

COMMITTEE	GOVERNANCE AND AUDIT COMMITTEE
DATE	8 FEBRUARY 2024
TITLE	MID-YEAR UPDATE ON CYNGOR GWYNEDD'S GOVERNANCE RISKS
PURPOSE OF REPORT	TO EXPLAIN TO THE COMMITTEE THE CHANGES THAT HAVE OCCURRED TO THE COUNCIL'S GOVERNANCE RISKS SINCE PRESENTING THE 2023 ANNUAL GOVERNANCE STATEMENT TO THE COMMITTEE FOR APPROVAL IN OCTOBER 2023
AUTHOR	DEWI MORGAN, HEAD OF FINANCE
ACTION	ACCEPT THE REPORT AND COMMENT ON THE CONTENTS

1. BACKGROUND

- 1.1 The Council's Annual Governance Statement for 2023 was submitted to the Governance and Audit Committee on 12 October 2023. The Governance and Audit Committee has a key role to challenge the preparation and content of the Statement.
- 1.2 At the meeting, the Committee considered the draft Annual Governance Statement and its action plan. After doing so, the Committee approved the Declaration, and recommended that the Leader of the Council and Chief Executive sign it.
- 1.3 At the same time, the Committee suggested that a mid-year report be submitted to the Committee providing an update of the situation.
- 1.4 A copy of the 2023 Annual Statement has been included in the Appendix to give context to members.

2. ASSESSMENT GOVERNANCE FRAMEWORK

- 2.1 The governance framework is under continuous review by the Governance Arrangements Assessment Group during the year. The Annual Governance Statement is produced to summarise the result of the governance self-assessment in a statement that tells the People of Gwynedd what our governance framework is, and how well it is working. The members of the Group are the Chief Executive, the Monitoring Officer, the Section 151 Officer, the Head of Corporate Support, Assistant Head of Finance, the Risk & Insurance Manager and the Council Business Service Support Manager.
- 2.2 The Governance Risk Register, which forms part of the Council's Corporate Risk Register, has been developed in line with the 7 Core Principles for Good Governance contained in the CIPFA/Solace Framework *Delivering Good Governance in Local Government (2016)*. The Governance Risk Register identifies risks in 24 different areas of governance, setting out the controls the Council has in place to mitigate these risks.
- 2.3 Specific responsibility for these risks have been distributed across the Council as follows

Department	Number of risks
Corporate Support	5
Finance	4
Housing and Property	1
Leadership Team and Legal	14
Total	24

- 2.4 The relevant department is responsible for assessing these risks continuously, with the Governance Arrangements Assessment Group keeping an overview of them.

2.5 As is usual in risk management arrangements, consideration is given to two factors when scoring the size of these risks:

- The **Impact** of the event if the risk were realised
- The **Likelihood** of the risk being realised.

2.6 The Impact and Likelihood are given a score of 1 to 5, using the following scoring guidelines.

Impact

Score	Impact	Definition
5	Catastrophic	A catastrophic effect on any resident (e.g. loss of life) or a destructive effect on the life or well-being of many residents
4	Destructive	A destructive effect on the life or well-being of several residents (e.g. where the quality of life or the well-being of someone has been effected to the degree that they have an intense need for assistance to allow them to live their lives) or a very substantial effect on many residents
3	Very Substantial	A very substantial effect on the life or well-being of several residents (e.g. the effect means that their quality of life or well-being is substantially lower than would otherwise be expected for a Gwynedd resident) or a significant effect on a many residents
2	Significant	A significant effect on the life or well-being of several residents (e.g. an effect on life or well-being, but falling within the expected range of day-to-day life) or a visible effect on many residents
1	Visible	A visible effect on the life or well-being of some residents (e.g. the effect is visible but not significant to their well-being) or a marginal effect on many residents

- Several = 10s to 100s of residents
- Many = 1,000s to 10,000s of residents

Likelihood

Score	Likelihood	Definition
5	Happening now	The effect is to be seen now (i.e. it is happening)
4	Very likely	Very likely that it will be seen in the foreseeable future
3	Likely	A chance it may happen, but may not
2	Unlikely	The likelihood of it happening is low – but is still there
1	Very Unlikely	Very unlikely to happen

2.7 The Impact Score and Likelihood Scores are multiplied together to give a **Current Risk Score**, which are the risk scores based on the controls that are currently in place. The Risk Score is defined from very high to low as follows:

Score 20-25	Very High Risk
Score 12-16	High Risk
Score 6-10	Medium Risk
Score 1-5	Low Risk

2.8 The Governance Statement notes the risk scores for the 24 risk areas. The assessment by departments and the Governance Arrangements Assessment Group concluded:

- Number of very high risks: 0
- Number of high risks: 4
- Number of medium risks: 11
- Number of low risks: 9

3. CHANGES SINCE THE 2023 STATEMENT

3.1 There has been one change to the governance risk ratings since the Governance Statement was approved in October, namely the Finance Risk (reference L20). This score has increased from 10 (Medium Risk) to **20 (Very High Risk)**:

Finance

Risk: Weaknesses when controlling public finance

3.2 We have consistently reported that the Council has effective financial planning and management arrangements, including accountants and internal auditors, led by the chief finance officer. Internal auditors have a focus on effective arrangements and controls in financial systems, while accountants work closely with the departments and encourage management's ownership of their systems, performance, and financial propriety.

3.3 We believe that the governance of the Council's financial arrangements remains robust, with the review of expenditure against budgets, and monitoring that savings have been achieved by all Council departments, ensuring that the services operate efficiently. However, for the first time in 2023/24 all council departments are projected to overspend. This has been reported to the Governance and Audit Committee and Cabinet but as the need to discover savings continues, and demand for services increases, a scenario where there are not adequate funds can be envisaged in the future to address the budget deficit.

3.4 We therefore believe that this has increased the likelihood of catastrophic financial problems and without decisive action it is highly likely that this would manifest itself in the foreseeable future. The current Risk Score is therefore as follows:

Impact	Likelihood	Risk score
5	4	20

Actions

3.5 After a long period of discovering and delivering savings, around £40m in the period since 2015/16, the plans are now so much harder to realise.

3.6 A series of new savings worth £6.4m, mainly to be realised over 2023/24 and 2024/25, were approved by Cabinet in February 2023. There is an additional set of savings, worth £4.8m, to consider for 2024/25 and 2025/26 so that a balanced budget can be set.

3.7 The likelihood of failure to spend within available resources increases. In response to the situation, departments that continue to overspend will need to report to members with clarifications and steps to be taken.

4. RECOMMENDATION

4.1 The Governance and Audit Committee is requested to consider and comment on the information contained in this report.