	4.16	374,400	02/04/36
02/04/15	8,000,000	4.17	333,600	02/10/36
02/04/15	7,000,000	4.18	292,600	02/04/37
02/04/15	7,000,000	4.19	293,300	02/10/37
02/04/15	7,000,000	4.20	294,000	02/04/38
02/04/15	7,000,000	4.21	294,700	02/10/38
02/04/15	5,448,094	4.22	229,910	02/04/39
Total	222,410,621	5.26	11,694,018	

Market Fixed Rate Loans (LOBOS)				
* 24/07/07	6,350,000	4.48	284,480	24/01/40
* 24/07/07	6,300,000	4.53	285,075	24/01/41
* 24/07/07	6,300,000	4.58	288,540	24/01/42
Total	18,950,000	4.53	858,095	

PWLB Variable Rate Maturity Loans				
* 05/05/10	10,000,000	0.43	43,000	05/05/20
	10,000,000	0.43	43,000	

Totals				
Fixed Rate	241,360,621		12,552,113	
Variable Rate	10,000,000		43,000	
Grand Total	251,360,621	5.01	12,595,113	

* New loan due to debt restructuring
 HRAS Buyout Loans

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AUDIT COMMITTEE

Date of Meeting	Wednesday, 25 January 2017
Report Subject	Mobile Phones - Progress Update
Report Author	Chief Officer (Governance)

EXECUTIVE SUMMARY

This report provides information relation to the use and cost of mobile phones in Flintshire County Council for the 2015 /16 financial year. It provides an update to the report that was presented to the Audit committee on Wednesday 3rd June 2015 covering the 2014 / 15 financial year.

The report provides a detailed breakdown on the costs and number of mobile phones summarised by portfolio and covers the 2014/15 and 2015/16 financial years.

In addition, details are provided with regards to new contractual arrangement for mobile phones and identifies the anticipated saving from this new agreement. Details of the new Mobile phone and Smartphone Policy are also included within this report.

RECOMMENDATIONS

1	The committee is assured that the costs and processes for mobile phones are satisfactory.
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REPORT DETAILS

1.00	Mobile Phones – Progress Update																									
1.01	<p><u>Background</u></p> <p>A detailed report concerning the use and cost of mobile phones used by Flintshire County Council was presented to the Audit committee on Wednesday 3rd June 2015. The Audit committee has requested an update in relation to the use and costs associated with the use of Mobile Phones.</p> <p>In line with the previous report costs and usage associated with data sims cards used in traffic lights, ipads, laptops, etc. have been excluded with the exception of the devices to support the housing repairs mobile working project (as these are also used as mobile phones).</p>																									
1.02	<p><u>CONSIDERATIONS</u></p> <p>At the end of the 2014/15 financial year the Council had a total of 1985 mobile phone contracts. As at the end of March 2015/16 the number of contracts had reduced to 1771. The annual cost of mobile phones has reduced from £194,109 to £152,949 in the same period.</p> <p>This reduction has been achieved through the continued challenge of the need for mobile phones within the portfolios, the reduction of staffing levels within the council as a result of restructures and reorganisation of services and entering into new contractual arrangements for mobile phones, details of which are contained later in this report. A full year of savings as a result of the new contract will be realised in the 2016/17 financial year.</p> <p>The demand for mobile phones and Blackberries continues to remain high as they are essential in supporting the Council’s Asset rationalisation programme and are an essential tool in the support for agile working.</p>																									
1.03	<p>A breakdown of mobile phones by portfolio for the two years is shown in the table below:-</p> <table><tr><th>Portfolio</th><th>Total staff</th><th>Total Mobile Contracts</th><th>Annual Total</th><th>Average Cost Per Contract</th></tr><tr><td>Chief Executives 14/15</td><td>58</td><td>35 (includes 13 Elected Members)</td><td>£7,146</td><td>£204</td></tr><tr><td>2015 /16</td><td>46</td><td>34 (includes 11 Elected Members)</td><td>£5,607</td><td>£165</td></tr><tr><td>Community and Enterprise 14 /15</td><td>416</td><td>392</td><td>£42,280</td><td>£108</td></tr><tr><td>2015 /16</td><td>396</td><td>336</td><td>£31,633</td><td>£94</td></tr></table>	Portfolio	Total staff	Total Mobile Contracts	Annual Total	Average Cost Per Contract	Chief Executives 14/15	58	35 (includes 13 Elected Members)	£7,146	£204	2015 /16	46	34 (includes 11 Elected Members)	£5,607	£165	Community and Enterprise 14 /15	416	392	£42,280	£108	2015 /16	396	336	£31,633	£94
Portfolio	Total staff	Total Mobile Contracts	Annual Total	Average Cost Per Contract																						
Chief Executives 14/15	58	35 (includes 13 Elected Members)	£7,146	£204																						
2015 /16	46	34 (includes 11 Elected Members)	£5,607	£165																						
Community and Enterprise 14 /15	416	392	£42,280	£108																						
2015 /16	396	336	£31,633	£94																						

	Education and Youth	329	177	£18,969	£107
	14 /15				
	15/16	271	161	£15,652	£97
	Governance 14 /15	126	34	£3,002	£88
	2015 / 16	131	25	£1,745	£70
	Organisational Change 1 (Community) 14/15	451	117	£5,792	£50
	2015 / 16	416	97	£4511	£46
	Organisational Change 2 (Alternative Service Models) 14 /15	207	59	£3,993	£67
	2015/16	431	45	£3240	£72
	People and Resources 14 / 15	172	34	£5,029	£147
	2015 / 2016	173	34	£3,631	£106
	Planning and Environment 14/15	168	134	£12,228	£91
	2015 /16	177	120	£9,017	£75
	Social Services 14/15	1017	805	£78,763	£98
	2015/16	975	714	£65,092	£91
	Streetscene and Transportation 14/15	537	231	£16,907	£73
	2015/16	527	205	£12,821	£63
	Total 14/15	3475	1985	£194,109	£98
	2015/16	3543	1771	£152,949	£86
The average cost for mobile phones differs between portfolios as this reflects the costs associated with different levels of usage (call cost) and the varying number of Blackberry smartphones used within the portfolios.					
1.04	<p><u>High Usage</u></p> <p>As indicated in the previous Audit report mobile phone contracts that had high usage were discussed with the portfolio representatives and this has resulted in a reduction of contract with high usage.</p> <p>A new contract for mobile phones has been awarded that includes the cost of usage to non-premium rate numbers. When the organisation benefits from a full year of savings, the costs will only be for handset rental and in the case of Blackberries the inclusive data tariff.</p>				

An analysis of high annual usage for the two financial years 2014/15 and 2015/16 has been completed and the usage analysis is detailed in the table below:-

Usage Costs (per annum)	£100 - £200	£201 – 300	£301 - £400	£401 +
2014 / 2015				
Number of Mobiles	104	18	4	8
Total Annual Cost	£11,429.19	£4,351.74	£1,365.91	£4,779.03
2015 / 2016				
Number of Mobiles	54	12	3	1
Total Annual Cost	£7,473.37	£2,821.55	£1,042.23	£491.12

1.05

New Contractual Arrangements

As indicated in the previous report the IT Service gave an undertaking to go back out to the market using a central government procurement framework to negotiate a new contract with improved rates. This exercise was completed in August 2015 and resulted in a new contract with the same provider with all the existing mobile phone contracts moving onto the new terms in November 2015. Some of the highlights of the new contract are detailed below:-

- Significant Savings – As a result of the competitive tendering exercise the Council expect to make £111,000 savings per annum in the use of Mobile phones, based on the number of contacts as at 31st August 2015.
- New monthly tariffs - for standard phones the new tariff is £2.20 per month. Whilst this represents a slight increase from the previous contract this new tariff includes unlimited calls to non-premium rate numbers, this represents a shift in the market place for corporate mobile phone contracts where previously it was more cost effective to pay rental and call costs as opposed to inclusive bundles.
- Reduced cost for Blackberries – the monthly cost of each Blackberry smartphone has reduced from £12.00 to £10.20 per month. This is an important consideration as the number of Blackberry phones has risen in line with greater adoption of agile working practices within portfolios.
- Same supplier – The competitive exercise resulted in the selection of the same supplier, this resulted in a smooth transition from one contract to another minimising the disruption to services, timescales to effect the change and resulted in a reduction in the cost of change.

1.06	<u>Policy Development</u> The existing Mobile Phone Policy was reviewed and was found to be out of date and in some parts contradictory. A new simplified Mobile Phone and Smartphone policy has been developed to reflect the advancements in this field and technology. The policy has been out to consultation with Chief Officers, Service Managers and Unions and has been approved.
1.07	<u>Monitoring Use</u> Regular monitoring continues to be undertaken in all portfolios. The distribution of monthly portfolio based costs per contract allows the portfolio representatives to challenge usage and identify contracts that may not be required. In addition, quarterly review meetings are held with all portfolio representatives to review and ensure adherence to procedures and processes.

2.00	RESOURCE IMPLICATIONS
2.01	None directly as a result of this report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None required

4.00	RISK MANAGEMENT
4.01	No risks as a result of this report. <u>Anti-Poverty Impact</u> None directly as a result of this report. <u>ENVIRONMENTAL IMPACT</u> None directly as a result of this report. <u>EQUALITIES IMPACT</u> None directly as a result of this report.

5.00	APPENDICES
5.01	None

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	None Contact Officer: Aled Griffith Telephone: 01352 702801 E-mail: Aled.griffith@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	<p>(1) Mobile and Smartphone Policy: A Council policy which covers the use of Mobile phones and Smartphones.</p> <p>(2) Contract for Mobile Phones: A commercial agreement between the Council and a supplier of mobile phones typically the agreement last two years.</p> <p>(3) Mobile Contracts: Each council mobile phone has its own contract, duration of each is 2 years. All contract benefit from the negotiated terms, conditions and pricing in the “Contract for Mobile Phones”</p> <p>(4) Financial Year: the period of 12 months commencing on 1 April</p> <p>(5) Central Government Procurement Framework: an agreement put in place with a range of providers that enables buyers to place orders for services without running lengthy full tendering exercises. Frameworks aggregate spend across the public sector based on large volumes and result in commercial rates and terms that could not be achieved by a single organisation.</p> <p>(6) Blackberries or Blackberry Smartphone: a mobile phone that can be used to make and receive calls and also send and receive Council emails. Also used to provide an electronic calendar function. These functions are integrated with the Council email and calendar solution.</p>



AUDIT COMMITTEE

Date of Meeting	Wednesday, 25 January 2017
Report Subject	Implementation of Contract Procedure Rules
Cabinet Member	Cabinet Member for Corporate Management
Report Author	Chief Officer (Governance)

EXECUTIVE SUMMARY

Revised Contract Procedure Rules (CPRs) were approved by Council 19 October 2016 and they came into force 1 November 2016. The Audit Committee on 26 September 2016 had asked for a report on the implementation of those rules with particular emphasis on contract management.

The number of contracts let since the CPRs came into force is inevitably very low, so there is as yet little evidence as to how they are working in practice. However 4 training courses on the new CPRs have been held, and a further course has been scheduled every month until June 2017.

The Internal Audit team have carried out a joint audit of contract management with Denbighshire County Council. The findings reflect the fact that the new CPRs have not yet had chance to take effect.

Twice yearly reports on CPRs have been included in the Audit Committee's forward work programme.

RECOMMENDATIONS

1	That the committee endorses the early progress in implementing the new CPRs and receives further reports in accordance with its work programme.
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REPORT DETAILS

1.00	IMPLEMENTATION OF THE NEW CONTRACT PROCEDURE RULES
1.01	<p>Revised CPRs were approved by Council on 19 October 2016 and came into force on 1 November 2016. By 31 December 2016 4 courses covering 65 officers had been run on the new CPRs. A further 6 courses (1 every month) have been scheduled until June 2017. 53 people have already booked to attend and the January and February courses are fully booked. Feedback for the courses held so far is:</p> <p>“the training will be useful in my work” 17% strongly agree; 73% agree</p> <p>“Overall, I would rate the training as...” 24% Very Good; 59% Good: 83% combined V. Good/Good</p> <p>The existence of the new CPRs and the training courses has also been promoted via Change Exchange, portfolio management team meetings and on the Infonet.</p>
1.02	<p>Given that it can take months to run a competitive exercise a small number have been completed using the new procedures and thresholds. The CPRs are of course wider than just the competitive process and include requirements around contract planning and the recording of contracts.</p>
1.03	<p>Between 1/11/16 and 31/12/16</p> <ol style="list-style-type: none"> 1. 8 procurement commissioning forms (contracts over £25,000) have been completed 2. 13 contracts have been let – mostly low value school transport contracts <p>Those contracts that have been let that are over £25,000 in value are in the process of being recorded on the new contracts register.</p>
1.04	<p>Internal Audit have looked jointly at contract management in both Flintshire and Denbighshire County Councils. The initial findings have not yet been through the usual process of verification and so they may be subject to change. However, the evidence points towards what would be the expected/known position including the following points:</p> <ol style="list-style-type: none"> i. contract monitoring is happening in services but this is happening in isolation. Many contractors would only be used by one service but some might undertake work for more than one department and so this data needs to be held centrally. A generic template needs to be created on the procurement system (P2P) backed up by training on how to use the contract management module to help encourage consistent, centralised recording of performance data; ii. contract performance is “monitored” via the head contractor who remains responsible for the performance of sub-contractors. However, the details and identity of sub-contractors need to be recorded in order to be able to anticipate and avoid potential performance problems;

	<ul style="list-style-type: none"> iii. there needs to be more consistent recording of contracts in the P2P system to form a central contract register iv. more officers need to be trained on the use of the e-sourcing software <p>Once the findings have been verified and agreed, an action plan will be developed to implement the agreed actions.</p>
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2.00	RESOURCE IMPLICATIONS
2.01	None arising out of this report

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None required

4.00	RISK MANAGEMENT
4.01	The Council requirements of the new CPRs requirement improvement in the management of contracts of thus the reduction of risk. The Council is in a period of transition from the old rules to the new requirements and practice within the council will improve as the new rules are more contracts are let under the new rules and as familiarity with their requirements grows.

5.00	APPENDICES
5.01	None

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
	<p>Contact Officer: Gareth Owens, Chief Officer Governance Telephone: 01352 702344 E-mail: Gareth.legal@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	Contract Procedure Rules – rules governing how goods and services are procured on behalf of the council
7.02	Contracts Register – a list of the council's contracts over £25,000 in value, including data such as start and finish dates

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AUDIT COMMITTEE

Date of Meeting	Wednesday, 25 January 2017
Report Subject	Action Tracking
Cabinet Member	N/A
Report Author	Interim Internal Audit Manager
Category	Advisory

EXECUTIVE SUMMARY

The report shows the action points from previous Audit Committee meetings and the progress made in completing them. The majority of the requested actions have been completed, with some still outstanding. They will be reported back to a future meeting.

RECOMMENDATIONS

1	The committee is requested to accept the report.
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REPORT DETAILS

1.00	EXPLAINING THE ACTION TRACKING REPORT
1.01	<p>In previous meetings requests for information, reports or actions have been made. These have been summarised as action points. This paper summarises those points and provides an update on the actions resulting from them.</p> <p>Full action tracking details within Appendix A.</p>

2.00	RESOURCE IMPLICATIONS
2.01	None as a result of this report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	Action owners contacted to provide an update on their actions.

4.00	RISK MANAGEMENT
4.01	None as a result of this report.

5.00	APPENDICES
5.01	Appendix A – Action Points.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>None.</p> <p>Contact Officer: Lisa Brownbill, Interim Internal Audit Manager Telephone: 01352 702231 E-mail: lisa.brownbill@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	None.

APPENDIX A**AUDIT COMMITTEE - ACTION SHEET****Presented Wednesday, 25th January 2017**

16th MARCH 2016				
Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
63	Internal Audit Progress Report	To consider how best to report Pls on future reports.	Internal Audit Manager	Pl's to be reviewed.

13th JULY 2016				
Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
6	Draft Statement of Accounts	Part 2 report on all School Balances to be scheduled for a future meeting, to include the views of the Education and Youth OSC and School Budget Forum.	Internal Audit Manager	The Chief Officer, Education and Youth is unable to attend the January meeting. This action has been reschedule for March meeting.
8	Annual Governance Statement	That the Annual Governance Statement attached to the Statement of Accounts be recommended to Council.	Internal Audit Manager	Taken to Council on 26 th September 2016.
11	Certification of Grant Claims	An interim report on progress with the action plan to be received in the Autumn. Periodic updates to be shared with WAO.	Corporate Finance Manager	Verbal update to be provided to January meeting and formal report to March meeting.

13th JULY 2016

Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
11	Certification of Grant Claims	Update report on CPRs to be brought to the September meeting.	Chief Officer Governance / Corporate Finance Manager	Reported to September 2016 Committee.
11	Certification of Grant Claims	To share with the Committee comparative statistics on grant claims by other Authorities to show Flintshire's standing.	WAO	Statistics to be provided to January meeting.

25th September 2016

Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
24	Statement of Accounts	To provide a breakdown of the number, total amount paid out and outcomes of employment tribunal claims for 2015/16 within two weeks.	Lisa Brownbill	E-mail to Committee on 8 November 2016.
26	Contract Procedural Rules	That the Audit Committee receives an early report on the successful transition to the new CPRs and receives reports on the performance of contracts against the rules in practice.	Gareth Owens	Update to be provided to January meeting.
26	Contract Procedural Rules	To speak to Cllr Banks and Cllr Roberts outside of the meeting about their specific concerns on contractors.	Gareth Owens	Update to be provided to January meeting

25th September 2016

Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
26	Contract Procedural Rules	To share the flowchart used at Denbighshire, together with guidance for users and suppliers.	Tom Booty / Gareth Owens	Update to be provided to January meeting
26	Contract Procedural Rules	To schedule a twice yearly update on CPRs on the Committee's Forward Work Programme.	Lisa Brownbill	Action included within the Audit Committee's Forward Work Programme for January and September 2017 and March and November 2018.
27	Internal Audit Progress Report	To invite the Chief Officer, Social Services, to the January meeting to give assurance of the safeguards in place on provider payments.	Lisa Brownbill	Chief Officer, Social Service, invited and to attend January's meeting.
27	Internal Audit Progress Report	To share and informal communication with the Committee following the completion of satisfactory negotiations with the care provider in respect of the payment schedule and to highlight with other care providers their responsibilities on payments.	Jane Davies / Sally Swarbrick	E-mail to Committee on 23 November 2016.
27	Internal Audit Progress Report	To draw to the Committee's attention any actions with a revised due date six months beyond the original due date.	Lisa Brownbill	This information is included within the Internal Audit Progress Report.
-	-	To provide a position statement on the Internal Audit Manager position at the January Meeting.	Gareth Owens / Colin Everett	A verbal update to be presented at the January Meeting.

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AUDIT COMMITTEE

Date of Meeting	Wednesday, 25 January 2017
Report Subject	Forward Work Programme
Cabinet Member	N/A
Report Author	Interim Internal Audit Manager
Category	Advisory

EXECUTIVE SUMMARY

The Audit Committee presents an opportunity for Members to determine the Forward Work programme of the Committee of which they are Members. By reviewing and prioritising the Forward Work Programme Members are able to ensure it is Member-led and includes the right issues. A copy of the Forward Work Programme is attached at Appendix A for Members' consideration which has been updated following the last meeting.

The Committee is asked to consider, and amend where necessary, the Forward Work Programme for the Audit Committee.

RECOMMENDATION

1	That the Committee considers the draft Forward Work Programme and approve/amend as necessary.
2	That the Interim Internal Audit Manager, in consultation with the Chair and Vice-Chair of the Committee be authorised to vary the Forward Work Programme between meetings, as the need arises.

REPORT DETAILS

1.00	EXPLAINING THE FORWARD WORK PROGRAMME
1.01	Items feed into a Committee's Forward Work Programme from a number of sources. Many items are standard every quarter, six months or annually, and Members can also suggest topics for review by the Committee. Items can also be referred by the Cabinet, County Council or Chief Officers.

1.02	<p>In identifying topics for future consideration, it is useful for a 'test of significance' to be applied. This can be achieved by asking a range of questions as follows:</p> <ol style="list-style-type: none"> 1. Will the review contribute to the Council's priorities and/or objectives? 2. Is it an area of major change or risk? 3. Are there issues of concern in governance, risk management or internal control? 4. Is it relevant to the financial statements or financial affairs of the Council? 5. Is there new Government guidance of legislation? 6. Is it prompted by the work carried out by Regulators/Internal Audit?
1.03	<p>Within the Forward Work Programme for January an annual report on External Inspections was due. In consultation with the Chair and the Vice Chair it has been agreed to move this item to June each year to ensure we capture all external inspection reports for the financial year.</p>

2.00	RESOURCE IMPLICATIONS
2.01	None as a result of this report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	Publication of this report constitutes consultation.

4.00	RISK MANAGEMENT
4.01	None as a result of this report.

5.00	APPENDICES
5.01	Appendix A - Draft Forward Work Programme

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>None.</p> <p>Contact Officer: Lisa Brownbill Interim Internal Audit Manager</p> <p>Telephone: 01352 702231</p> <p>E-mail: lisa.brownbill@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
	<p><u>WAO, Wales Audit Office</u> works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that the public bodies in Wales understand how to improve outcomes.</p> <p><u>PSIAS, Public Sector Internal Audit Requirements</u> A set of standards that all Internal Audit teams working in the public sector must comply with.</p>

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AUDIT COMMITTEE - FORWARD WORK PROGRAMME 2016/17Presented Wednesday, 25th January 2017

Meeting Date	Agenda Item	Author
January 2017	Risk Management update	Karen Armstrong
	Corporate Governance Report	Karen Armstrong
	Treasury Management Mid-Year Update and Strategy	Liz Thomas
	Certification of Grants Comparative Statistics	WAO
	Mobile Phones update (from July meeting)	Aled Griffith
	Contract Procedural Rules update	Gareth Owens
	Provider Payment Update	Neil Ayling
	Internal Audit Progress Report	Lisa Brownbill
	Audit Committee Action Tracking	Lisa Brownbill
	Forward Work Programme	Lisa Brownbill
	Position Statement over Internal Audit Managers role	Gareth Owens / Colin Everett

Meeting Date	Agenda Item	Author
March 2017	Audit Plan (WAO)	WAO
	School Balances	Ian Budd
	Annual Improvement Report (WAO)	Karen Armstrong
	Treasury Management Update	Liz Thomas
	Internal Audit Progress Report	Lisa Brownbill
	Internal Audit Strategic Plan	Lisa Brownbill
	PSIAS Compliance (Internal)	Lisa Brownbill
	Audit Committee Self-Assessment	Lisa Brownbill
	Audit Committee Action Tracking	Lisa Brownbill
	Forward Work Programme	Lisa Brownbill
	Private Meeting (WAO and IA)	Lisa Brownbill
June 2017	Certification of Grants and Returns Report (WAO)	Liz Thomas
	Treasury Management Update and Annual Report 2015/16	Liz Thomas
	Annual Improvement Report (WAO)	Karen Armstrong
	Risk Management Update	Karen Armstrong
	Financial Procedure Rules	Sara Dulson

Meeting Date	Agenda Item	Author
	Asset Disposals and Capital Receipts	Neal Cockerton
	Internal Audit Annual Report	Lisa Brownbill
	Internal Audit Progress Report	Lisa Brownbill
	Annual Report on External Inspections	Lisa Brownbill
	PSIAS Compliance – External Assessment	Lisa Brownbill
	Audit Committee Action Tracking	Lisa Brownbill
	Forward Work Programme	Lisa Brownbill
July 2017	Draft Statement of Accounts	Gary Ferguson
	Supplementary Financial Information to Draft Statement of Accounts 2016/17	Liz Thomas
	Draft Annual Governance Statement	Karen Armstrong

Meeting Date	Agenda Item	Author
September 2017	Statement of Accounts 2016/17	Gary Ferguson
	Supplementary Financial Information to Statement of Accounts	Gary Ferguson
	Audit of Financial Statements (WAO)	Wales Audit Office
	Corporate Governance Report	Karen Armstrong
	Contract Procedural Rules update	Gareth Owens
	Internal Audit Progress Report	Lisa Brownbill
	Audit Committee Action Tracking	Lisa Brownbill
	Forward Work Programme	Lisa Brownbill

By virtue of paragraph(s) 12, 13 of Part 4 of Schedule 12A
of the Local Government Act 1972.

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